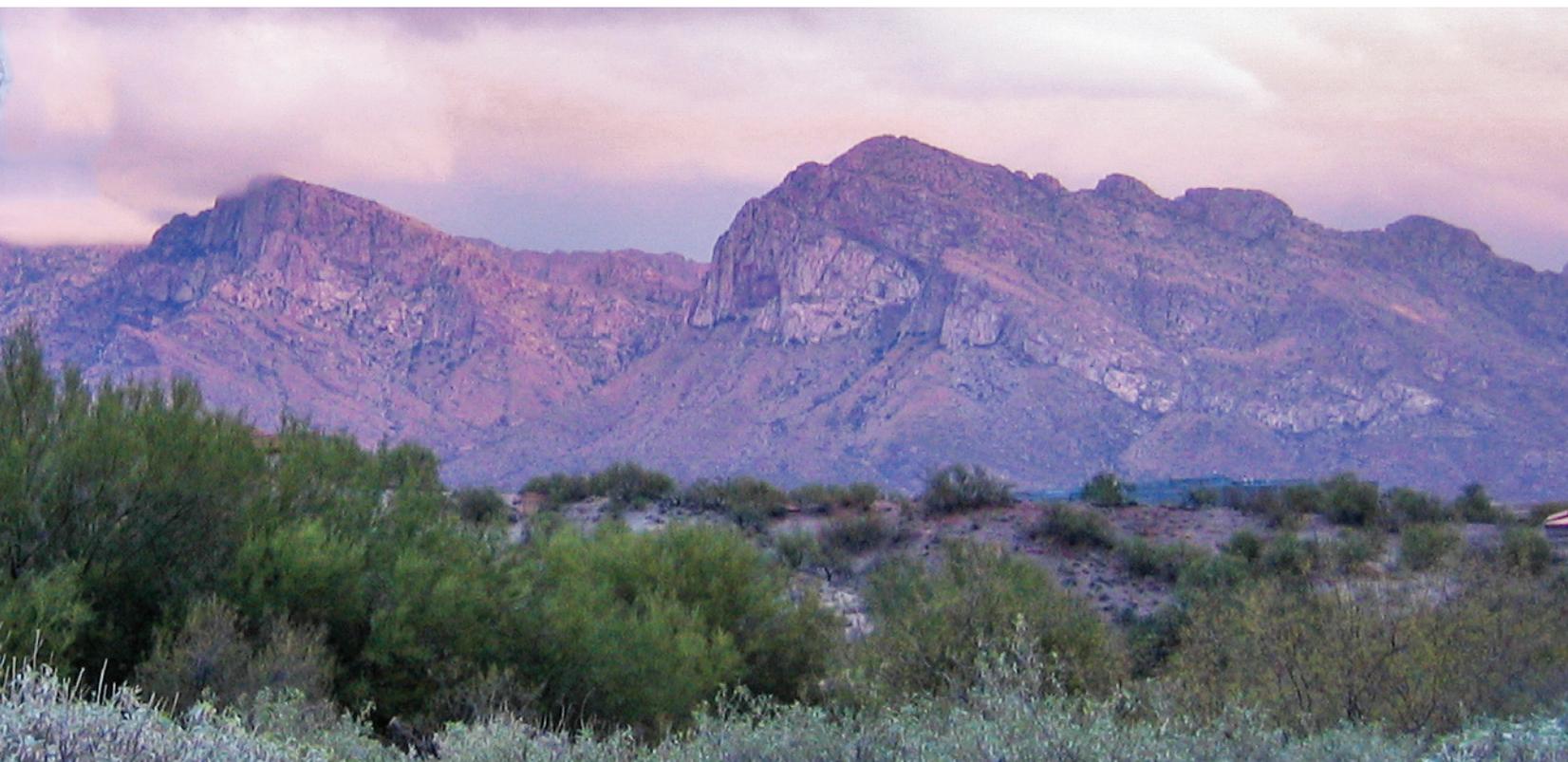




Town of Oro Valley, Arizona

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2017



**TOWN OF ORO VALLEY, ARIZONA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**TOWN OF ORO VALLEY, ARIZONA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Prepared by:

Finance Department

Stacey Lemos, CPA  
Finance Director

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**TOWN OF ORO VALLEY, ARIZONA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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## **INTRODUCTORY SECTION**

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## Town of Oro Valley

December 14, 2017

Honorable Mayor, Members of Town Council and  
Citizens of the Town of Oro Valley, Arizona:

State law mandates that cities publish a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America and audited in accordance with auditing standards generally accepted in the United States of America by a certified public accounting firm licensed in the State of Arizona. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the Town of Oro Valley, Arizona (Town) for the fiscal year ended June 30, 2017.

This report consists of management's representations concerning the finances of the Town. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the Town has established a comprehensive internal control framework that is designed both to protect the Town's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the Town's financial statements in conformity with accounting principles generally accepted in the United States of America. Because the cost of internal controls should not outweigh their benefits, the Town's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free of material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The Town's financial statements have been audited by Heinfeld, Meech & Co., P.C., a certified public accounting firm. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Town for the fiscal year ended June 30, 2017, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the Town's financial statements for the fiscal year ended June 30, 2017, are fairly presented in conformity with accounting principles generally accepted in the United States of America. The independent auditor's report is presented as the first component of the financial section of this report.

*Caring for our heritage, our community, our future.*

[www.orovalleyaz.gov](http://www.orovalleyaz.gov)

11000 N. La Cañada Drive • Oro Valley, Arizona 85737

phone: (520) 229-4700 • fax: (520) 229-0428

Accounting principles generally accepted in the United States of America require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The Town of Oro Valley's MD&A can be found immediately following the report of the independent auditors.

## **PROFILE OF THE TOWN**

The Town of Oro Valley was incorporated in 1974. It is located in northeastern Pima County, three miles north of Tucson and sits at an elevation of 2,620 feet. The Town currently occupies a land area of more than 36 square miles and serves an estimated population of 43,781. The population of Oro Valley has increased 47% since the 2000 population of 29,700.

Based on 2016 Census estimates, Oro Valley has a median household income of \$75,966, compared to the median household income for the state of Arizona of \$51,340. Oro Valley residents enjoy a comfortable hometown feel with a strong family orientation, excellent education system and abundant opportunities in a safe environment.

The Town of Oro Valley operates under the Council-Manager form of government. Policymaking and legislative authority is vested in the Town Council, which consists of a Mayor and six Councilmembers. Councilmembers are elected to four-year staggered terms. The citizens of Oro Valley elect the Mayor. The Council, from among its members, selects the Vice-Mayor. The Town Council is responsible, among other things, for the adoption of local ordinances, budget adoption, the development of citizen advisory committees, the hiring and removal of the Town Manager, the Police Chief, Town Attorney and Town Magistrate. The Town Manager is responsible for implementation of the policies of the Town Council. The Town Manager appoints all other department directors except those mentioned above under Town Council responsibilities.

The Town of Oro Valley provides a full range of services including police protection; the construction and maintenance of streets and related infrastructure; the provision of water and stormwater services; public transportation services; recreational activities and cultural events.

As with all cities in the State of Arizona, the Town of Oro Valley is required to comply with Article IX, Section 20 (1) of the Arizona Constitution, which sets limits on the Town's legal budget capacity. The Town currently operates under the Alternative Expenditure Limitation – Home Rule Option. This option allows the Town Council to establish the budgetary limits locally, rather than being restricted by the State-imposed expenditure limitation. The voters must authorize this option every four years. It was last authorized by the citizens of Oro Valley in August of 2014.

The annual budget serves as the foundation for the Town's financial planning and control. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual budget approved by the Town Council. The Town's budget preparation process usually begins in December, the Manager's Recommended Budget is presented to the Town Council for review in April, and the final budget is typically approved in June. The Town Council is required to hold a public hearing on the proposed budget and to adopt the final budget by no later than the second Monday in August. Budget amendments requiring the approval of the Town Council include the following: budget transfers between funds; transfers to fund additional personnel or increased expenditures as a result of personnel reclassifications; transfers that would reduce or eliminate funding for items designated in the adopted Capital Improvement Program; and transfers that would reduce or eliminate funding for debt service. All other operational budget amendments that involve transfers between line items or expenditure categories require approval by the Town Manager.

## **MAJOR INITIATIVES AND ACCOMPLISHMENTS FOR THE YEAR**

Oro Valley's Strategic Plan was updated during FY 2016-17 and is centered around the vision expressed in the Council-adopted and voter-ratified Oro Valley General Plan. The Strategic Plan is organized around the framework of the following ten (10) focus areas:

### Economic Development

Focusing on long-term financial and economic stability and sustainability, Oro Valley recognizes that a robust local economy and job market provide opportunities for quality employment.

### Complete Community

Oro Valley continues to be a community with a wide range of services, amenities, shopping and dining opportunities and housing types that meet the needs of current and future residents.

### Parks and Recreation

Oro Valley recognizes the need for a high-quality parks, recreation and open space system that is accessible, comprehensive and connected.

### Public Safety

Oro Valley will continue its commitment to being a safe community with low crime, safe neighborhoods and positive relationships between law enforcement and community members.

### Town Assets

Oro Valley provides high-quality and well-maintained Town assets, including streets, infrastructure and facilities.

### Water Resources and Energy

Oro Valley delivers a high-quality, safe and reliable water supply that meets the long-term needs for the community while considering the natural environment.

### Cultural Resources

Oro Valley protects and preserves its significant cultural sites, properties and resources to enhance our community character and heritage.

### Land Use and Design

Oro Valley focuses on a built environment that creatively integrates landscape, architecture, open space and co

### Transportation

Oro Valley will provide an integrated and connected transportation network that enhances mobility for people and goods while providing diverse transportation choices that are safe, user-friendly, efficient and accessible.

### Cost of Services

Oro Valley will seek full recovery of the costs of services that serve new development.

While the Strategic Plan guides short-term decision-making, the General Plan provides a longer term (up to 10 years) direction regarding the growth, development and redevelopment of the community. Oro Valley is a community defined by the highest standard of environmental integrity, education, infrastructure, services and public safety. It is a community of people working together to create the Town's future with a government that is responsive to residents and ensures the long-term financial stability of the Town. Shown below are some of the Town's accomplishments during FY 2016-17.

- Conducted the August 30, 2016 primary election at which all three Council seats were filled with voter turnout of 45%
- Conducted the November 8, 2016 general election at which the *Your Voice, Our Future* General Plan update was approved with voter turnout of 77%
- Adopted a new hands-free driving ordinance to increase public safety in Oro Valley
- Honored with the United States Department of Transportation Educate and Enforce Award as part of the 2016 Mayors' Challenge for Safer People, Safer Streets
- Adopted the 2017 Strategic Plan, which focuses Town resources on community needs and desires
- Adopted a balanced budget for FY 2017-18 in the amount of \$128.6 million, reflecting our community's values and priorities
- Ended FY 2016-17 with a nearly \$2.9 million increase in the General Fund ending fund balance
- Issued a total of 2,371 building permits of all types – a 19% increase over the previous fiscal year
- Completed phase one of the planning process for the creation of a central “district” in town, resulting in adoption of the Main Streets Concept Plan
- Collected over \$2 million in plan review and permit fees representing more than \$170 million in work valuation for new private construction
- Completed major development reviews for Alterra at Vistoso Trails, Nakoma Sky, Oro Valley Senior Care and Steam Pump Self-Storage
- Commercial project inspections included El Corredor Apartments, Kneader's Bakery, Freddy's Frozen Custard and Steakburgers, Native Grill and Wings, Fry's Fuel Center, Cathey's Sew & Vac and various other tenant improvement projects
- Completed design of the La Cholla roadway widening project
- In Transit Services, provided 51,131 passenger trips, an increase of 11.5% over the prior fiscal year
- Began the Lambert Lane phase II widening project
- Secured regional funds for installation of a traffic signal on La Cañada at the Community Center
- Successfully issued \$14.3 million in excise tax revenue refunding obligations, resulting in overall net interest savings of nearly \$1.1 million
- Successfully issued \$2 million in excise tax revenue obligations to fund energy efficiency improvements at the Oro Valley Community Center, with debt service fully paid for by resulting energy savings
- Received the Achievement of Excellence in Financial Reporting Award, Distinguished Budget Presentation Award and Popular Annual Financial Reporting Award from the Government Finance Officers Association
- Began construction on two new lit multi-sport fields at Naranja Park
- Delivered a combined total of 3.03 billion gallons of water to water utility customers

## ECONOMIC CONDITIONS AND OUTLOOK

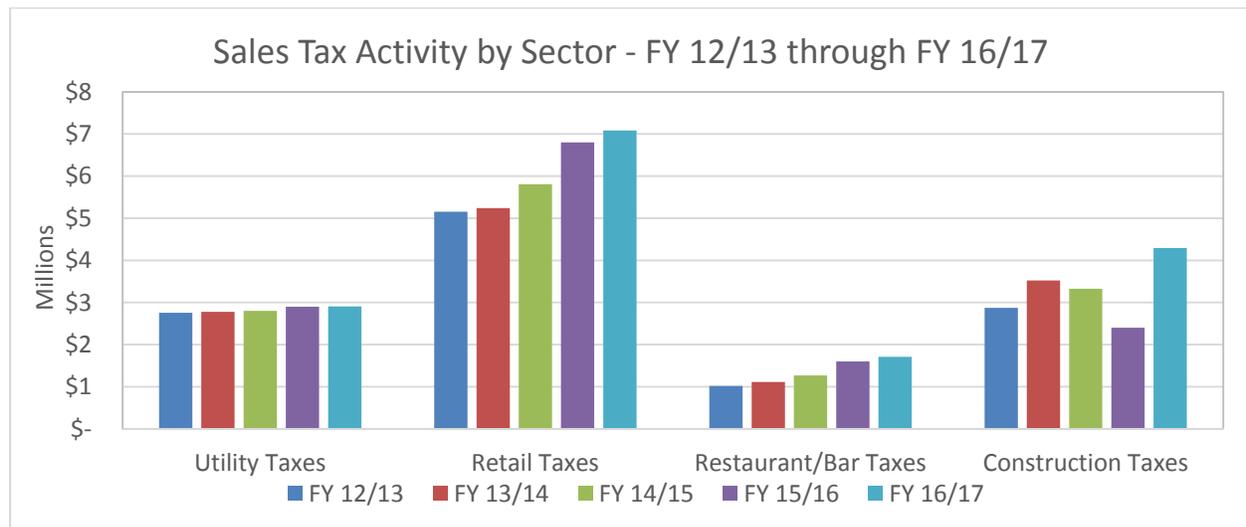
The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the Town operates.

Healthy economic growth is being observed at both the local and state levels, which has impacted our revenue collections for FY 2016-17 and is expected to continue into FY 2017-18. The Town continues to provide services and programs without a property tax to fund operations and, therefore, is dependent upon state shared revenues and local sales tax as major sources of operating revenue. These sources accounted for approximately 77% of total General Fund revenue for FY 2016-17.

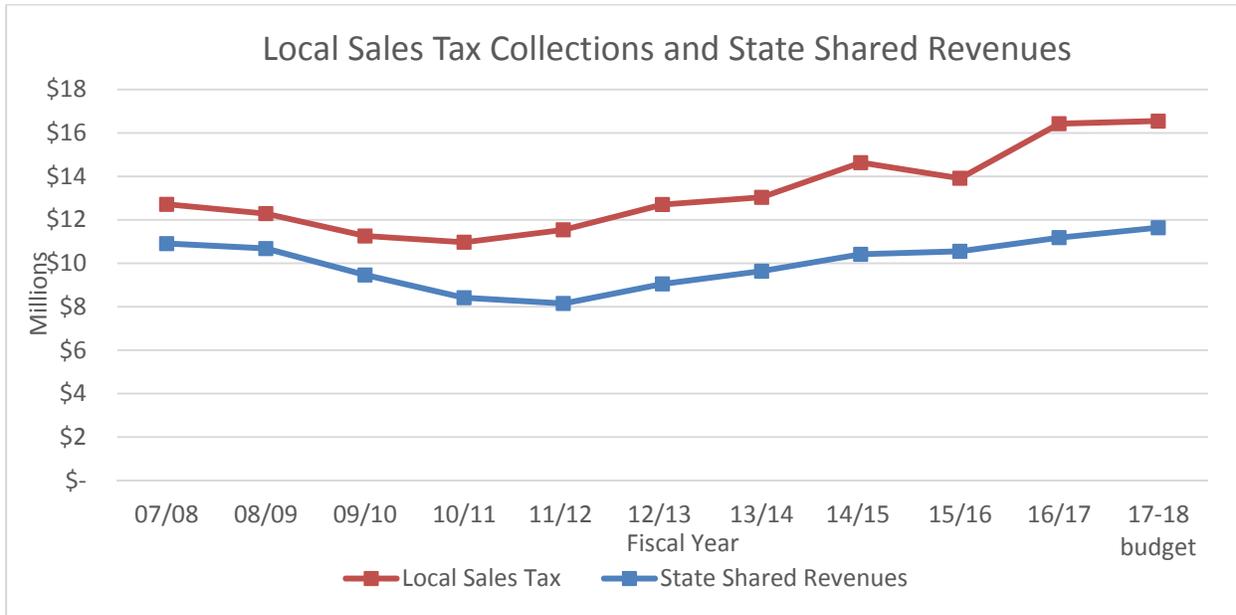
All of the major local sales tax categories experienced year-over-year increases or maintained their levels compared to amounts collected in FY 2015-16, as discussed below:

- Retail tax collections totaled \$7.1 million for FY 16-17, up 4.4%, or \$300,000 over last fiscal year.
- Restaurant and bar tax collections totaled \$1.7 million for the fiscal year, up 6.9%, or \$110,000 over last fiscal year.
- Construction sales tax collections totaled \$4.3 million for the fiscal year, up 79%, or nearly \$1.9 million from last fiscal year.
- Utility tax collections totaled \$2.9 million for the fiscal year, which is flat to last year's collections.

The chart below is a look at the past five years' local sales tax activity by category:



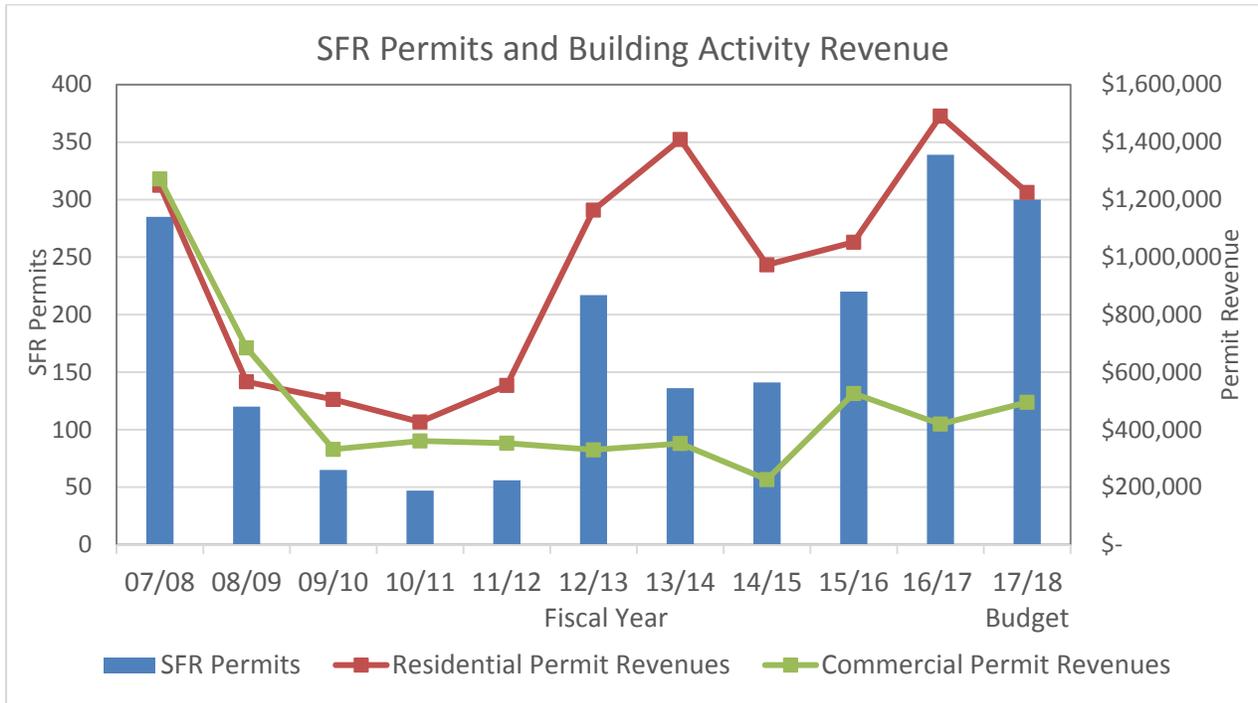
In FY 2016-17, the Town received \$11.2 million for state shared revenues in the General Fund, up 6%, or \$600,000 over last fiscal year. The trend chart below depicts the performance of both of these revenue categories since FY 2007-08:



Critical to our success in this area is the preparation of realistic growth assumptions that help guide our revenue projections. We continue to see healthy economic growth in Oro Valley and the region. The projected residential development is considerable over the next three to four-year period. In FY 2016-17, we estimated that 230 single family residential (SFR) building permits would be issued; a total of 339 were issued by year-end. The FY 2017-18 budget includes the assumption that 300 SFRs will be issued during the year as many developments have made their way through the planning and approval process and are in the building phase.

The budget reflects continued growth in commercial activity with some new construction and tenant improvements of previously-vacant space. Commercial development activity projected for FY 2017-18 includes three senior living facilities, a self-storage facility, the completion of two schools and continued office, restaurant and retail space. Local sales tax revenue in the General Fund is expected to grow by nearly 10% in FY 2017-18 due largely to construction, retail and restaurant taxes. License and permit revenues are projected to increase by nearly 28% over FY 2016-17 budgeted amounts, reflecting the increased commercial and residential development anticipated.

The below chart depicts the local trends in single family residential (SFR) building permits issued and annual permit revenues from both residential and commercial construction activity from FY 2007-08 through FY 2017-18 projections.



**Future Focus**

During FY 2017-18, the Town will continue to identify and quantify both one-time revenues derived from increased construction activity and recurring revenues derived from such areas as local sales taxes and state-shared sources. The Town continues to dedicate one-time revenues to funding one-time expenditures in the budget, specifically for capital improvement projects, while ensuring that sufficient recurring revenues exist to fund recurring expenditures in the budget. With the expectation of sustained and moderately increasing development activity continuing in future years, it will be important to continue to analyze the budget in this manner to avoid future reliance on one-time revenues to fund recurring costs.

For FY 2017-18, the Town will focus its efforts on supporting the elements of its adopted Strategic Plan in the areas previously outlined earlier in this transmittal letter.

These strategies will be fulfilled in a number of different ways as highlighted below:

- Employee performance merit and step increases have been budgeted for FY 2017-18 to maintain fair and competitive compensation provided to the Town’s most valuable assets, its employees.
- The FY 2017-18 budget includes continued funding for its vehicle replacement program, which includes the replacement of several vehicles town-wide, as well as setting aside funding for the future replacement of vehicles at the end of their useful lives.
- The FY 2017-18 budget includes more than \$1.5 million for the Pavement Preservation Program in the Highway Fund, which maintains the current condition of our streets and roads.
- The FY 2017-18 budget includes investments in our Town facilities including two new unlit multi-use fields at Naranja Park, Community Center energy efficiency improvements, tennis court improvements, golf cart path improvements and a Police Evidence and Substation Building.

The Town also continues to maintain strong investment grade ratings on its outstanding excise tax bonds, rated “AA” by Standard and Poor’s and “AA-“ by Fitch Ratings. This is largely achieved by the Council’s goal of continuing to diversify the Town’s revenue base and maintaining strong fund balance reserves in the General Fund, currently at \$13.4 million, or 37% of FY 2017-18 adopted expenditures of \$36.7 million. This is well above the Council-adopted policy threshold of 25% of adopted expenditures.

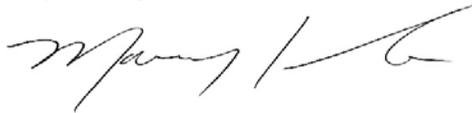
## **AWARDS AND ACKNOWLEDGMENTS**

**Award.** The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Oro Valley for its comprehensive annual financial report for the year ended June 30, 2016. This was the twenty-third consecutive year that the Town has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program’s requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

**Acknowledgments.** The preparation of this Comprehensive Annual Financial Report could not have been accomplished without the efficient and dedicated services of the entire staff of the Finance Department who assisted and contributed in its preparation. We thank the Mayor and members of the Town Council for their interest and support in planning and conducting the financial affairs of the Town in a responsible and progressive manner.

Respectfully submitted,



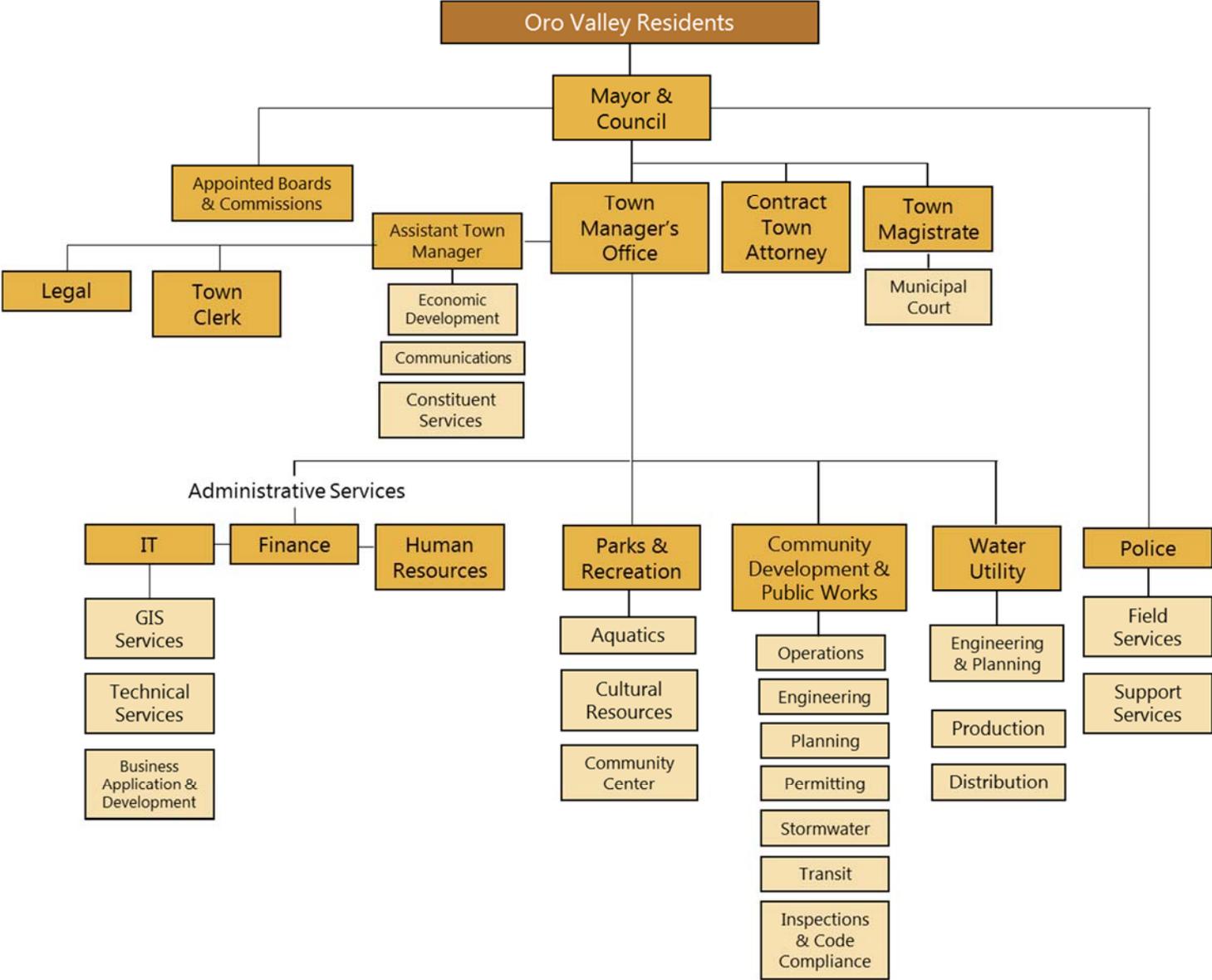
Mary Jacobs  
Town Manager



Stacey Lemos, CPA  
Finance Director



# Organizational Chart



**TOWN OF ORO VALLEY, ARIZONA  
LIST OF TOWN OFFICIALS**

**ELECTED OFFICIALS**

Mayor	Dr. Satish Hiremath
Vice-Mayor	Mr. Lou Waters
Council Member	Mr. Joe Hornat
Council Member	Ms. Rhonda Piña
Council Member	Mr. Bill Rodman
Council Member	Ms. Mary Snider
Council Member	Mr. Steve Solomon

**TOWN MANAGEMENT**

Town Manager	Mary Jacobs
Assistant Town Manager	Chris Cornelison
Finance Director	Stacey Lemos, CPA
Human Resources Director	Gary Bridget
Town Clerk	Michael Standish
Magistrate	George Dunscomb
Legal Services Director	Tobin Sidles
Water Utility Director	Peter Abraham
Chief of Police	Daniel Sharp
Community Development and Public Works Director/Town Engineer	Paul Keesler
Parks and Recreation Director	Kristy Diaz-Trahan
Information Technology Director	Chuck Boyer



Government Finance Officers Association

Certificate of  
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Presented to

**Town of Oro Valley**  
**Arizona**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2016**

Executive Director/CEO

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**FINANCIAL SECTION**

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## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of the Town Council  
Town of Oro Valley, Arizona

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Oro Valley, Arizona (the Town), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Oro Valley, Arizona, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Change in Accounting Principle***

As described in Note 1, the Town implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 77, *Tax Abatement Disclosures*, for the year ended June 30, 2017, which represents a change in accounting principle. Our opinion is not modified with respect to this matter.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, and net pension liability information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The Introductory Section, Combining and Individual Fund Financial Statements and Schedules, and Statistical Section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Combining and Individual Fund Financial Statements and Schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Combining and Individual Fund Financial Statements and Schedules Information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The Introductory Section and Statistical Section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2017, on our consideration of the Town of Oro Valley, Arizona's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Oro Valley, Arizona's internal control over financial reporting and compliance.

*Heinfeld, Meech & Co., P.C.*

Heinfeld, Meech & Co., P.C.

Tucson, Arizona

December 14, 2017

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
**(Required Supplementary Information)**

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**TOWN OF ORO VALLEY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2017**

As management of the Town of Oro Valley, Arizona (Town), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2017. The management's discussion and analysis is presented as required supplementary information to supplement the basic financial statements. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report.

**FINANCIAL HIGHLIGHTS**

The financial statements which follow the Management's Discussion and Analysis provide those significant key financial highlights for 2016-17 as follows.

- The Town's total net position of governmental activities decreased \$2.2 million to \$124.0 million and business-type activities increased \$4.7 million to \$85.5 million representing 59 percent and 41 percent respectively, of the total net position of \$209.5 million.
- General revenues from governmental activities accounted for \$31.7 million in revenue, or 59 percent of all revenues from governmental activities. Program specific revenues in the form of charges for services and grants and contributions accounted for \$22.2 million or 41 percent of total governmental activities revenues. The Town had \$20.6 million of program revenues and \$11,995 in general revenues related to business-type activities.
- The Town had \$56.0 million in expenses related to governmental activities, an increase of 15 percent from the prior fiscal year. The Town had \$15.9 million in expenses related to business-type activities, an increase of four percent from the prior fiscal year.
- Among major funds, the General Fund had \$35.7 million in revenues, which primarily consisted of sales taxes and intergovernmental revenues. The total expenditures of the General Fund were \$30.7 million. The General Fund's fund balance increased from \$10.5 million to \$13.4 million.
- The Community Center Fund had \$6.1 million in revenues, which consisted primarily of sales taxes and charges for services. The total expenditures of the Community Center Fund were \$6.6 million.
- The Water Fund operating revenues of \$15.7 million exceeded operating expenses of \$13.4 million. The increase in net position of \$4.5 million was primarily due to revenues from charges for services exceeding operating expenses.

**TOWN OF ORO VALLEY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2017**

**OVERVIEW OF FINANCIAL STATEMENTS**

This discussion and analysis are intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the Town's assets liabilities, and deferred inflows/outflows of resources with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The statement of activities presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

In the government-wide financial statements the Town's activities are presented in the following categories:

- **Governmental activities** – Most of the Town's basic services are included here, such as general government, public safety, highways and streets, and culture and recreation. Sales taxes, intergovernmental, and charges for services finance most of these activities.
- **Business-type activities** – The services provided by the Town included here are water and stormwater utilities. The services are primarily financed through user fees and charges.

**Fund Financial Statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental funds and proprietary funds.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Town's near-term financing requirements.

**TOWN OF ORO VALLEY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2017**

**OVERVIEW OF FINANCIAL STATEMENTS**

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Town's near-term financing decision. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General and Community Center Funds, both of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements and schedules.

**Proprietary funds.** The Town maintains two types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses enterprise funds to account for its Oro Valley Water Utility and Stormwater Drainage Utility. The Town uses internal service funds to account for its fleet maintenance services and to finance its self-insured employee health benefits. Because these services predominately benefit governmental rather than business-type functions, the internal service funds have been included within governmental activities in the government-wide financial statements.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Town's budget process and pension plan. The Town adopts an annual expenditure budget for all governmental funds. A schedule of revenues, expenditures and changes in fund balances – budget and actual has been provided for the General Fund and the major Special Revenue Fund as required supplementary information. Schedules for the pension plan have been provided as required supplementary information.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net position may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets and deferred outflows exceeded liabilities and deferred inflows by \$209.5 million as of the current fiscal year end.

The largest portion of the Town's net position reflects its investment in capital assets (e.g., land, buildings and improvements, improvements other than buildings, infrastructure, vehicles, machinery and equipment and construction in progress), less any related outstanding debt used to acquire those assets.

**TOWN OF ORO VALLEY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2017**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The Town uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related outstanding debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following table presents a summary of the Town's net position for the fiscal years ended June 30, 2017 and June 30, 2016.

	2017	2016	2017	2016	2017 Total	2016 Total
	Governmental Activities	Governmental Activities	Business-type Activities	Business-type Activities		
Current and other assets	\$ 29,374,923	\$ 25,492,595	\$ 26,954,464	\$ 26,967,200	\$ 56,329,387	\$ 52,459,795
Capital assets, net	143,894,535	143,475,577	104,318,221	103,167,086	248,212,756	246,642,663
Total assets	<u>173,269,458</u>	<u>168,968,172</u>	<u>131,272,685</u>	<u>130,134,286</u>	<u>304,542,143</u>	<u>299,102,458</u>
Deferred outflows	<u>11,291,054</u>	<u>7,159,926</u>	<u>2,570,024</u>	<u>2,217,565</u>	<u>13,861,078</u>	<u>9,377,491</u>
Current and other liabilities	6,204,548	5,531,577	4,173,610	3,515,815	10,378,158	9,047,392
Long-term liabilities	<u>51,682,850</u>	<u>42,644,832</u>	<u>43,660,596</u>	<u>47,687,319</u>	<u>95,343,446</u>	<u>90,332,151</u>
Total liabilities	<u>57,887,398</u>	<u>48,176,409</u>	<u>47,834,206</u>	<u>51,203,134</u>	<u>105,721,604</u>	<u>99,379,543</u>
Deferred inflows	<u>2,649,527</u>	<u>1,761,164</u>	<u>531,886</u>	<u>382,698</u>	<u>3,181,413</u>	<u>2,143,862</u>
Net investment in capital assets	133,414,691	132,419,826	66,755,370	61,261,271	200,170,061	193,681,097
Restricted	6,006,584	4,653,905			6,006,584	4,653,905
Unrestricted	<u>(15,397,688)</u>	<u>(10,883,206)</u>	<u>18,721,247</u>	<u>19,504,748</u>	<u>3,323,559</u>	<u>8,621,542</u>
Total net position	<u>\$ 124,023,587</u>	<u>\$ 126,190,525</u>	<u>\$ 85,476,617</u>	<u>\$ 80,766,019</u>	<u>\$ 209,500,204</u>	<u>\$ 206,956,544</u>

The Town's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets. The following are significant current year transactions that have had an impact on the Statement of Net position.

- An increase of \$3.9 million of governmental activities current assets primarily due to an increase in cash and investments as a result of higher than anticipated sales tax collections and license and permit revenues from construction and residential building permit activity.
- The addition of \$4.6 million in business-type activities capital assets through improvements to the existing water system.
- The addition of \$9.0 million in governmental activities capital assets, mostly consisting of road improvements, pavement preservation upgrades, and energy efficiency improvements.
- The decrease of \$4.1 million in business-type activities long-term liabilities was primarily due to the issuance of \$13.2 million in refunding bonds and annual debt service payments of \$3.7 million.
- The increase of \$9.0 million in governmental activities long-term liabilities was primarily due to an increase in net pension liabilities and the issuance of \$2.0 million in revenue bonds for energy efficiency improvements.

**TOWN OF ORO VALLEY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2017**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Changes in net position.** The Town's total revenues for the current fiscal year were \$74.5 million. The total cost of all programs and services was \$71.9 million. The following table presents a summary of the changes in net position for the fiscal years ended June 30, 2017 and June 30, 2016.

	2017 Governmental Activities	2016 Governmental Activities	2017 Business-type Activities	2016 Business-type Activities	2017 Total	2016 Total
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 10,803,374	\$ 9,492,509	\$ 19,473,172	\$ 17,567,838	\$ 30,276,546	\$ 27,060,347
Operating grants and contributions	4,664,197	5,503,530		35,000	4,664,197	5,538,530
Capital grants and contributions	6,749,407	3,602,656	1,097,285	3,334,372	7,846,692	6,937,028
General revenues:						
Sales taxes	19,767,720	16,998,464			19,767,720	16,998,464
Franchise taxes	647,830	621,546			647,830	621,546
Unrestricted state shared revenues	11,177,729	10,549,196			11,177,729	10,549,196
Investment earnings	68,435	238,210	11,995	204,669	80,430	442,879
<b>Total revenues</b>	<u>53,878,692</u>	<u>47,006,111</u>	<u>20,582,452</u>	<u>21,141,879</u>	<u>74,461,144</u>	<u>68,147,990</u>
<b>Expenses:</b>						
General government	12,130,905	11,888,794			12,130,905	11,888,794
Public safety	22,251,172	16,123,500			22,251,172	16,123,500
Highways and streets	9,417,459	9,089,318			9,417,459	9,089,318
Transit	1,533,258	1,432,910			1,533,258	1,432,910
Culture and recreation	10,204,276	9,695,639			10,204,276	9,695,639
Interest on long-term debt	511,502	494,732			511,502	494,732
Water			14,753,418	14,406,074	14,753,418	14,406,074
Stormwater drainage			1,115,494	917,898	1,115,494	917,898
<b>Total expenses</b>	<u>56,048,572</u>	<u>48,724,893</u>	<u>15,868,912</u>	<u>15,323,972</u>	<u>71,917,484</u>	<u>64,048,865</u>
<b>Excess (deficiency) before transfers</b>	(2,169,880)	(1,718,782)	4,713,540	5,817,907	2,543,660	4,099,125
<b>Transfers</b>	2,942	3,030	(2,942)	(3,030)		
<b>Changes in net position</b>	(2,166,938)	(1,715,752)	4,710,598	5,814,877	2,543,660	4,099,125
<b>Net position, beginning</b>	126,190,525	127,906,277	80,766,019	74,951,142	206,956,544	202,857,419
<b>Net position, ending</b>	<u>\$ 124,023,587</u>	<u>\$ 126,190,525</u>	<u>\$ 85,476,617</u>	<u>\$ 80,766,019</u>	<u>\$ 209,500,204</u>	<u>\$ 206,956,544</u>

Total expenses increased \$7.9 million, or 12 percent, primarily due to an increase in the net pension liability for public safety.

The increase of \$6.3 million in total revenues was largely due to increased funding for road improvements and an increase in sales tax collections.

Business-type activities capital grants and contributions decreased by \$2.2 million due to a reduction in line extension agreements with housing developers.

**TOWN OF ORO VALLEY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2017**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Governmental and Business-type activities.** The following table presents the cost of the Town's major functional activities. The table also shows each function's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the State and Town's taxpayers by each of these functions.

	2017		2016	
	Total Expenses	Net (Expense)/ Revenue	Total Expenses	Net (Expense)/ Revenue
<b>Governmental Activities</b>				
General government	\$ 12,130,905	\$ (6,835,638)	\$ 11,888,794	\$ (7,610,593)
Public safety	22,251,172	(21,068,318)	16,123,500	(15,271,780)
Highways and streets	9,417,459	173,707	9,089,318	(1,547,930)
Transit	1,533,258	(14,466)	1,432,910	(46,057)
Culture and recreation	10,204,276	(5,575,377)	9,695,639	(5,155,106)
Interest on long-term debt	511,502	(511,502)	494,732	(494,732)
<b>Total</b>	<u>\$ 56,048,572</u>	<u>\$ (33,831,594)</u>	<u>\$ 48,724,893</u>	<u>\$ (30,126,198)</u>
<b>Business-type Activities</b>				
Water	\$ 14,753,418	\$ 4,502,252	\$ 14,406,074	\$ 5,667,878
Stormwater drainage	1,115,494	199,293	917,898	(54,640)
<b>Total</b>	<u>\$ 15,868,912</u>	<u>\$ 4,701,545</u>	<u>\$ 15,323,972</u>	<u>\$ 5,613,238</u>

- The cost of all governmental activities this year was \$56.0 million. The increase of \$7.3 million from the prior year was due primarily to an increase in the net pension liability for public safety.
- The cost of all business-type activities this year was \$15.9 million. The increase of \$544,940 from the prior year was primarily due to an increase in operation and maintenance costs associated with the Water Utility department.
- Federal and State government grants, developer contributions, and charges for services subsidized certain governmental programs and business-type programs with revenues of \$42.8 million.
- Net cost of governmental activities of \$33.8 million was financed by general revenues, which are made up of primarily sales taxes and state shared revenues of \$30.9 million.

**FINANCIAL ANALYSIS OF THE TOWN'S FUNDS**

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the Town's net resources available for spending at the end of the fiscal year.

**TOWN OF ORO VALLEY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2017**

**FINANCIAL ANALYSIS OF THE TOWN'S FUNDS**

The financial performance of the Town as a whole is reflected in its governmental funds. As the Town completed the year, its governmental funds reported a combined fund balance of \$22.9 million, an increase of \$4.2 million. This was primarily due to increased state sharing revenue and an increase in sales tax collections.

The General Fund is the principal operating fund of the Town. The fund balance increased by \$2.9 million in the General Fund to \$13.4 million for the current fiscal year primarily due to increased state sharing revenue and an increase in sales tax collections.

The Community Center Fund's fund balance decreased \$258,902 to a deficit of \$97,157 primarily due to facility operating costs exceeding revenues. Operating costs, primarily water costs, exceeded expectations, and golf member dues revenues came in under budgeted expectations. Measures are being evaluated by Town management to better align revenues and expenditures in this fund in the future.

**Proprietary funds.** Net position of the Enterprise Funds at the end of the year amounted to \$85.5 million. This increased by \$4.7 million during the fiscal year to the extent that revenues exceeded expenses in the fund and from capital contributions from developers.

**BUDGETARY HIGHLIGHTS**

There were amendments to the Town of Oro Valley's fiscal year 2016-17 operating and capital budget. A schedule showing the original and final budget amounts compared to the Town's actual financial activity for the General Fund is provided in this report as required supplementary information. The significant variances are summarized as follows:

- The favorable variance of \$1,352,605 in sales tax revenue was a result of increased construction sales tax collections due to commercial and residential development activity, and increased retail tax collections due to strong consumer confidence trends.
- The favorable variance of \$698,004 in licenses, fees, and permits was a result of residential and commercial building permit activity exceeding projections.
- The favorable variance of \$1,127,926 in public safety expenditures was a result of a budget amendment that was approved to accommodate the repayment of excess public safety personnel retirement system (PSPRS) contributions to members as a result of the *Hall* and *Parker* lawsuit settlements. Based on a recent opinion from the Arizona Auditor General's office, these amounts will be expensed in fiscal year 2017-18.

**TOWN OF ORO VALLEY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2017**

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** At year end, the Town had invested \$248.2 million in capital assets (net of accumulated depreciation), including buildings, facilities, vehicles, computers, equipment, and infrastructure assets. This amount represents a net increase of \$1.6 million from last year. This was primarily due to road improvement projects and expansion of the Town's water system, as well as depreciation expense of \$12.6 million.

The following schedule presents capital asset balances for the fiscal years ended June 30, 2017 and June 30, 2016.

	As of June 30, 2017	As of June 30, 2016
<b><u>Governmental Activities</u></b>		
Land	\$ 19,518,801	\$ 19,518,801
Infrastructure	173,893,147	168,952,706
Buildings and improvements	30,461,644	30,092,900
Machinery, equipment, and vehicles	16,611,079	16,122,605
Construction in progress	9,248,205	6,070,883
Less: Accumulated depreciation	<u>(105,838,341)</u>	<u>(97,282,318)</u>
<b>Total</b>	<b><u>\$ 143,894,535</u></b>	<b><u>\$ 143,475,577</u></b>
<b><u>Business-type Activities</u></b>		
Land	\$ 2,410,660	\$ 2,410,660
Water rights	8,534,490	8,534,490
Water system	130,279,801	126,061,264
Stormwater system	2,846,177	2,846,177
Equipment and vehicles	5,520,902	5,225,374
Construction in progress	921,300	874,446
Less: Accumulated depreciation	<u>(46,195,109)</u>	<u>(42,785,325)</u>
<b>Total</b>	<b><u>\$ 104,318,221</u></b>	<b><u>\$ 103,167,086</u></b>

Additional information on the Town's capital assets can be found in Note 6.

**TOWN OF ORO VALLEY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2017**

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Debt Administration.** At year end, the Town had \$48.9 million in long-term debt outstanding, \$4.5 million due within one year. The following table presents a summary of the Town's outstanding long-term debt for the fiscal years ended June 30, 2017 and June 30, 2016.

<u><b>Governmental Activities</b></u>	<u>2017</u>	<u>2016</u>
Revenue bonds	\$ 9,322,126	\$ 7,688,890
Special assessment bonds	640,000	780,000
Note payable	350,000	700,000
Capital leases	716,622	966,692
<b>Total</b>	<u>\$ 11,028,748</u>	<u>\$ 10,135,582</u>
<u><b>Business-type Activities</b></u>		
Revenue bonds	\$ 29,520,874	\$ 32,951,110
Loan payable	8,284,407	8,879,907
Capital leases	40,814	80,423
<b>Total</b>	<u>\$ 37,846,095</u>	<u>\$ 41,911,440</u>

State statutes currently limit the amount of general obligation debt a Town may issue to 20 percent of its net full cash assessed valuation for water, sewer, lights, open space preserves, parks, playgrounds and recreational facilities. The current debt limitation for the Town is \$123.2 million.

The Town of Oro Valley has a bond rating of "AA-" rating from both Standard & Poor's and Fitch Ratings on its excise tax revenue bonds and an "AA" rating from Standard & Poor's on outstanding water revenue bonds.

Additional information on the Town's long-term debt can be found in Notes 7 through 11.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

- The unemployment rate for the Town of Oro Valley is currently 4.6 percent. Pima County's and the State of Arizona's unemployment rates are 4.9 percent and 5.1 percent, respectively.
- The Town's net full cash assessed valuation for the current year is \$616,216,705.
- Single family residential (SFR) building permits issued in this fiscal year totaled 339, as compared to 220 SFR building permits issued last fiscal year. Projections for SFR building permits are 300 for fiscal year 2017-18.

**TOWN OF ORO VALLEY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2017**

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The adopted combined operating and capital expenditure budget for fiscal year 2017-18 totals \$128.6 million, an increase of \$2.7 million, or 2.1 percent over last year's budget of \$125.9 million. This increase is primarily due to allocating sufficient budget capacity for possible bond funded capital projects. The budget for fiscal year 2017-18 continues to place emphasis on achieving the goals identified in the Town's adopted Strategic Plan, which was recently updated in fiscal year 2016-17 and includes the following focus areas: economic development, complete community, parks and recreation, public safety, Town assets, water resources and energy, cultural resources, land use and design, transportation and cost of services.

**CONTACTING THE TOWN'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Town's finances and to demonstrate the Town's accountability for the resources it receives. If you have questions about this report or need additional information, contact the Finance Department, Town of Oro Valley, Arizona, 11000 North La Cañada Drive, Oro Valley, Arizona 85737.

## **BASIC FINANCIAL STATEMENTS**

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**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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**TOWN OF ORO VALLEY, ARIZONA**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2017**

	Governmental Activities	Business-type Activities	Total
<b><u>ASSETS</u></b>			
Current assets:			
Cash and cash equivalents	\$ 24,387,814	\$ 23,343,276	\$ 47,731,090
Restricted cash and investments		924,000	924,000
Taxes receivable	1,371,535		1,371,535
Accounts receivable	538,013	2,684,213	3,222,226
Intergovernmental receivable	2,122,082		2,122,082
Special assessments	645,000		645,000
Inventories	115,005		115,005
Prepaid items	195,474	2,975	198,449
<b>Total current assets</b>	<u>29,374,923</u>	<u>26,954,464</u>	<u>56,329,387</u>
Noncurrent assets:			
Capital assets, non-depreciable	28,767,006	11,866,452	40,633,458
Capital assets, depreciable (net)	115,127,529	92,451,769	207,579,298
<b>Total noncurrent assets</b>	<u>143,894,535</u>	<u>104,318,221</u>	<u>248,212,756</u>
<b>Total assets</b>	<u>173,269,458</u>	<u>131,272,685</u>	<u>304,542,143</u>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>			
Deferred charge on refunding		1,596,698	1,596,698
Pension plan items	11,291,054	973,326	12,264,380
<b>Total deferred outflows of resources</b>	<u>11,291,054</u>	<u>2,570,024</u>	<u>13,861,078</u>
<b><u>LIABILITIES</u></b>			
Current liabilities:			
Accounts payable	2,562,412	850,491	3,412,903
Accrued wages and benefits	1,129,398	103,971	1,233,369
Intergovernmental payable	145,609	1,219,049	1,364,658
Interest payable		408,104	408,104
Unearned revenue	448,292	924,000	1,372,292
Customer deposits payable	110,416	667,995	778,411
Other accrued liabilities	721,076		721,076
Judgments payable	1,087,345		1,087,345
Compensated absences	1,589,603	206,011	1,795,614
Capital leases payable	257,878	40,814	298,692
Notes, loans and bonds payable	1,044,290	3,201,244	4,245,534
<b>Total current liabilities</b>	<u>9,096,319</u>	<u>7,621,679</u>	<u>16,717,998</u>
Noncurrent liabilities:			
Non-current portion of long-term obligations	48,791,079	40,212,527	89,003,606
<b>Total noncurrent liabilities</b>	<u>48,791,079</u>	<u>40,212,527</u>	<u>89,003,606</u>
<b>Total liabilities</b>	<u>57,887,398</u>	<u>47,834,206</u>	<u>105,721,604</u>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>			
Pension plan items	2,649,527	531,886	3,181,413
<b><u>NET POSITION</u></b>			
Net investment in capital assets	133,414,691	66,755,370	200,170,061
Restricted for:			
Public safety	336,473		336,473
Capital outlay	5,574,047		5,574,047
Debt service	96,064		96,064
Unrestricted	(15,397,688)	18,721,247	3,323,559
<b>Total net position</b>	<u>\$ 124,023,587</u>	<u>\$ 85,476,617</u>	<u>\$ 209,500,204</u>

The notes to the basic financial statements are an integral part of this statement.

**TOWN OF ORO VALLEY, ARIZONA  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2017**

<b>Functions/Programs</b>	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Primary Government</b>					
Governmental activities:					
General government	\$ 12,130,905	\$ 4,901,504	\$ 182,854	\$ 210,909	\$ (6,835,638)
Public safety	22,251,172	138,075	961,881	82,898	(21,068,318)
Highway and streets	9,417,459	1,052,167	2,083,399	6,455,600	173,707
Transit	1,533,258	100,052	1,418,740		(14,466)
Culture and recreation	10,204,276	4,611,576	17,323		(5,575,377)
Interest on long-term debt	511,502				(511,502)
Total governmental activities	<u>56,048,572</u>	<u>10,803,374</u>	<u>4,664,197</u>	<u>6,749,407</u>	<u>(33,831,594)</u>
Business-type activities:					
Water	14,753,418	18,158,385		1,097,285	
Stormwater drainage	1,115,494	1,314,787			
Total business-type activities	<u>15,868,912</u>	<u>19,473,172</u>		<u>1,097,285</u>	
<b>Total primary government</b>	<u>\$ 71,917,484</u>	<u>\$ 30,276,546</u>	<u>\$ 4,664,197</u>	<u>\$ 7,846,692</u>	<u>(33,831,594)</u>
<b>General revenues:</b>					
Taxes:					
Sales taxes					19,767,720
Franchise taxes					647,830
Unrestricted state shared revenues					11,177,729
Investment earnings					68,435
<b>Transfers</b>					<u>2,942</u>
<b>Total general revenues and transfers</b>					<u>31,664,656</u>
<b>Changes in net position</b>					
<b>Net position, beginning of year</b>					
<b>Net position, end of year</b>					
<u>\$ 124,023,587</u>					

The notes to the basic financial statements are an integral part of this statement.

Net (Expense) Revenue and  
Changes in Net Position

Business-type Activities	Totals
\$	\$ (6,835,638)
	(21,068,318)
	173,707
	(14,466)
	(5,575,377)
	(511,502)
	(33,831,594)
4,502,252	4,502,252
199,293	199,293
4,701,545	4,701,545
4,701,545	(29,130,049)
	19,767,720
	647,830
	11,177,729
11,995	80,430
(2,942)	
9,053	31,673,709
4,710,598	2,543,660
80,766,019	206,956,544
\$ 85,476,617	\$ 209,500,204

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**FUND FINANCIAL STATEMENTS**

**TOWN OF ORO VALLEY, ARIZONA  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2017**

	General Fund	Community Center	Non-Major Governmental Funds
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 13,415,270	\$ 161,381	\$ 9,633,323
Taxes receivable	1,371,535		
Accounts receivable	381,215	127,804	28,994
Intergovernmental receivable	585,137		1,536,945
Special assessments			645,000
Due from other funds	7,699		
Inventories		115,005	
Prepaid items	130,030	17,533	47,911
<b>Total assets</b>	<b>\$ 15,890,886</b>	<b>\$ 421,723</b>	<b>\$ 11,892,173</b>
 <b><u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u></b>			
Liabilities:			
Accounts payable	\$ 714,433	\$ 115,885	\$ 1,639,891
Accrued wages and benefits	1,073,918		55,480
Intergovernmental payable	145,609		
Sales tax payable	195,372		
Unearned revenue	247,924	200,368	
Due to other funds			7,699
Customer deposits payable	110,416		
Other accrued liabilities		202,627	
<b>Total liabilities</b>	<b>2,487,672</b>	<b>518,880</b>	<b>1,703,070</b>
Deferred inflows of resources:			
Unavailable revenues - special assessments			645,000
Fund balances (deficits):			
Nonspendable	130,030	132,538	
Restricted			6,006,584
Committed			1,829,232
Assigned	1,441,862		1,716,361
Unassigned	11,831,322	(229,695)	(8,074)
<b>Total fund balances</b>	<b>13,403,214</b>	<b>(97,157)</b>	<b>9,544,103</b>
 <b>Total liabilities, deferred inflows of resources and fund balances</b>	 <b>\$ 15,890,886</b>	 <b>\$ 421,723</b>	 <b>\$ 11,892,173</b>

The notes to the basic financial statements are an integral part of this statement.

Total  
Governmental  
Funds

\$ 23,209,974  
1,371,535  
538,013  
2,122,082  
645,000  
7,699  
115,005  
195,474  
\$ 28,204,782

\$ 2,470,209  
1,129,398  
145,609  
195,372  
448,292  
7,699  
110,416  
202,627  
4,709,622

645,000

262,568  
6,006,584  
1,829,232  
3,158,223  
11,593,553  
22,850,160

\$ 28,204,782

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**TOWN OF ORO VALLEY, ARIZONA**  
**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET POSITION**  
**JUNE 30, 2017**

**Total governmental fund balances** **\$ 22,850,160**

Amounts reported for *governmental activities* in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Governmental capital assets	\$ 249,732,876	
Less accumulated depreciation	<u>(105,838,341)</u>	143,894,535

Special assessments receivable are not available to pay for current period expenditures and, therefore, are reported as unavailable revenues in the funds. 645,000

Deferred items related to the net cost of issuance of bonds are amortized over the life of the associated bond issue in the government-wide statements but not reported in the funds. (19,433)

Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.

Deferred outflows of resources related to pensions	11,266,245	
Deferred inflows of resources related to pensions	<u>(2,635,970)</u>	8,630,275

The Internal Service Funds are used by management to charge the cost of insurance and fleet maintenance to the individual funds. The assets and liabilities of the Internal Service Funds are included in the Statement of Net Position. 666,253

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

Judgments payable	(1,087,345)	
Special assessment bonds	(640,000)	
Compensated absences payable	(2,037,952)	
Revenue bonds payable	(9,322,126)	
Note payable	(350,000)	
Obligations under capital leases	(716,622)	
Net pension liability	<u>(38,489,158)</u>	<u>(52,643,203)</u>

**Net position of governmental activities** **\$ 124,023,587**

**The notes to the basic financial statements are an integral part of this statement.**

**TOWN OF ORO VALLEY, ARIZONA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2017**

	<u>General Fund</u>	<u>Community Center</u>	<u>Non-Major Governmental Funds</u>
<b>Revenues:</b>			
Sales taxes	\$ 16,425,605	\$ 2,199,466	\$ 1,142,649
Franchise taxes	647,830		
Development impact fees			1,348,528
Special assessments			175,539
Intergovernmental	13,458,181		8,660,452
Licenses, fees & permits	2,313,504		75,447
Fines, forfeitures & penalties	132,148		426,544
Charges for services	2,278,332	3,873,067	75,179
Contributions and donations			150,000
Investment earnings	39,343		29,092
Other	431,094	5,438	136,354
<b>Total revenues</b>	<u>35,726,037</u>	<u>6,077,971</u>	<u>12,219,784</u>
<b>Expenditures:</b>			
Current -			
General government	10,375,226		723,618
Public safety	15,543,292		181,737
Highway and streets			2,993,402
Transit	1,528,654		
Culture and recreation	3,190,447	6,242,892	
Capital outlay		72,414	9,124,387
Debt service -			
Principal retirement	42,852	207,674	824,940
Interest and fiscal charges	2,601	43,893	268,420
Bond issuance costs			67,959
<b>Total expenditures</b>	<u>30,683,072</u>	<u>6,566,873</u>	<u>14,184,463</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>5,042,965</u>	<u>(488,902)</u>	<u>(1,964,679)</u>
<b>Other financing sources (uses):</b>			
Sale of refunding bonds			1,115,556
Issuance of revenue bonds			2,000,000
Transfers in	305,000	350,000	2,298,072
Transfers out	(2,469,304)	(120,000)	(660,826)
Payment to bond escrow agent			(1,171,447)
<b>Total other financing sources (uses):</b>	<u>(2,164,304)</u>	<u>230,000</u>	<u>3,581,355</u>
<b>Changes in fund balances</b>	<u>2,878,661</u>	<u>(258,902)</u>	<u>1,616,676</u>
<b>Fund balances, beginning of year</b>	10,524,553	161,745	7,927,427
<b>Fund balances, end of year</b>	<u>\$ 13,403,214</u>	<u>\$ (97,157)</u>	<u>\$ 9,544,103</u>

The notes to the basic financial statements are an integral part of this statement.

Total  
Governmental  
Funds

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\$ 19,767,720  
647,830  
1,348,528  
175,539  
22,118,633  
2,388,951  
558,692  
6,226,578  
150,000  
68,435  
572,886  

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54,023,792

11,098,844  
15,725,029  
2,993,402  
1,528,654  
9,433,339  
9,196,801

1,075,466  
314,914  
67,959

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51,434,408

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2,589,384

1,115,556  
2,000,000  
2,953,072  
(3,250,130)  
(1,171,447)  

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1,647,051

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4,236,435

18,613,725

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\$ 22,850,160

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**TOWN OF ORO VALLEY, ARIZONA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2017**

**Changes in fund balances - total governmental funds** **\$ 4,236,435**

Amounts reported for *governmental activities* in the Statement of Activities are different because:

Governmental funds report the portion of capital outlay for capitalized assets as expenditures. However, in the Statement of Activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense.

Expenditures for capitalized assets	\$ 9,587,394	
Less current year depreciation	<u>(9,160,380)</u>	427,014

Special assessment revenues in the Statement of Activities do not provide current financial resources and therefore are not reported as revenues in the governmental funds. (145,100)

Issuance of revenue bonds provides current financial resources to governmental funds, but the issuance increases long term liabilities in the Statement of Net Position. (2,000,000)

Repayments of long-term debt principal are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

Capital lease principal retirement	250,070	
Note payable principal retirement	350,000	
Revenue bond principal retirement	334,940	
Special assessment bond principal retirement	<u>140,000</u>	1,075,010

Governmental funds report pension contributions as expenditures. However, they are reported as deferred outflows of resources in the Statement of Net Position. The change in the net pension liability, adjusted for deferred pension items, is reported as pension expense in the Statement of Activities.

Current year pension contributions	2,786,182	
Pension expense	<u>(7,344,445)</u>	(4,558,263)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Judgments	(1,087,345)	
Loss on disposal of assets	(8,056)	
Amortization of deferred bond items	(72,282)	
Compensated absences	<u>(239,147)</u>	(1,406,830)

The Internal Service Funds are used by management to charge the cost of insurance and fleet maintenance to the individual funds. The changes in net position of the Internal Service Funds are reported with governmental activities in the Statement of Activities. 204,796

**Changes in net position in governmental activities** **\$ (2,166,938)**

**The notes to the basic financial statements are an integral part of this statement.**

**TOWN OF ORO VALLEY, ARIZONA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2017**

	Enterprise Funds		
	Water	Non-Major Enterprise Funds	Totals
<b><u>ASSETS</u></b>			
Current assets:			
Cash and cash equivalents	\$ 22,724,342	\$ 618,934	\$ 23,343,276
Restricted cash and investments	924,000		924,000
Accounts receivable	2,500,565	183,648	2,684,213
Prepaid items	2,975		2,975
<b>Total current assets</b>	<b>26,151,882</b>	<b>802,582</b>	<b>26,954,464</b>
Noncurrent assets:			
Capital assets, non-depreciable	11,866,452		11,866,452
Capital assets, depreciable (net)	89,388,667	3,063,102	92,451,769
<b>Total noncurrent assets</b>	<b>101,255,119</b>	<b>3,063,102</b>	<b>104,318,221</b>
<b>Total assets</b>	<b>127,407,001</b>	<b>3,865,684</b>	<b>131,272,685</b>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>			
Deferred charge on refunding	1,596,698		1,596,698
Pension plan items	842,832	130,494	973,326
<b>Total deferred outflows of resources</b>	<b>2,439,530</b>	<b>130,494</b>	<b>2,570,024</b>
<b><u>LIABILITIES</u></b>			
Current liabilities:			
Accounts payable	726,223	124,268	850,491
Accrued wages and benefits	88,158	15,813	103,971
Intergovernmental payable	1,219,049		1,219,049
Interest payable	408,104		408,104
Unearned revenue	924,000		924,000
Customer deposits payable	667,995		667,995
Compensated absences	196,910	9,101	206,011
Capital leases payable		40,814	40,814
Loans payable	593,534		593,534
Bonds payable	2,607,710		2,607,710
Claims payable			
<b>Total current liabilities</b>	<b>7,431,683</b>	<b>189,996</b>	<b>7,621,679</b>
Noncurrent liabilities:			
Non-current portion of long-term obligations	39,759,663	452,864	40,212,527
<b>Total noncurrent liabilities</b>	<b>39,759,663</b>	<b>452,864</b>	<b>40,212,527</b>
<b>Total liabilities</b>	<b>47,191,346</b>	<b>642,860</b>	<b>47,834,206</b>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>			
Pension plan items	460,576	71,310	531,886
<b><u>NET POSITION</u></b>			
Net investment in capital assets	63,763,082	2,992,288	66,755,370
Unrestricted	18,431,527	289,720	18,721,247
<b>Total net position</b>	<b>\$ 82,194,609</b>	<b>\$ 3,282,008</b>	<b>\$ 85,476,617</b>

The notes to the basic financial statements are an integral part of this statement.

Governmental  
Activities:  
Internal Service  
Funds

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\$ 1,177,840

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1,177,840

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1,177,840

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24,809

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24,809

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92,203

323,077

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415,280

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107,559

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107,559

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522,839

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13,557

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666,253

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\$ 666,253

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**TOWN OF ORO VALLEY, ARIZONA**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION -**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	Enterprise Funds		
	Water	Non-Major Enterprise Funds	Totals
<b>Operating revenues:</b>			
Charges for services	\$ 15,680,947	\$ 1,314,757	\$ 16,995,704
Other	22,293	30	22,323
Self insurance premiums			
<b>Total operating revenues</b>	<u>15,703,240</u>	<u>1,314,787</u>	<u>17,018,027</u>
<b>Operating expenses:</b>			
Costs of sales and services	10,389,944	953,236	11,343,180
Contractual services	62,990		62,990
Depreciation and amortization	2,962,118	154,522	3,116,640
Claims payments			
Administrative fees			
Reinsurance premiums			
<b>Total operating expenses</b>	<u>13,415,052</u>	<u>1,107,758</u>	<u>14,522,810</u>
<b>Operating income (loss)</b>	<u>2,288,188</u>	<u>207,029</u>	<u>2,495,217</u>
<b>Nonoperating revenues (expenses):</b>			
Development impact fees	1,638,792		1,638,792
Connection fees	816,353		816,353
Investment earnings	11,017	978	11,995
Interest expense	(1,338,366)	(7,736)	(1,346,102)
<b>Total nonoperating revenues (expenses)</b>	<u>1,127,796</u>	<u>(6,758)</u>	<u>1,121,038</u>
<b>Income (loss) before capital contributions and transfers</b>	<u>3,415,984</u>	<u>200,271</u>	<u>3,616,255</u>
<b>Capital contributions</b>	1,097,285		1,097,285
<b>Transfers in</b>			
<b>Transfers out</b>	<u>(2,942)</u>		<u>(2,942)</u>
<b>Changes in net position</b>	<u>4,510,327</u>	<u>200,271</u>	<u>4,710,598</u>
<b>Total net position, beginning of year</b>	77,684,282	3,081,737	80,766,019
<b>Total net position, end of year</b>	<u>\$ 82,194,609</u>	<u>\$ 3,282,008</u>	<u>\$ 85,476,617</u>

The notes to the basic financial statements are an integral part of this statement.

Governmental  
Activities:  
Internal Service  
Funds

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\$ 1,630,329  
72,354  
3,047,980  
4,750,663

1,393,438

2,761,967  
57,000  
633,462  
4,845,867

(95,204)

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(95,204)

300,000

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204,796

461,457

\$ 666,253

**TOWN OF ORO VALLEY, ARIZONA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2017**

	Enterprise Funds			Governmental Activities
	Water	Non-Major Enterprise Funds	Total	Internal Service Funds
<b><u>Increase (Decrease) in Cash and Cash Equivalents</u></b>				
Cash flows from operating activities:				
Cash received from customers	\$ 15,350,991	\$ 1,298,575	\$ 16,649,566	\$ 1,702,683
Cash received from premiums				3,123,048
Cash payments to suppliers for goods and services	(7,416,676)	(397,044)	(7,813,720)	(1,978,377)
Cash payments to employees for services	(3,121,445)	(449,522)	(3,570,967)	(87,468)
Cash payments for claims				(2,687,926)
<b>Net cash provided by (used for) operating activities</b>	<b>4,812,870</b>	<b>452,009</b>	<b>5,264,879</b>	<b>71,960</b>
Cash flows from noncapital and related financing activities:				
Interfund transfers	(2,942)		(2,942)	300,000
Connection fees	816,353		816,353	
<b>Net cash provided by noncapital financing activities</b>	<b>813,411</b>		<b>813,411</b>	<b>300,000</b>
Cash flows from capital and related financing activities:				
Development impact fees	1,638,792		1,638,792	
Acquisition of capital assets	(3,417,046)	(76,507)	(3,493,553)	
Proceeds from refunding bonds	13,186,444		13,186,444	
Principal paid on long-term debt	(3,649,560)	(39,609)	(3,689,169)	
Payment to bond escrow agent	(13,847,109)		(13,847,109)	
Interest on long-term debt	(1,235,561)	(7,736)	(1,243,297)	
<b>Net cash used for capital and related financing activities</b>	<b>(7,324,040)</b>	<b>(123,852)</b>	<b>(7,447,892)</b>	
Cash flows from investing activities:				
Investment income	11,017	978	11,995	
<b>Net cash provided by investing activities</b>	<b>11,017</b>	<b>978</b>	<b>11,995</b>	
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(1,686,742)</b>	<b>329,135</b>	<b>(1,357,607)</b>	<b>371,960</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>24,411,084</b>	<b>289,799</b>	<b>24,700,883</b>	<b>805,880</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 22,724,342</b>	<b>\$ 618,934</b>	<b>\$ 23,343,276</b>	<b>\$ 1,177,840</b>
<b><u>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities</u></b>				
<b>Operating income (loss)</b>	<b>\$ 2,288,188</b>	<b>\$ 207,029</b>	<b>\$ 2,495,217</b>	<b>\$ (95,204)</b>
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation and amortization	2,962,118	154,522	3,116,640	
Change in assets and liabilities:				
Accounts receivable	(405,184)	(16,212)	(421,396)	75,068
Prepaid items	525		525	
Accounts payable	(713)	108,071	107,358	17,584
Claims payable				74,041
Accrued payroll and related benefits	(68,976)	(3,882)	(72,858)	
Deposits held for others	52,935		52,935	
Pension items	(16,023)	2,481	(13,542)	471
<b>Total adjustments</b>	<b>2,524,682</b>	<b>244,980</b>	<b>2,769,662</b>	<b>167,164</b>
<b>Net cash provided by (used for) operating activities</b>	<b>\$ 4,812,870</b>	<b>\$ 452,009</b>	<b>\$ 5,264,879</b>	<b>\$ 71,960</b>
<b><u>Non-cash capital and financing activities</u></b>				
Contribution of assets from developers	\$ 1,097,285		\$ 1,097,285	

**TOWN OF ORO VALLEY, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Town of Oro Valley, Arizona (Town) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

During the year ended June 30, 2017, the Town implemented the provisions of GASB Statement No. 77, *Tax Abatement Disclosures*. This Statement requires governments that enter into tax abatement agreements to disclose information about the agreements, the gross dollar of taxes abated, and other commitments made by the government.

The more significant of the Town's accounting policies are described below.

**A. Reporting Entity**

The Town is a municipal entity governed by an elected mayor and council. As required by accounting principles generally accepted in the United States of America, these financial statements present the Town and its component units, entities for which the Town is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the Town's operations and so data from these units are combined with data of the Town, the primary government. The blended component units presented have a June 30 year end.

The financial reporting entity consists of a primary government and its component units. A component unit is a legally separate entity that must be included in the reporting entity in conformity with generally accepted accounting principles. The Town is a primary government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. Furthermore, there are no component units combined with the Town for financial statement presentation purposes, and the Town is not included in any other governmental reporting entity. Consequently, the Town's financial statements include the funds of those organizational entities for which its elected governing body is financially accountable.

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) present financial information about the Town as a whole. The reported information includes all of the activities of the Town and its component units. For the most part, the effect of internal activity has been removed from these statements. These statements are to distinguish between the governmental and business-type activities of the Town. Governmental activities normally are supported by sales taxes and intergovernmental revenues, and are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

**TOWN OF ORO VALLEY, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Sales taxes, franchise taxes, unrestricted state shared revenues, investment income and other items not included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and the major individual enterprise fund are reported as separate columns in the fund financial statements.

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

**Government-wide Financial Statements** – The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met. As a general rule, the effect of internal activity has been eliminated from the government-wide financial statements; however, the effects of interfund services provided and used between functions are reported as expenses and program revenues at amounts approximating their external exchange value.

**Fund Financial Statements** – Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

**TOWN OF ORO VALLEY, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Sales taxes, franchise taxes, licenses and permits, charges for services, special assessments and investment income associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Grants and similar awards are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met. Miscellaneous revenue is not susceptible to accrual because generally they are not measurable until received in cash. Grants and similar awards are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met. Unearned revenue arises when resources are received by the Town before it has legal claim to them, as when grant monies are received prior to meeting all eligibility requirements imposed by the provider.

The Council adopts the budget at the fund level as a total amount of expenditures. Financial control is administered by fund, with budgetary control for operating performance regulated at the departmental level, e.g., finance, development services, police, and parks and recreation. The legal level of budgetary control (i.e. the level at which expenditures may not legally exceed appropriations) is at the fund level.

The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

The Town reports the following major governmental funds.

General Fund – This fund accounts for all financial resources of the Town, except those required to be accounted for in other funds.

Community Center Fund – This fund accounts for the activity of the Oro Valley Community Center, including golf, tennis, food and beverage and fitness revenues and expenditures. This fund also accounts for the half cent sales taxes revenues dedicated to these operations.

The Town reports the following major proprietary funds.

Water Fund – This fund accounts for the costs to operate, construct and finance the Town's water system.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's internal service fund are charges for health benefits and charges to user departments for fleet maintenance services. The principal operating revenues of the Town's enterprise fund are charges to customers for water and stormwater drainage services. Operating expenses for these funds include the cost of sales and services, administrative expenses, depreciation, and amortization. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**TOWN OF ORO VALLEY, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**D. Cash and Investments**

For purposes of the Statement of Cash Flows, the Town considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Arizona statute requires a pooled collateral program for public deposits and a Statewide Collateral Pool Administrator (Administrator) in the State Treasurer's Office. The purpose of the pooled collateral program is to ensure that governmental entities' public deposits placed in participating depositories are secured with collateral of 102 percent of the public deposits, less any applicable deposit insurance. An eligible depository may not retain or accept any public deposit unless it has deposited the required collateral with a qualified escrow agent or the Administrator. The Administrator manages the pooled collateral program, including reporting on each depository's compliance with the program.

Nonparticipating interest-earning investment contracts are stated at cost. Money market investments and participating interest investment contracts with a remaining maturity of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value.

**E. Investment Income**

Investment income is composed of interest, dividends, and net changes in the fair value of applicable investments.

**F. Receivables and Payables**

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Interfund balances between governmental funds are eliminated on the Statement of Net Position

All trade receivables are shown net of an allowance for uncollectibles.

**G. Inventory**

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories consist of expendable supplies held for consumption. Inventories are recorded as expenses when consumed on the government-wide financial statements and the fund financial statements

**TOWN OF ORO VALLEY, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**H. Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the government-wide and fund financial statements. Prepaid items are recorded as expenses when consumed in the government-wide financial statements and the fund financial statements.

**I. Capital Assets**

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of \$5,000 or more and an estimated useful life of more than one year. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Certain capital assets of the Town are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	50
Improvements other than buildings	20-30
Infrastructure	20-50
Vehicles	4-6
Machinery and equipment	7-20

**J. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position may report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

**TOWN OF ORO VALLEY, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

In addition to liabilities, the statement of financial position may report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

**K. Compensated Absences**

The Town's employee annual and sick leave policies generally provide for granting annual and sick leave with pay. Full-time employees accrue annual leave based on the number of years employed. Employees who terminate employment shall be paid in a lump sum. Full-time employees accumulate sick leave at the rate of one work day per month. Part-time employees whose normal week is twenty hours or more receive sick leave at half the rate of full-time employees. Once an employee has exceeded 480 hours of accrued sick leave, one half of the sick leave balance in excess of the 480 hours shall be paid to the employee upon separation from employment. The current and long-term liabilities, including related benefits, for accumulated vacation and sick leave are reported on the government-wide financial statements. A liability for these amounts, including related benefits, is reported in governmental funds only if they have matured, for example, as a result of employee leave, resignations and retirements. Generally, resources from the General Fund are used to pay for compensated absences.

**L. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the pension plan's fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**M. Long-term Obligations**

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable business-type activities and proprietary fund type statement of net position.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**TOWN OF ORO VALLEY, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**N. Interfund Activity**

Flows of cash from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers between governmental funds are eliminated in the Statement of Activities. Interfund transfers in the fund statements are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds.

**O. Net Position Flow Assumption**

In the government-wide and proprietary fund financial statements the Town applies restricted resources first when outlays are incurred for purposes for which either restricted or unrestricted amounts are available.

**P. Estimates**

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Individual Deficit Fund Balance** – At year end, the Community Center Fund, a major governmental fund, and the Federal Seizures and Forfeitures, and Self Insurance Funds, non-major governmental funds, reported deficits in fund balance of \$97,157, \$8,074, \$113,357, respectively. The deficits arose because of operations during current and prior years. Additional revenues received in fiscal year 2017-18 are expected to eliminate the deficit.

**NOTE 3 – FUND BALANCE CLASSIFICATIONS**

Fund balances of the governmental funds are reported separately within classifications based on a hierarchy of the constraints placed on the use of those resources. The classifications are based on the relative strength of the constraints that control how the specific amounts can be spent. The classifications are nonspendable, restricted, and unrestricted, which includes committed, assigned, and unassigned fund balance classifications.

**TOWN OF ORO VALLEY, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 3 – FUND BALANCE CLASSIFICATIONS**

***Nonspendable.*** The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact.

***Restricted.*** Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation.

***Committed.*** The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action of the Town Council through the approval of a Town resolution. Those committed amounts cannot be used for any other purpose unless the Town Council removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. The committed fund balance reported in the Bed Tax Fund is to be used for local economic development purposes. The committed fund balance reported in the Highway User Revenue Fund is to be used for roadway maintenance and preservation purposes. The committed fund balance reported in the Townwide Facilities Projects Fund is used for improvements to Town parks. The committed fund balance reported in the Community Center Fund is used for the culture and recreation activity of the Community Center.

***Assigned.*** Amounts in the assigned fund balance classification are intended to be used by the Town for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Town Council or a management official delegated that authority by the formal Town Council action. This authorization has been given to the Town Manager through the approval of Resolution No. (R)11-30, which amended the Town Financial and Budgetary Policies. The assigned fund balance in the General Fund is set aside for the payout of compensated absences and for unemployment compensation claims. The assigned fund balance in the General Government CIP Fund is to be used for governmental capital asset projects.

***Unassigned.*** Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had be restricted, committed, or assigned.

The Town applies restricted resources first when outlays are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**TOWN OF ORO VALLEY, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 3 – FUND BALANCE CLASSIFICATIONS**

The table below provides detail of the major components of the Town’s fund balance classifications at year end.

	General Fund	Community Center Fund	Non-Major Governmental Funds
Fund Balances:			
Nonspendable:			
Inventory	\$	\$	\$
Prepaid items	130,030	115,005	17,533
Restricted:			
Debt service			96,064
Capital projects			5,574,047
Public safety			336,473
Committed			
Economic development			462,611
Roadway maintenance			1,350,903
Park improvements			15,718
Assigned:			
Compensated absences	1,244,471		
Unemployment claims	197,391		
Townwide capital			1,716,361
Unassigned	11,831,322	(229,695)	(8,074)
Total fund balances	\$ 13,403,214	\$ (97,157)	\$ 9,544,103

**NOTE 4 – CASH AND INVESTMENTS**

A.R.S. authorize the Town to invest public monies in obligations of the U.S. Government and its agencies, obligations of the State and certain local government subdivisions, interest-bearing savings accounts and certificates of deposit, collateralized repurchase agreements, certain obligations of U.S. corporations, and certain other securities. The statutes do not include any requirements for credit risk, custodial credit risk, concentration of credit risk, interest rate risk, or foreign currency risk for the Town’s investments.

The State Treasurer’s pools are external investment pools, the Local Government Investment Pool (Pool 5) and Local Government Investment Pool – Government (Pool 7), with no regulatory oversight. The pools as an investment company are not registered with the Securities and Exchange Commission. The activity and performance of the pools are reviewed monthly by the State Board of Investment. The fair value of each participant’s position in the State Treasurer investment pools approximates the value of the participant’s shares in the pool and the participants’ shares are not identified with specific investments. No regulatory oversight is provided for the County Treasurer’s investment pool and that pool’s structure does not provide for shares. Participants in the pool are not required to categorize the value of shares in accordance with the fair value hierarchy.

**TOWN OF ORO VALLEY, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 4 – CASH AND INVESTMENTS**

The County Treasurer's pool is an external investment pool with no regulatory oversight. The pool is not required to register (and is not registered) with the Securities and Exchange Commission. The fair value of each participants' position in the County Treasurer investment pool approximates the value of the participants' shares in the pool and the participants' shares are not identified with specific investments. Participants in the pool are not required to categorize the value of shares in accordance with the fair value hierarchy. Participants in the pool are not required to categorize the value of shares in accordance with the fair value hierarchy.

*Custodial Credit Risk – Deposits.* Custodial Credit risk is the risk that in the event of bank failure the Town's deposits may not be returned to the Town. The Town does not have a deposit policy for custodial credit risk. At year end, the carrying value of the Town's deposits was \$2,852,066 and the bank balance was \$2,470,578.

*Fair Value Measurements.* The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset.

- Level 1 inputs are quoted prices in active markets for identical assets
- Level 2 inputs are significant other observable inputs
- Level 3 inputs are significant unobservable inputs

*Valuation Techniques.* Equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the of the fair value hierarchy are valued using a matrix pricing techniques. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

**TOWN OF ORO VALLEY, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 4 – CASH AND INVESTMENTS**

All investments in which the fair value hierarchy is applicable are measured at fair value on a recurring basis. At year end, the Town’s investments consisted of the following:

Investment Type	Category	Fair Value	Investments Maturities (in Years)	
			Less than 1	1-5
Money Market - U.S. Treasuries	Level 2	\$ 6,241,138	\$ 6,241,138	\$
Commercial Paper	Level 2	3,608,640	3,608,640	
U.S. Treasury Bonds/Notes	Level 2	10,038,034		10,038,034
U.S. Agencies Bonds/Notes	Level 2	21,152,250		21,152,250
Supranational Agency Bonds	Level 2	1,889,868		1,889,868
			<u>\$ 9,849,778</u>	<u>\$ 33,080,152</u>
County Treasurer’s investment pool	Not Applicable	421,301	306 days average maturities	
State Treasurer’s investment pool 5	Not Applicable	<u>2,451,793</u>	37 days average maturities	
Total		<u>\$45,803,024</u>		

*Interest Rate Risk.* The Town has implemented an investment policy that will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates by the following.

1. Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity; and
2. Investing operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools limiting the average maturity in the portfolio in accordance with this policy.

*Credit Risk.* The Town has implemented an investment policy that will minimize credit risk, which is the risk of loss due to the failure of the security or backer by the following:

1. Limiting investments to the types of securities listed in Section 6 of this investment policy;
2. Pre-qualifying financial institutions, broker/dealers, intermediaries, and advisers with which the Town will do business in accordance with Section 5; and
3. Diversifying the investment portfolio so that the impact of potential losses from any one type of security or from any one individual issuer will be minimized.

**TOWN OF ORO VALLEY, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 4 – CASH AND INVESTMENTS**

As of year end, the Town’s investment in the State and County Treasurers’ investment pools did not receive a credit quality rating from a national rating agency. The State Treasurer’s investment pool 5 was rated AA Af/S1+ by Standard and Poor’s at year end. The Town’s investments in U.S. agencies, municipal bonds, and commercial paper were rated AA+, AAA, and A-1 respectively, by Standard and Poor’s.

*Custodial Credit Risk – Investments.* The Town’s investment in the State and County Treasurer’s investment pools represents a proportionate interest in the pool’s portfolio; however, the Town’s portion is not identified with specific investments and is not subject to custodial credit risk.

*Concentration of Credit Risk.* The Town places no limit on the amount the Town may invest in any one issuer. More than five percent of the Town’s investments are in Federal Home Loan Mortgage Corporation notes, FNMA notes, and Federal Home Loan Banks notes, which make up 12, 23, and 15 percent of the Town’s total investments.

**NOTE 5 – RECEIVABLES**

Receivable balances, net of allowance for uncollectibles, have been disaggregated by type and presented separately in the financial statements with the exception of intergovernmental receivables. Intergovernmental receivables, net of allowance for uncollectibles, as of year end for the Town’s individual major fund in the aggregate, were as follows:

	General Fund	Non-Major Governmental Funds
Intergovernmental receivables:		
Due from federal government	\$ 148,730	\$
Due from state government	436,407	294,485
Due from other governments		1,242,460
Net intergovernmental receivables	\$ 585,137	\$ 1,536,945

**TOWN OF ORO VALLEY, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 6 – CAPITAL ASSETS**

A summary of capital asset activity for the current fiscal year follows:

<u><b>Governmental Activities</b></u>	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 19,518,801	\$	\$	\$ 19,518,801
Construction in progress	6,070,883	6,998,454	3,821,132	9,248,205
Total capital assets, not being depreciated	<u>25,589,684</u>	<u>6,998,454</u>	<u>3,821,132</u>	<u>28,767,006</u>
Capital assets, being depreciated:				
Infrastructure	168,952,706	4,940,441		173,893,147
Buildings and improvements	30,092,900	368,744		30,461,644
Machinery, equipment, and vehicles	16,122,605	1,100,887	612,413	16,611,079
Total capital assets being depreciated	<u>215,168,211</u>	<u>6,410,072</u>	<u>612,413</u>	<u>220,965,870</u>
Less accumulated depreciation for:				
Infrastructure	(80,320,623)	(6,618,554)		(86,939,177)
Buildings and improvements	(6,432,892)	(824,382)		(7,257,274)
Machinery, equipment, and vehicles	(10,528,803)	(1,717,444)	(604,357)	(11,641,890)
Total accumulated depreciation	<u>(97,282,318)</u>	<u>(9,160,380)</u>	<u>(604,357)</u>	<u>(105,838,341)</u>
Total capital assets, being depreciated, net	<u>117,885,893</u>	<u>(2,750,308)</u>	<u>8,056</u>	<u>115,127,529</u>
Governmental activities capital assets, net	<u>\$ 143,475,577</u>	<u>\$ 4,248,146</u>	<u>\$ 3,829,188</u>	<u>\$ 143,894,535</u>
<u><b>Business-Type Activities</b></u>	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 2,410,660	\$	\$	\$ 2,410,660
Water rights	8,534,490			8,534,490
Construction in progress	874,446	801,637	754,783	921,300
Total capital assets, not being depreciated	<u>11,819,596</u>	<u>801,637</u>	<u>754,783</u>	<u>11,866,450</u>
Capital assets, being depreciated:				
Water system	126,061,264	4,218,537		130,279,801
Stormwater system	2,846,177			2,846,177
Equipment and vehicles	5,225,374	325,447	29,919	5,520,902
Total capital assets being depreciated	<u>134,132,815</u>	<u>4,543,984</u>	<u>29,919</u>	<u>138,646,880</u>
Less accumulated depreciation for:				
Water system	(38,874,345)	(3,086,429)		(41,960,774)
Stormwater system	(371,976)	(60,626)		(432,602)
Equipment and vehicles	(3,539,004)	(292,648)	(29,919)	(3,801,733)
Total accumulated depreciation	<u>(42,785,325)</u>	<u>(3,439,703)</u>	<u>(29,919)</u>	<u>(46,195,109)</u>
Total capital assets, being depreciated, net	<u>91,347,490</u>	<u>1,104,281</u>	<u>754,783</u>	<u>92,451,771</u>
Business-type activities capital assets, net	<u>\$ 103,167,086</u>	<u>\$ 1,905,918</u>	<u>\$ 754,783</u>	<u>\$ 104,318,221</u>

**TOWN OF ORO VALLEY, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 6 – CAPITAL ASSETS**

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 975,412
Public Safety	712,062
Highways and streets	6,716,302
Culture and recreation	<u>756,604</u>
Total depreciation expense – governmental activities	<u>\$9,160,380</u>
Business-type activities:	
Water	\$3,285,181
Stormwater	<u>154,522</u>
Total depreciation expense – business-type activities	<u>\$3,439,703</u>

**Construction Commitments** – As of year end, the Town was involved in several construction projects. The estimated cost to complete the construction projects is \$25.0 million.

**NOTE 7 – LOANS PAYABLE**

The Town has loans from the Water Infrastructure Finance Authority of Arizona for water system projects. The loans payable at current fiscal year end are presented below.

<u>Business-type activities:</u>	<u>Interest Rate (Including Fees)</u>	<u>Remaining Maturities</u>	<u>Outstanding Principal June 30, 2017</u>	<u>Due Within One Year</u>
WIFA Loan, 2007	2.04%	7/1/17-27	\$ 2,828,106	\$ 214,797
WIFA Loan, 2009	2.75%	7/1/17-29	1,585,381	100,547
WIFA Loan, 2014	2.65%	7/1/17-25	3,870,921	278,190
Total			<u>\$ 8,284,408</u>	<u>\$ 593,534</u>

**TOWN OF ORO VALLEY, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 7 – LOANS PAYABLE**

Principal and interest payments on the business-type activities loans payable at June 30, 2017 are summarized as follows:

Year ending June 30:	Business-type Activities	
	Principal	Interest
2018	\$ 593,534	\$ 243,579
2019	611,695	225,134
2020	630,420	206,387
2021	649,730	186,780
2022	669,642	166,557
2023-27	3,669,310	506,674
2028-30	1,460,077	45,302
Total	<u>\$ 8,284,408</u>	<u>\$ 1,580,413</u>

**NOTE 8 – BONDS PAYABLE**

Bonds payable at year end, consisted of the following outstanding revenue and refunding bonds. The bonds are both callable and noncallable with interest payable semiannually. Taxes, water revenues, and impact fees are used to pay bonded debt.

Purpose	Original Amount Issued	Interest Rates	Remaining Maturities	Outstanding Principal June 30, 2017	Due Within One Year
<b>Governmental activities:</b>					
Excise Tax Revenue Obligations, 2010 Revenue Bonds, 2012	\$ 2,445,000	3.72-6.59%	7/1/17-27	\$ 1,645,000	\$ 135,000
Refunding Excise Tax Revenue Obligations, 2015	2,580,000	2.00-4.00%	7/1/17-27	2,035,000	150,000
Excise Tax Revenue Obligations, 2016	2,529,250	1.91%	7/1/17-25	2,526,570	259,290
Refunding Excise Tax Revenue Obligations, 2017	2,000,000	2.20%	7/1/18-31	2,000,000	
Total	1,115,556	2.43%	7/1/18-26	<u>1,115,556</u>	
				<u>\$ 9,322,126</u>	<u>\$ 544,290</u>

**TOWN OF ORO VALLEY, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 8 – BONDS PAYABLE**

Annual debt service requirements to maturity on revenue and refunding bonds for governmental activities at year end are summarized as follows:

Year ending June 30:	Governmental Activities	
	Principal	Interest
2018	\$ 544,290	\$ 280,170
2019	763,772	264,898
2020	800,102	240,975
2021	827,590	215,959
2022	853,836	189,970
2023-27	4,331,536	529,861
2028-31	1,201,000	55,212
Total	<u>\$ 9,322,126</u>	<u>\$ 1,777,045</u>

Purpose	Original Amount Issued	Interest Rates	Remaining Maturities	Outstanding Principal June 30, 2017	Due Within One Year
<b>Business-type activities:</b>					
Refunding Revenue Bonds, 2012	\$ 16,595,000	2.00-5.00%	7/1/17-28	\$ 12,095,000	\$ 1,490,000
Refunding Revenue Bonds, 2013	6,355,000	1.45%	7/1/17-19	2,995,000	990,000
Refunding Revenue Bonds, 2015	1,245,750	1.91%	7/1/17-25	1,244,430	127,710
Refunding Revenue Bonds, 2017	13,186,444	2.43%	7/1/18-26	13,186,444	
Total				<u>\$ 29,520,874</u>	<u>\$ 2,607,710</u>

Annual debt service requirements to maturity revenue and refunding bonds for business-type activities at year end are summarized as follows:

Year ending June 30:	Business-type Activities	
	Principal	Interest
2018	\$ 2,607,710	\$ 768,403
2019	3,933,228	767,514
2020	4,116,898	655,490
2021	3,201,410	546,549
2022	3,303,164	432,927
2023-27	11,648,464	819,366
2028	710,000	24,084
Total	<u>\$ 29,520,874</u>	<u>\$ 4,014,334</u>

**TOWN OF ORO VALLEY, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 8 – BONDS PAYABLE**

**Refunding issuance.** During the year ended June 30, 2017, the Town issued \$14,302,000 in refunding bonds (allocated to governmental and business-type activities debt), with an effective interest rate of 2.43 percent, to advance refund \$15,018,556 of outstanding Excise Tax Revenue Refunding Bonds, Series 2007, with an average interest rate of 4.6 percent. The net proceeds of \$15,018,556, which includes a Town contribution of \$950,000, (after payment of \$233,444 of issuance fees) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent, to provide for all future debt service payments of the refunded bonds. As a result, the refunded excise tax obligations are considered to be defeased, and the liability for those obligations has been removed from the government-wide financial statements. The reacquisition price exceeded the net carrying amount of the old debt by \$907,557. This advance refunding was undertaken to reduce total debt service payments over the next 10 fiscal years by \$1,285,946 and resulted in an economic gain of \$1,086,944.

**Pledged revenues – governmental activities.** The Town has pledged future sales (excise) tax revenues to repay outstanding revenue bonds and refunding revenue bonds of \$9.3 million as of June 30, 2017. Proceeds from the original bond issuances, including those subsequently refunded, provided financing for land acquisition and facility construction. The bonds are paid solely from the Town's sales taxes and are payable through 2032. Total annual principal and interest payments for all sales tax revenue bonds are expected to require less than seven percent of gross revenues. The total principal and interest to be paid on the bonds is \$11.1 million. The current total sales tax revenues were \$19.8 million and the total principal and interest paid on the bonds was \$616,415, or three percent of gross revenues.

**Pledged revenues – business-type activities.** The Town has pledged future water revenues to repay outstanding revenue bonds and refunding revenue bonds of \$29.5 million as of June 30, 2017. Proceeds from the original bond issuances, including those subsequently refunded, provided financing for the construction and improvements to the Town's water systems and infrastructure. The bonds are paid solely from water utility revenues and are payable through 2029. Total annual principal and interest payments for all water revenue bond issuances are expected to require approximately 25 percent of gross revenues. The total principal and interest to be paid on the bonds is \$33.5 million. The current total customer gross revenues were \$18.2 million and the total principal and interest paid on the bonds was \$3.9 million or 22 percent of gross revenues.

**TOWN OF ORO VALLEY, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 9 – SPECIAL ASSESSMENT BONDS**

Special assessment bonds at year end consisted of the following outstanding bonds. The bonds are both callable and noncallable with interest payable semiannually. Special assessments from the Oracle Road Debt Service Fund are used to pay bonded debt.

Purpose	Original Amount Issued	Interest Rates	Remaining Maturities	Outstanding Principal June 30, 2017	Due Within One Year
<b>Governmental activities:</b>					
Special assessments debt	\$3,945,000	4.55-4.75%	1/1/17-21	\$ 640,000	\$ 150,000
Total				<u>\$ 640,000</u>	<u>\$ 150,000</u>

Annual debt service requirements to maturity on special assessment bonds at year end are summarized as follows:

Year ending June 30:	Governmental Activities	
	Principal	Interest
2018	\$ 150,000	\$ 26,405
2019	155,000	19,428
2020	165,000	11,912
2021	170,000	4,038
Total	<u>\$ 640,000</u>	<u>\$ 61,783</u>

**NOTE 10 – OBLIGATIONS UNDER CAPITAL LEASES**

The governmental activities of the Town have acquired police motorcycles and community center utility vehicles under the provisions of long-term lease agreements classified as capital leases. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. Revenues from the General Fund and Community Center Fund are used to pay the capital lease obligations. Amortization of assets recorded under capital leases is included with depreciation expense.

	Governmental Activities
Asset:	
Vehicles	\$ 1,341,558
Less: Accumulated depreciation	432,336
Total	<u>\$ 909,222</u>

**TOWN OF ORO VALLEY, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 10 – OBLIGATIONS UNDER CAPITAL LEASES**

The future minimum lease obligations and the net present value of these minimum lease payments at year end were as follows:

Year Ending June 30:	<u>Governmental Activities</u>
2018	\$ 277,212
2019	216,133
2020	213,008
2021	<u>46,470</u>
Total minimum lease payments	752,823
Less: amount representing interest	<u>36,201</u>
Present value of minimum lease payments	<u>\$ 716,622</u>
Due within one year	<u>\$ 257,878</u>

The business-type activities of the Town have acquired a wheel loader under the provisions of a long-term lease agreement classified as a capital lease. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of its future minimum lease payments as of the inception date. Revenues from the Stormwater Fund are used to pay the capital lease obligations. Amortization of assets recorded under capital leases is included with depreciation expense.

The assets capitalized and acquired through capital leases are as follows:

Asset:	<u>Business-type Activities</u>
Machinery, equipment, and vehicles	\$ 234,362
Less: Accumulated depreciation	<u>56,613</u>
Total	<u>\$ 177,749</u>

As of June 30, 2017, the future minimum lease obligation was \$42,055, less the amount representing interest of \$1,241, resulting in a net present value of \$40,814 to be paid during the fiscal year ended June 30, 2018.

**TOWN OF ORO VALLEY, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 11 – CHANGES IN LONG-TERM LIABILITIES**

Long-term liability activity for the current fiscal year was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities:</b>					
Revenue bonds payable	\$ 7,688,890	\$ 3,115,556	\$ 1,482,320	\$ 9,322,126	\$ 544,290
Deferred bond premium	27,748		8,315	19,433	
Total bonds payable	<u>7,716,638</u>	<u>3,115,556</u>	<u>1,490,635</u>	<u>9,341,559</u>	<u>544,290</u>
Special assessments payable	780,000		140,000	640,000	150,000
Note payable	700,000		350,000	350,000	350,000
Capital leases payable	966,692		250,070	716,622	257,878
Net pension liability	30,682,698	7,914,019		38,596,717	
Compensated absences payable	1,798,804	1,777,633	1,538,485	2,037,952	1,589,603
Governmental activity long-term liabilities	<u>\$ 42,644,832</u>	<u>\$ 12,807,208</u>	<u>\$ 3,769,190</u>	<u>\$ 51,682,850</u>	<u>\$ 2,891,771</u>
<b>Business-type activities:</b>					
Revenue bonds payable	\$ 32,951,110	\$ 13,186,444	\$16,616,680	\$ 29,520,874	\$ 2,607,710
Deferred bond premium	1,566,537		283,084	1,283,453	
Total bonds payable	<u>34,517,647</u>	<u>13,186,444</u>	<u>16,899,764</u>	<u>30,804,327</u>	<u>2,607,710</u>
Loan payable	8,879,907		595,500	8,284,407	593,534
Capital leases payable	80,423		39,609	40,814	40,814
Net pension liability	3,901,231	317,678		4,218,909	
Compensated absences payable	308,111	267,873	263,845	312,139	206,011
Business-type activities long-term liabilities	<u>\$ 47,687,319</u>	<u>\$ 13,771,995</u>	<u>\$17,798,718</u>	<u>\$ 43,660,596</u>	<u>\$ 3,448,069</u>

**TOWN OF ORO VALLEY, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 12 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

At year end, interfund balances were as follows:

**Due to/from other funds:** At year end, the Federal Seizures and Forfeitures Fund, a non-major governmental fund, had a negative cash balance of \$7,699. Negative cash on deposit was reduced by interfund borrowing with the General Fund. All interfund balances are expected to be paid within one year.

**Interfund transfers:**

	Transfers in				Total
	General Fund	Community Center Fund	Non-Major Governmental Funds	Internal Service Funds	
Transfers out					
General Fund	\$	\$ 350,000	\$ 1,819,304	\$ 300,000	\$ 2,469,304
Community Center Fund	120,000				120,000
Non-Major Governmental Funds	185,000		475,826		660,826
Water Fund			2,942		2,942
Total	<u>\$ 305,000</u>	<u>\$ 350,000</u>	<u>\$ 2,298,072</u>	<u>\$ 300,000</u>	<u>\$ 3,253,072</u>

Transfers were made from the General, HURF, Bed Tax, and Water Funds to the Municipal Debt Service Fund for debt service. Transfers were also made from the General Fund to the HURF and Community Center Funds to subsidize operations. In addition, transfers were made from the General, Bed Tax, and General Impact Fees Funds to the General Government CIP Fund to fund capital projects. Transfers were made from the General Fund to the Self Insurance Fund to fund insurance claims. Finally, transfers were made from the Bed Tax and Community Center Fund to the General Fund to repay loaned amounts.

**NOTE 13 – CONTINGENT LIABILITIES**

**Compliance** – Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures/expenses that may be disallowed by the grantor cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

**TOWN OF ORO VALLEY, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 14 – RISK MANAGEMENT**

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The Town’s insurance protection is provided by the Arizona Municipal Risk Retention Pool, of which the Town is a participating member. The limit for basic coverage is for \$2,000,000 per occurrence on a claims made basis. Excess coverage is for an additional \$10,000,000 per occurrence on a follow form, claims made basis. The aggregate limit is also \$10,000,000. No significant reduction in insurance coverage occurred during the year and no settlements exceeded insurance coverage during any of the past three fiscal years.

The Arizona Municipal Risk Retention Pool is structured such that member premiums are based on an actuarial review that will provide adequate reserves to allow the Pool to meet its expected financial obligations. The Pool has the authority to assess its members’ additional premiums should reserves and annual premiums be insufficient to meet the Pool’s obligations.

The Town is insured by Arizona Municipal Workers Compensation Pool for potential worker related accidents.

The Town has established a Self Insurance Fund to account for and finance its employee health benefits program. The activity is reported in an internal service fund in these financial statements. Under this program, the Fund provides coverage for up to a maximum of \$125,000 for each claim, not to exceed an annual aggregate of \$2,000,000. The Fund purchases commercial insurance for claims in excess of this coverage. Settled claims have not exceeded this coverage for the past three fiscal years.

The Town limits its exposure through specific and aggregate stop-loss coverage. All claims handling procedures are performed by a third-party claims administrator. Reported unpaid claims, as well as incurred but not reported claims, have been accrued as a liability based upon monthly claims lag summary reports. These claims are expected to be fully paid within one year of the financial statement date.

	Claims Payable Beginning of Year	Current Year Claims and Changes in Estimates	Claim Payments	Claims Payable at End of Year
2016-17	\$ 249,036	\$ 2,761,967	\$ 2,687,926	\$ 323,077
2015-16	162,701	2,513,124	2,426,789	249,036

**TOWN OF ORO VALLEY, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 15 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS**

The Town contributes to the pension plans described below. The plans are component units of the State of Arizona.

The Town reported \$2.8 million of pension expenditures in the governmental funds and \$297,040 in enterprise funds related to all pension plans to which it contributes.

**A. Arizona State Retirement System**

**Plan Description.** Town employees not covered by the other pension plans described after this section participate in the Arizona State Retirement System (ASRS). The ASRS administers a cost-sharing multiple-employer defined benefit pension plan, a cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plan, and a cost-sharing multiple-employer defined benefit long-term disability (OPEB) plan. The Arizona State Retirement System Board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, Articles 2 and 2.1. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on the ASRS website at [www.azasrs.gov](http://www.azasrs.gov).

**Benefits Provided.** The ASRS provides retirement, health insurance premium supplement, long-term disability, and survivor benefits. State statute establishes benefit terms. Retirement benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

	Retirement Initial Membership Date:	
	Before July 1, 2011	On or After July 1, 2011
Years of service and age required to receive benefit	Sum of years and age equals 80 10 years age 62 5 years age 50* Any years age 65	30 years age 55 25 years age 60 10 years age 62 5 years age 50* Any years age 65
Final average salary is based on	Highest 36 months of last 120 months	Highest 60 months of last 120 months
Benefit percent per year of service	2.1% to 2.3%	2.1% to 2.3%
	*With actuarially reduced benefits	

**TOWN OF ORO VALLEY, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 15 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS**

Retirement benefits for members who joined the ASRS prior to September 13, 2013, are subject to automatic cost-of-living adjustments based on excess investment earnings. Members with a membership date on or after September 13, 2013, are not eligible for cost-of-living adjustments. Survivor benefits are payable upon a member’s death. For retired members, the survivor benefit is determined by the retirement benefit option chosen. For all other members, the beneficiary is entitled to the member’s account balance that includes the member’s contributions and employer’s contributions, plus interest earned.

**Contributions.** In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the current fiscal year, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.48 percent (11.34 percent for retirement and 0.14 percent for long-term disability) of the members’ annual covered payroll, and the Town was required by statute to contribute at the actuarially determined rate of 11.48 percent (10.78 percent for retirement, 0.56 percent for health insurance premium benefit, and 0.14 percent for long-term disability) of the members’ annual covered payroll. The Town’s contributions to the pension plan for the year ended June 30, 2017 were \$1.3 million.

The Town’s contributions for the current and two preceding years for the Arizona State Retirement System OPEB, all of which were equal to the required contributions, were as follows:

		Health Benefit Supplement Fund		Long-Term Disability Fund
Year ending June 30:				
2017	\$	68,282	\$	17,070
2016		59,288		14,229
2015		65,413		13,304

**Pension Liability.** At June 30, 2017, the Town reported a liability of \$20.0 million for its proportionate share of the net pension liability of the ASRS. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2015, to the measurement date of June 30, 2016. The total pension liability as of June 30, 2016, reflects a change in actuarial assumption for a decrease in loads for future potential permanent benefit increases.

**TOWN OF ORO VALLEY, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 15 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS**

The Town’s proportion of the net pension liability was based on a projection of the Town’s long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2016, the Town’s proportion was 0.124 percent, which was an increase of 0.005 from its proportion measured as of June 30, 2015.

**Pension Expense and Deferred Outflows/Inflows of Resources.** The Town has deferred outflows and inflows of resources related to the net pension liability of retirement benefits. Certain changes in the net pension liability are recognized as pension expense over a period of time rather than the year of occurrence. For the year ended June 30, 2017, the Town recognized pension expense for ASRS of \$1.4 million and reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 121,845	\$ 1,379,318
Changes of assumptions or other inputs		1,060,824
Net difference between projected and actual earnings on pension plan investments	2,172,791	
Changes in proportion and differences between contributions and proportionate share of contributions	984,098	69,845
Contributions subsequent to the measurement date	<u>1,314,421</u>	
Total	<u>\$ 4,593,155</u>	<u>\$ 2,509,987</u>

The deferred outflows of resources related to ASRS pensions resulting from contributions subsequent to the measurement date as reported in the table above will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized in pension expense as follows:

Year Ending June 30:		
2018	\$	(406,159)
2019		(370,761)
2020		936,423
2021		609,244

**TOWN OF ORO VALLEY, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 15 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS**

**Actuarial Assumptions.** The significant actuarial assumptions used to measure the total ASRS pension liability are as follows:

Actuarial valuation date	June 30, 2015
Actuarial roll forward date	June 30, 2016
Actuarial cost method	Entry age normal
Investment rate of return	8.0%
Projected salary increases	3.0-6.75%
Inflation	3.0%
Permanent base increases	Included
Mortality rates	1994 GAM Scale BB

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the five-year period ended June 30, 2012. The purpose of the experience study was to review actual experience in relation to the actuarial assumptions in effect. The ASRS Board adopted the experience study recommended changes which were applied to the June 30, 2013, actuarial valuation. The study did not include an analysis of the assumed investment rate of return.

The long-term expected rate of return on ASRS pension plan investments was determined to be 8.75 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

**TOWN OF ORO VALLEY, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 15 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS**

The target allocation and best estimates of arithmetic real rates of return for each major asset class of ASRS are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Equity	58%	6.73%
Fixed income	25	3.70
Real estate	10	4.25
Multi-asset	5	3.41
Commodities	2	3.84
Total	<u>100%</u>	

**Discount Rate.** The discount rate used to measure the ASRS total pension liability was 8.0 percent, which is less than the long-term expected rate of return of 8.75 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board’s funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate.** The following presents the Town’s proportionate share of the net pension liability calculated using the discount rate of 8.0 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<u>1% Decrease (7.0%)</u>	<u>Current Discount Rate (8.0%)</u>	<u>1% Increase (9.0%)</u>
Proportionate share of the net pension liability	\$25,565,726	\$20,050,356	\$15,628,234

**Pension Plan Fiduciary Net Position.** Detailed information about the pension plan’s fiduciary net position is available in the separately issued ASRS financial report. The report is available on the ASRS website at [www.azasrs.gov](http://www.azasrs.gov).

**TOWN OF ORO VALLEY, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 15 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS**

**B. Public Safety Personnel Retirement System and Corrections Officer Retirement Plan**

**Plan Descriptions.** Town public safety employees who are regularly assigned hazardous duty participate in the Public Safety Personnel Retirement System (PSPRS). The PSPRS administers an agent multiple-employer defined benefit pension plan and an agent multiple-employer defined benefit health insurance premium benefit (OPEB) plan. A nine-member board known as the Board of Trustees and the participating local boards govern the PSPRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 4.

Town dispatchers participate in the Corrections Officer Retirement Plan (CORP). The CORP administers an agent multiple-employer defined benefit pension plan and an agent multiple-employer defined benefit health insurance premium benefit (OPEB) plan. The Board of Trustees and the participating local boards govern CORP according to the provisions of A.R.S. Title 38, Chapter 5, Article 6.

The PSPRS and CORP issue publicly available financial reports that include their financial statements and required supplementary information. The reports are available on the PSPRS website at [www.psprs.com](http://www.psprs.com).

**Benefits Provided.** The PSPRS and CORP provide retirement, health insurance premium supplement, disability, and survivor benefits. State statute establishes benefits terms. Certain retirement and disability benefits are calculated on the basis of age, average monthly compensation, and service credit as follows. See the publicly available PSPRS and CORP financial reports for additional benefits information.

**TOWN OF ORO VALLEY, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 15 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS**

**Public Safety Personnel Retirement System:**

	Retirement Initial Membership Date:	
	Before January 1, 2012	On or After January 1, 2012
Years of service and age required to receive benefit	20 years any age 15 years age 62	25 years and age 52.5
Final average salary is based on	Highest 36 months of last 20 years	Highest 60 months of last 20 years
Normal retirement	50% less 2.0% for each year of credited service less than 20 years or plus 2.0% to 2.5% for each year of credited service over 20 years, not to exceed 80%	2.5% per year of credited service, not to exceed 80%
Accidental disability retirement	50% or normal retirement, whichever is greater	
Survivor benefit:		
Retired members	80% of retired member's pension benefit	
Active members	80% to 100% of accidental disability retirement benefit or 100% of average monthly compensation if death was the result of injuries received on the job	

**Corrections Officer Retirement Plan:**

	Retirement Initial Membership Date:	
	Before January 1, 2012	On or After January 1, 2012
Years of service and age required to receive benefit	Sum of years and age equals 80 25 years any age 10 years age 62	25 years and age 52.5 10 years age 62
Final average salary is based on	Highest 36 months of last 10 years	Highest 60 months of last 10 years
Normal retirement	2.0% to 2.5% per year of credited service, not to exceed 80%	
Accidental disability retirement	50% or normal retirement if more than 20 years of credited service	50% of normal retirement if more than 25 years of credited service
Survivor benefit:		
Retired members	80% of retired member's pension benefit	
Active members	40% of accidental disability retirement benefit or 100% of average monthly compensation if death was the result of injuries received on the job	

**TOWN OF ORO VALLEY, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 15 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS**

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on excess investment earning. In addition, the Legislature may enact permanent one-time benefit increases after a Joint Legislative Budget Committee analysis of the increase’s effects on the plan. PSPRS also provides temporary disability benefits of 50 percent of the member’s compensation for up to 12 months.

**Employees Covered by Benefit Terms.** At June 30, 2017, the following employees were covered by the agent pension plans’ benefit terms:

	PSPRS – Police	CORP – Dispatchers
Retirees and beneficiaries	29	5
Inactive, non-retired members	13	3
Active members	92	4
Total	134	12

**Contributions and Annual OPEB Cost.** State statutes establish the pension contribution requirements for active PSPRS and CORP employees. In accordance with state statutes, annual actuarial valuations determine employer contribution requirements for PSPRS and CORP pension and health insurance premium benefits. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. Contributions rates for the year ended June 30, 2017, are indicated below. Rates are a percentage of active members’ annual covered payroll.

	PSPRS – Police	CORP – Dispatchers
Active members – pension	11.65%	7.96%
Town:		
Pension	25.32	33.27
Health insurance	0.33	0.00

**TOWN OF ORO VALLEY, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 15 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS**

For the agent plans, the contributions to the pension plan and annual OPEB cost and contributions for the health insurance premium benefit for the year ended were:

	PSPRS – Police	CORP – Dispatchers
Pension:		
Contributions made	\$ 1,679,568	\$ 77,830
Health insurance premium benefit:		
Annual OPEB cost	37,502	- 0 -
Contributions made	37,502	- 0 -

**Pension Liability.** At June 30, 2017, the Town reported the following net pension liabilities:

PSPRS – Police	\$ 21,404,167
CORP – Dispatchers	1,361,102

The net pension liabilities were measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability as of June 30, 2016, reflects changes of benefit terms and actuarial assumptions.

- In May 2016 voters approved Proposition 124 that authorized certain statutory adjustments to PSPRS’ automatic cost-of-living adjustments. The statutory adjustments change the basis for future cost-of-living adjustments from excess investment earnings to the change in the consumer price index, limited to a maximum annual increase of two percent. The change in the Town’s net pension liability as a result of the statutory adjustments is not known.
- Laws 2016, Chapter 2, changed the benefit formula and contribution requirements for members hired on or after July 1, 2017.
- The investment rate of return actuarial assumption was decreased from 7.85 percent to 7.50 percent for PSPRS and CORP plans.

The net pension liabilities measured as of June 30, 2017, will reflect changes of actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2016. The change in the Town’s net pension liabilities as a result of these changes is not known.

**TOWN OF ORO VALLEY, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 15 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS**

**Actuarial Assumptions.** The significant actuarial assumptions used to measure the total pension liability are as follows:

	<u>PSPRS</u>	<u>CORP</u>
Actuarial valuation date	June 30, 2016	June 30, 2016
Actuarial cost method	Entry age normal	Entry age normal
Investment rate of return	7.50%	7.50%
Projected salary increases	4.0 - 8.0%	4.0 - 7.25%
Inflation	4.0%	4.0%
Permanent benefit increase	Included	Included
Mortality rates	RP-2000 mortality table, adjusted by 105% for both males and females	RP-2000 mortality table, adjusted by 105% for both males and females

Actuarial assumptions used in the June 30, 2016, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2011.

The long-term expected rate of return on PSPRS and CORP pension plan investments was determined to be 7.50 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class.

The target allocation and best estimates of arithmetic real rates of return for each major asset class for all agent pension plans are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Short-term investments	2%	0.75%
Absolute return	5	4.11
Risk parity	4	5.13
Fixed income	7	2.92
Real assets	8	4.77
GTAA	10	4.38
Private equity	11	9.50
Real estate	10	4.48
Credit opportunities	13	7.08
Non-U.S. equity	14	8.25
U.S. equity	16	6.23
Total	<u>100%</u>	

**TOWN OF ORO VALLEY, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 15 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS**

**Pension Discount Rates.** The following discount rates were used to measure the total pension liabilities:

	PSPRS – Police	CORP – Dispatchers
Discount rates	7.50%	7.50%

The projection of cash flows used to determine the PSPRS and CORP discount rates assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the actuarially determined contribution rates and the member rate. Based on those assumptions, the PSPRS and CORP pension plans' fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Changes in the Agent Plans Net Pension Liability: PSPRS – Police**

	Increase/Decrease		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at June 30, 2016	\$ 40,452,911	\$ 25,601,957	\$ 14,850,954
Changes for the year:			
Service cost	1,363,768		1,363,768
Interest on the total pension liability	3,185,633		3,185,633
Changes in benefit terms	3,164,555		3,164,555
Differences between expected and actual experience in the measurement of the pension liability	(548,533)		(548,533)
Changes of assumptions or other inputs	1,902,904		1,902,904
Contributions – employer		1,505,274	(1,505,274)
Contributions – employee		840,020	(840,020)
Net investment income		154,181	(154,181)
Benefit payments, including refunds of employee contributions	(1,106,968)	(1,106,968)	
Administrative expense		(22,586)	22,586
Other		38,225	(38,225)
Net changes	7,961,359	1,408,146	6,553,213
Balances at June 30, 2017	\$ 48,414,270	\$ 27,010,103	\$ 21,404,167

**TOWN OF ORO VALLEY, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 15 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS**

**Changes in the Agent Plans Net Pension Liability: CORP – Dispatchers**

	Increase/Decrease		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at June 30, 2016	\$ 2,362,604	\$ 1,205,067	\$ 1,157,537
Changes for the year:			
Service cost	32,257		32,257
Interest on the total pension liability	182,053		182,053
Changes of benefit terms	14,504		14,504
Differences between expected and actual experience in the measurement of the pension liability	(12,392)		(12,392)
Changes of assumptions or other inputs	64,514		64,514
Contributions – employer		52,583	(52,583)
Contributions – employee		18,982	(18,982)
Net investment income		7,237	(7,237)
Benefit payments, including refunds of employee contributions	(119,180)	(119,180)	
Administrative expense		(1,423)	1,423
Other changes		(8)	8
Net changes	<u>161,756</u>	<u>(41,809)</u>	<u>203,565</u>
Balances at June 30, 2017	<u>\$ 2,524,360</u>	<u>\$ 1,163,258</u>	<u>\$ 1,361,102</u>

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate.** The following presents the Town’s net pension liabilities calculated using the discount rates noted above, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
PSPRS – Police:			
Rate	6.50%	7.50%	8.50%
Net pension liability	\$28,539,103	\$21,404,167	\$15,605,305
CORP – Dispatchers:			
Rate	6.50%	7.50%	8.50%
Net pension liability	\$ 1,641,445	\$ 1,361,102	\$ 1,126,172

**Pension Plan Fiduciary Net Position.** Detailed information about the pension plans’ fiduciary net position is available in the separately issued PSPRS and CORP financial reports. The reports are available on the PSPRS website at [www.psprs.com](http://www.psprs.com).

**TOWN OF ORO VALLEY, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 15 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS**

**Pension Expense.** For the year ended June 30, 2017, the Town’s recognized the following pension expense:

	Pension Expense
PSPRS – Police	\$ 6,067,260
CORP – Dispatchers	180,056

**Pension Deferred Outflows/Inflows of Resources.** At June 30, 2017, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
<b>PSPRS – Police:</b>		
Differences between expected and actual experience	\$ 884,321	\$ 643,264
Changes of assumptions or other inputs	3,159,043	
Net difference between projected and actual earnings on pension plan investments	1,675,058	
Contributions subsequent to the measurement date	1,679,568	
Total	\$ 7,397,990	\$ 643,264

	Deferred Outflows of Resources	Deferred Inflows of Resources
<b>CORP – Dispatchers:</b>		
Differences between expected and actual experience	\$ 7,490	\$ 28,162
Changes of assumptions or other inputs	114,499	
Net difference between projected and actual earnings on pension plan investments	73,417	
Contributions subsequent to the measurement date	77,830	
Total	\$ 273,236	\$ 28,162

**TOWN OF ORO VALLEY, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 15 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS**

The amounts reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (or an increase in the net pension asset) in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30:	PSPRS – Police	CORP – Dispatchers
2018	\$ 1,219,078	\$ 59,966
2019	1,219,077	59,967
2020	1,445,925	30,223
2021	938,535	17,088
2022	252,543	

**Agent Plan OPEB Trend Information.** The table below presents the annual OPEB cost information for the health insurance premium benefit for the current and two preceding years:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual Cost Contributed	Net OPEB Obligation
<b>PSPRS – Police:</b>			
June 30, 2017	\$ 25,074	100%	\$- 0 -
June 30, 2016	27,214	100%	- 0 -
June 30, 2015	88,254	100%	- 0 -
<b>CORP – Dispatchers:</b>			
June 30, 2017	\$ - 0 -	100%	\$- 0 -
June 30, 2016	- 0 -	100%	- 0 -
June 30, 2015	4,374	100%	- 0 -

**TOWN OF ORO VALLEY, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 15 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS**

**Agent Plan OPEB Actuarial Assumptions.** Actuarial valuations involve estimates of the reported amounts' value and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plans and the annual required contributions are subject to continual revision as actual results are compared to past expectations and new estimates are made. The required schedule of funding progress for the health insurance premium benefit presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of the plans' assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Projections of benefits are based on (1) the plans as understood by the Town and plans' members and include the types of benefits inforce at the valuation date, and (2) the pattern of sharing benefit costs between the Town and plans' members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

The significant actuarial methods and assumptions used are the same for all PSPRS and CORP plans and related benefits (unless noted), and the actuarial methods and assumptions used to establish the fiscal year 2017 contribution requirements, are as follows:

	<u>PSPRS</u>	<u>CORP</u>
Actuarial valuation date	June 30, 2015	June 30, 2015
Actuarial cost method	Entry age normal	Entry age normal
Amortization method	Level percent of pay closed for unfunded actuarial accrued liability, open for excess	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period	21 years for unfunded actuarial accrued liability, 20 years for excess	21 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value (80%/120% market)	7-year smoothed market value (80%/120% market)
Actuarial assumptions:		
Investment rate of return	7.85%	7.85%
Projected salary increases	4%-8%	4%-7.25%
includes inflation at	4%	4%

**TOWN OF ORO VALLEY, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 15 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS**

The funded status of the all the PSPRS and CORP health insurance premium benefit plans in the June 30, 2016, actuarial valuation was determined using the following actuarial methods and assumptions, applied to all periods included in the measurement.

	<u>PSPRS</u>	<u>CORP</u>
Actuarial valuation date	June 30, 2016	June 30, 2016
Actuarial cost method	Entry age normal	Entry age normal
Amortization method	Level percent of pay closed	Level percent of pay closed
Remaining amortization period	20 years for unfunded, 20 years for excess	20 years for unfunded, 20 years for excess
Asset valuation method	7-year smoothed market value (80%/120% market)	7-year smoothed market value (80%/120% market)
Actuarial assumptions:		
Investment rate of return	7.50%	7.50%
Projected salary increases includes inflation at	4%-8% 4%	4%-7.25% 4%

Agent Plan OPEB Funded Status. The following table presents the funded status of the health insurance premium benefit plans as of the most recent valuation date, June 30, 2016.

	<u>PSPRS – Police</u>	<u>CORP – Dispatchers</u>
Actuarial value of assets	\$ 1,147,164	\$ 68,438
Actuarial accrued liability	1,108,855	48,337
Unfunded actuarial accrued asset (liability)	38,309	20,101
Funded ratio	103.45%	141.59%
Annual covered payroll	7,011,663	222,308
Unfunded actuarial accrued asset (liability) as a percentage of covered payroll	0.55%	9.04%

At June 30, 2017, the Town reported the following aggregate amounts related to pensions for all plans to which it contributes:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Pension assets	\$ 28,173,361	\$	\$ 28,173,361
Pension liabilities	50,938,630		50,938,630
Net pension liabilities	38,596,717	4,218,909	42,815,626
Deferred outflows of resources	11,291,054	973,326	12,264,380
Deferred inflows of resources	2,649,527	531,886	3,181,413
Pension expense	7,352,016	297,040	7,649,056
Pension contributions	2,793,282	278,536	3,071,818

**TOWN OF ORO VALLEY, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 16 – TAX ABATEMENTS**

The Town enters into property tax abatement agreements with local businesses under A.R.S. §9-500.11. Under the statute, a city or town may enter into a retail development tax incentive agreement for the purpose of economic development activities. To be eligible, the tax incentive agreement must be expected to raise more revenue than the amount of the incentive within the duration of the agreement, and in the absence of a tax incentive, the retail business facility would not locate in the city or town in the same time, place or manner.

For the fiscal year ended June 30, 2017, the Town abated sales taxes totaling \$740,975. Of this amount, \$740,356 was a 45 percent sales tax abatement to a developer, for developing a regional lifestyle and entertainment retail shopping center to create additional jobs, generate additional sales tax revenue, and provide diverse commercial and retail service opportunities to the Town's residents.

**NOTE 17 – JUDGMENTS PAYABLE**

During the fiscal year, the Supreme Court ruled on the Parker v. Public Safety Personnel Retirement System Plan lawsuit. The courts found that a 2011 law's increases in employee contribution rates for active PSPRS plan members hired prior to the law's effective date were unconstitutional. As a result, these members are entitled to refunds of their excess employee contributions, plus interest. Employers must provide these refunds because Internal Revenue Service regulations prevent PSPRS from issuing them from the plan's trusts. As such, the Town of Oro Valley refunded the excess contributions subsequent to year end. The excess contributions and interest totaling \$1,087,345 is reflected on the Statement of Net Position as Judgments Payable and Statement of Activities within the respective function.

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**REQUIRED SUPPLEMENTARY INFORMATION**

**TOWN OF ORO VALLEY, ARIZONA**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Sales taxes	\$ 15,073,000	\$ 15,073,000	\$ 16,425,605	\$ 1,352,605
Franchise taxes	580,000	580,000	647,830	67,830
Intergovernmental	13,080,452	13,080,452	13,458,181	377,729
Licenses, fees & permits	1,615,500	1,615,500	2,313,504	698,004
Fines, forfeitures & penalties	130,000	130,000	132,148	2,148
Charges for services	2,128,601	2,128,601	2,278,332	149,731
Investment earnings	89,200	89,200	39,343	(49,857)
Other	140,000	140,000	431,094	291,094
<b>Total revenues</b>	<u>32,836,753</u>	<u>32,836,753</u>	<u>35,726,037</u>	<u>2,889,284</u>
<b>Expenditures:</b>				
Current -				
General government	10,816,981	10,816,981	10,375,226	441,755
Public safety	15,598,167	16,671,218	15,543,292	1,127,926
Transit	1,617,395	1,712,170	1,528,654	183,516
Culture and recreation	3,203,204	3,203,204	3,190,447	12,757
Debt service -				
Principal retirement	42,852	42,852	42,852	
Interest and fiscal charges	2,601	2,601	2,601	
<b>Total expenditures</b>	<u>31,281,200</u>	<u>32,449,026</u>	<u>30,683,072</u>	<u>1,765,954</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>1,555,553</u>	<u>387,727</u>	<u>5,042,965</u>	<u>4,655,238</u>
<b>Other financing sources (uses):</b>				
Transfers in	305,000	305,000	305,000	
Transfers out	(1,825,304)	(2,475,304)	(2,469,304)	6,000
<b>Total other financing sources (uses):</b>	<u>(1,520,304)</u>	<u>(2,170,304)</u>	<u>(2,164,304)</u>	<u>6,000</u>
<b>Changes in fund balances</b>	<u>35,249</u>	<u>(1,782,577)</u>	<u>2,878,661</u>	<u>4,661,238</u>
<b>Fund balances, beginning of year</b>			10,524,553	10,524,553
<b>Fund balances (deficits), end of year</b>	<u>\$ 35,249</u>	<u>\$ (1,782,577)</u>	<u>\$ 13,403,214</u>	<u>\$ 15,185,791</u>

See accompanying notes to this schedule.

**TOWN OF ORO VALLEY, ARIZONA  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
COMMUNITY CENTER  
YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Sales taxes	\$ 2,105,163	\$ 2,105,163	\$ 2,199,466	\$ 94,303
Charges for services	4,482,214	4,482,214	3,873,067	(609,147)
Other	27,861	27,861	5,438	(22,423)
<b>Total revenues</b>	<u>6,615,238</u>	<u>6,615,238</u>	<u>6,077,971</u>	<u>(537,267)</u>
<b>Expenditures:</b>				
Current -				
Culture and recreation	6,424,366	6,424,366	6,242,892	181,474
Capital outlay	496,000	496,000	72,414	423,586
Debt service -				
Principal retirement			207,674	(207,674)
Interest and fiscal charges			43,893	(43,893)
<b>Total expenditures</b>	<u>6,920,366</u>	<u>6,920,366</u>	<u>6,566,873</u>	<u>353,493</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(305,128)</u>	<u>(305,128)</u>	<u>(488,902)</u>	<u>(183,774)</u>
<b>Other financing sources (uses):</b>				
Transfers in		350,000	350,000	
Transfers out	(120,000)	(120,000)	(120,000)	
<b>Total other financing sources (uses):</b>	<u>(120,000)</u>	<u>230,000</u>	<u>230,000</u>	
<b>Changes in fund balances</b>	<u>(425,128)</u>	<u>(75,128)</u>	<u>(258,902)</u>	<u>(183,774)</u>
<b>Fund balances, beginning of year</b>			161,745	161,745
<b>Fund balances (deficits), end of year</b>	<u>\$ (425,128)</u>	<u>\$ (75,128)</u>	<u>\$ (97,157)</u>	<u>\$ (22,029)</u>

See accompanying notes to this schedule.

**TOWN OF ORO VALLEY, ARIZONA**  
**SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**ARIZONA STATE RETIREMENT SYSTEM**  
**LAST THREE FISCAL YEARS**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Measurement date	June 30, 2016	June 30, 2015	June 30, 2014
Town's proportion of the net pension liability (asset)	0.12%	0.12%	0.11%
Town's proportionate share of the net pension liability (asset)	\$ 20,050,356	\$ 18,575,537	\$ 16,642,712
Town's covered payroll	\$ 11,857,622	\$ 11,826,486	\$ 11,086,887
Town's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	169.09%	157.07%	150.11%
Plan fiduciary net position as a percentage of the total pension liability	67.06%	68.35%	69.49%

NOTE: The pension schedules in the required supplementary information are intended to show information for ten years, and additional information will be displayed as it becomes available.

**See accompanying notes to this schedule.**

**TOWN OF ORO VALLEY, ARIZONA**  
**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS**  
**PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM - POLICE**  
**LAST THREE FISCAL YEARS**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Measurement date	June 30, 2016	June 30, 2015	June 30, 2014
<b>Total pension liability</b>			
Service cost	\$ 1,363,768	\$ 1,224,807	\$ 1,157,832
Interest	3,185,633	2,842,514	2,408,825
Changes of benefit terms	3,164,555		444,387
Differences between expected and actual experience	(548,533)	1,312,293	(356,776)
Changes of assumptions	1,902,904		3,014,125
Benefit payments, including refunds of employee contributions	(1,106,968)	(1,049,346)	(1,304,993)
<b>Net change in total pension liability</b>	<u>7,961,359</u>	<u>4,330,268</u>	<u>5,363,400</u>
<b>Total pension liability—beginning</b>	<u>40,452,911</u>	<u>36,122,643</u>	<u>30,759,243</u>
<b>Total pension liability—ending</b>	<u><u>\$ 48,414,270</u></u>	<u><u>\$ 40,452,911</u></u>	<u><u>\$ 36,122,643</u></u>
<b>Plan fiduciary net position</b>			
Contributions—employer	\$ 1,505,274	\$ 1,669,125	\$ 1,211,218
Contributions—employee	840,020	794,478	698,036
Net investment income	154,181	874,562	2,774,126
Benefit payments, including refunds of employee contributions	(1,106,968)	(1,049,346)	(1,304,993)
Administrative expense	(22,586)	(21,722)	(22,342)
Other	38,225	93,803	(93,142)
<b>Net change in plan fiduciary net position</b>	<u>1,408,146</u>	<u>2,360,900</u>	<u>3,262,903</u>
<b>Plan fiduciary net position—beginning</b>	<u>25,601,957</u>	<u>23,241,057</u>	<u>19,978,154</u>
<b>Plan fiduciary net position—ending</b>	<u><u>\$ 27,010,103</u></u>	<u><u>\$ 25,601,957</u></u>	<u><u>\$ 23,241,057</u></u>
<b>Net pension liability—ending</b>	<u><u>\$ 21,404,167</u></u>	<u><u>\$ 14,850,954</u></u>	<u><u>\$ 12,881,586</u></u>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	55.79%	63.29%	64.34%
<b>Covered payroll</b>	\$ 7,355,092	\$ 7,004,292	\$ 6,021,786
<b>Net pension liability as a percentage of covered payroll</b>	291.01%	212.03%	213.92%

NOTE: The pension schedules in the required supplementary information are intended to show information for ten years, and additional information will be displayed as it becomes available.

**See accompanying notes to this schedule.**

**TOWN OF ORO VALLEY, ARIZONA**  
**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS**  
**PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM - DISPATCHERS**  
**LAST THREE FISCAL YEARS**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Measurement date	June 30, 2016	June 30, 2015	June 30, 2014
<b>Total pension liability</b>			
Service cost	\$ 32,257	\$ 52,754	\$ 53,985
Interest	182,053	174,403	154,443
Changes of benefit terms	14,504		29,545
Differences between expected and actual experience	(12,392)	14,554	(48,767)
Changes of assumptions	64,514		174,536
Benefit payments, including refunds of employee contributions	(119,180)	(148,851)	(68,874)
<b>Net change in total pension liability</b>	<u>161,756</u>	<u>92,860</u>	<u>294,868</u>
<b>Total pension liability—beginning</b>	<u>2,362,604</u>	<u>2,269,744</u>	<u>1,974,876</u>
<b>Total pension liability—ending</b>	<u>\$ 2,524,360</u>	<u>\$ 2,362,604</u>	<u>\$ 2,269,744</u>
<b>Plan fiduciary net position</b>			
Contributions—employer	\$ 52,583	\$ 64,005	\$ 63,179
Contributions—employee	18,982	30,272	32,699
Net investment income	7,237	45,101	146,441
Benefit payments, including refunds of employee contributions	(119,180)	(148,851)	(68,874)
Administrative expense	(1,423)	(1,490)	(1,151)
Other	(8)	(926)	
<b>Net change in plan fiduciary net position</b>	<u>(41,809)</u>	<u>(11,889)</u>	<u>172,294</u>
<b>Plan fiduciary net position—beginning</b>	<u>1,205,067</u>	<u>1,216,956</u>	<u>1,044,662</u>
<b>Plan fiduciary net position—ending</b>	<u>\$ 1,163,258</u>	<u>\$ 1,205,067</u>	<u>\$ 1,216,956</u>
<b>Net pension liability—ending</b>	<u>\$ 1,361,102</u>	<u>\$ 1,157,537</u>	<u>\$ 1,052,788</u>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	46.08%	51.01%	53.62%
<b>Covered payroll</b>	\$ 245,274	\$ 380,303	\$ 387,839
<b>Net pension liability as a percentage of covered payroll</b>	554.93%	304.37%	271.45%

NOTE: The pension schedules in the required supplementary information are intended to show information for ten years, and additional information will be displayed as it becomes available.

See accompanying notes to this schedule.

**TOWN OF ORO VALLEY, ARIZONA  
SCHEDULE OF CONTRIBUTIONS  
ALL PENSION PLANS  
LAST THREE FISCAL YEARS**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Arizona State Retirement System:</b>			
Actuarially determined contribution	\$ 1,314,421	\$ 1,286,552	\$ 1,207,362
Contributions in relation to the actuarially determined contribution	<u>1,314,421</u>	<u>1,286,552</u>	<u>1,207,362</u>
Contribution deficiency (excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>
Town's covered payroll	\$ 12,193,145	\$ 11,826,486	\$ 11,086,887
Contributions as a percentage of covered payroll	10.78%	10.88%	10.89%
 <b>Public Safety Personnel Retirement System - Police:</b>			
Actuarially determined contribution	\$ 1,679,568	\$ 1,554,131	\$ 1,354,630
Contributions in relation to the actuarially determined contribution	<u>1,679,568</u>	<u>1,554,131</u>	<u>1,354,630</u>
Contribution deficiency (excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>
Town's covered payroll	\$ 7,199,177	\$ 7,355,092	\$ 7,004,292
Contributions as a percentage of covered payroll	23.33%	21.13%	19.34%
 <b>Public Safety Personnel Retirement System - Fire:</b>			
Actuarially determined contribution	\$ 77,830	\$ 54,083	\$ 64,005
Contributions in relation to the actuarially determined contribution	<u>77,830</u>	<u>54,083</u>	<u>64,005</u>
Contribution deficiency (excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>
Town's covered-employee payroll	\$ 233,934	\$ 245,274	\$ 380,303
Contributions as a percentage of covered-employee payroll	33.27%	22.05%	16.83%

NOTE: The pension schedules in the required supplementary information are intended to show information for ten years, and additional information will be displayed as it becomes available.

**See accompanying notes to this schedule.**

**TOWN OF ORO VALLEY, ARIZONA  
SCHEDULE OF FUNDING PROGRESS  
PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM  
OTHER POSTEMPLOYMENT BENEFITS  
LAST THREE ACTUARIAL VALUATIONS**

<b>Actuarial Valuation Date</b>	<b>Actuarial Valuation of Assets</b>	<b>Actuarial Accrued Liability (AAL)</b>	<b>Unfunded AAL (UAAL)</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>UAAAL as a percentage of Covered Payroll</b>
<b>Public Safety Personnel Retirement System - Police:</b>						
2016	\$ 1,147,164	\$ 1,108,855	\$ 38,309	103.45 %	\$ 7,011,663	0.55 %
2015	1,062,519	1,029,881	32,638	103.17	7,024,821	0.46
2014	920,139	937,923	(17,784)	98.10	6,446,142	(0.28)
<b>Public Safety Personnel Retirement System - Dispatchers:</b>						
2016	\$ 68,438	\$ 48,337	\$ 20,101	141.59 %	\$ 222,308	9.04 %
2015	85,050	48,723	36,327	174.56	272,189	13.35
2014	78,501	67,692	10,809	115.97	410,789	2.63

See accompanying notes to this schedule.

**TOWN OF ORO VALLEY, ARIZONA**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2017**

**NOTE 1 – BUDGETARY BASIS OF ACCOUNTING**

The Town budget is prepared on a basis consistent with accounting principles generally accepted in the United States of America.

**NOTE 2 – PENSION PLAN SCHEDULES**

**Factors that Affect Trends.** The actuarial assumptions used in the June 30, 2015, valuation for ASRS were based on the results of an actuarial experience study for the five-year period ended June 30, 2012. The purpose of the experience study was to review actual experience in relation to the actuarial assumptions in effect. The ASRS Board adopted the experience study recommended changes which were applied to the June 30, 2013, actuarial valuation. The study did not include an analysis of the assumed investment rate of return.

The actuarial assumptions used in the June 30, 2016, valuation for PSPRS were based on the results of an actuarial experience study for the 5-year period ended June 30, 2011. The total pension liability used to calculate the net pension liability for PSPRS was determined by an actuarial valuation as of that date. The total pension liability as of June 30, 2016, reflects changes of benefit terms and actuarial assumptions for a court ruling for funding permanent benefit increases and a decrease in the wage growth assumption from 4.5% to 4.0%.

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**COMBINING AND INDIVIDUAL  
FUND FINANCIAL STATEMENTS  
AND SCHEDULES**

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**GOVERNMENTAL FUNDS**

**TOWN OF ORO VALLEY, ARIZONA**  
**COMBINING BALANCE SHEET - ALL NON-MAJOR GOVERNMENTAL FUNDS - BY FUND TYPE**  
**JUNE 30, 2017**

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 2,036,220	\$ 49,213	\$ 7,547,890
Accounts receivable	28,994		
Intergovernmental receivable	294,485		1,242,460
Special assessments		645,000	
Prepaid items		47,911	
<b>Total assets</b>	<u>\$ 2,359,699</u>	<u>\$ 742,124</u>	<u>\$ 8,790,350</u>
 <b><u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u></b>			
Liabilities:			
Accounts payable	\$ 154,607	\$ 1,060	\$ 1,484,224
Accrued wages and benefits	55,480		
Due to other funds	7,699		
<b>Total liabilities</b>	<u>217,786</u>	<u>1,060</u>	<u>1,484,224</u>
Deferred inflows of resources:			
Unavailable revenues - special assessments		<u>645,000</u>	
Fund balances (deficits):			
Restricted	336,473	96,064	5,574,047
Committed	1,813,514		15,718
Assigned			1,716,361
Unassigned	(8,074)		
<b>Total fund balances</b>	<u>2,141,913</u>	<u>96,064</u>	<u>7,306,126</u>
 <b>Total liabilities, deferred inflows of resources and fund balances</b>	 <u>\$ 2,359,699</u>	 <u>\$ 742,124</u>	 <u>\$ 8,790,350</u>

Total Non-  
Major  
Governmental  
Fund

\$ 9,633,323  
28,994  
1,536,945  
645,000  
47,911  
\$ 11,892,173

\$ 1,639,891  
55,480  
7,699  
1,703,070

645,000

6,006,584  
1,829,232  
1,716,361  
(8,074)  
9,544,103

\$ 11,892,173

**TOWN OF ORO VALLEY, ARIZONA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**ALL NON-MAJOR GOVERNMENTAL FUNDS - BY FUND TYPE**  
**YEAR ENDED JUNE 30, 2017**

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
<b>Revenues:</b>			
Sales taxes	\$ 1,142,649	\$	\$
Development impact fees			1,348,528
Special assessments		175,539	
Intergovernmental	3,485,976	91,139	5,083,337
Licenses, fees & permits	75,447		
Fines, forfeitures & penalties	426,544		
Charges for services	75,179		
Contributions and donations			150,000
Investment earnings	17,643	917	10,532
Other	7,951	105,003	23,400
<b>Total revenues</b>	<u>5,231,389</u>	<u>372,598</u>	<u>6,615,797</u>
<b>Expenditures:</b>			
Current -			
General government	723,618		
Public safety	61,678		120,059
Highway and streets	2,993,402		
Capital outlay	1,439,648		7,684,739
Debt service -			
Principal retirement		474,940	350,000
Interest and fiscal charges		268,420	
Bond issuance costs		18,209	49,750
<b>Total expenditures</b>	<u>5,218,346</u>	<u>761,569</u>	<u>8,204,548</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>13,043</u>	<u>(388,971)</u>	<u>(1,588,751)</u>
<b>Other financing sources (uses):</b>			
Sale of refunding bonds		1,115,556	
Issuance of revenue bonds			2,000,000
Transfers in	100,000	471,472	1,726,600
Transfers out	(548,226)		(112,600)
Payment to bond escrow agent		(1,171,447)	
<b>Total other financing sources (uses):</b>	<u>(448,226)</u>	<u>415,581</u>	<u>3,614,000</u>
<b>Changes in fund balances</b>	<u>(435,183)</u>	<u>26,610</u>	<u>2,025,249</u>
<b>Fund balances, beginning of year</b>	2,577,096	69,454	5,280,877
<b>Fund balances, end of year</b>	<u>\$ 2,141,913</u>	<u>\$ 96,064</u>	<u>\$ 7,306,126</u>

Total Non-  
Major  
Governmental  
Funds

---

\$ 1,142,649  
1,348,528  
175,539  
8,660,452  
75,447  
426,544  
75,179  
150,000  
29,092  
136,354  

---

12,219,784

723,618  
181,737  
2,993,402  
9,124,387

824,940  
268,420  
67,959

---

14,184,463

---

(1,964,679)

1,115,556  
2,000,000  
2,298,072  
(660,826)  
(1,171,447)

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3,581,355

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1,616,676

7,927,427

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\$ 9,544,103

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## **SPECIAL REVENUE FUNDS**

The Special Revenue Funds account for the proceeds of specific revenue sources, other than major capital projects, that are legally restricted to expenditures for specified purposes.

**Highway User Revenue** – accounts for the Town’s share of motor fuel tax revenues.

**State Seizures and Forfeitures** – accounts for state police seizures and forfeitures received by the Town.

**Federal Seizures and Forfeitures** – accounts for federal police seizures and forfeitures received by the Town.

**Bed Tax** – accounts for the collection of the 6 percent bed tax revenues which funds economic development and tourism initiatives.

**Impound Fee** – accounts for the collection of administrative fees for processing vehicles impounded by the Oro Valley police department.

**TOWN OF ORO VALLEY, ARIZONA**  
**COMBINING BALANCE SHEET - NON-MAJOR SPECIAL REVENUE FUNDS**  
**JUNE 30, 2017**

	HURF	State Seizures and Forfeitures	Federal Seizures and Forfeitures
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 1,128,091	\$ 348,376	\$
Accounts receivable	28,994		
Intergovernmental receivable	294,485		
<b>Total assets</b>	<b>\$ 1,451,570</b>	<b>\$ 348,376</b>	<b>\$</b>
 <b><u>LIABILITIES AND FUND BALANCES</u></b>			
Liabilities:			
Accounts payable	\$ 45,187	\$ 37,221	\$ 375
Accrued wages and benefits	55,480		
Due to other funds			7,699
<b>Total liabilities</b>	<b>100,667</b>	<b>37,221</b>	<b>8,074</b>
Fund balances (deficits):			
Restricted		311,155	
Committed	1,350,903		
Unassigned			(8,074)
<b>Total fund balances</b>	<b>1,350,903</b>	<b>311,155</b>	<b>(8,074)</b>
 <b>Total liabilities and fund balances</b>	 <b>\$ 1,451,570</b>	 <b>\$ 348,376</b>	 <b>\$</b>

<u>Bed Tax</u>	<u>Impound Fee</u>	<u>Totals</u>
\$ 534,411	\$ 25,342	\$ 2,036,220
		28,994
		294,485
<u>\$ 534,411</u>	<u>\$ 25,342</u>	<u>\$ 2,359,699</u>
\$ 71,800	\$ 24	\$ 154,607
		55,480
		7,699
<u>71,800</u>	<u>24</u>	<u>217,786</u>
462,611	25,318	336,473
		1,813,514
		(8,074)
<u>462,611</u>	<u>25,318</u>	<u>2,141,913</u>
<u>\$ 534,411</u>	<u>\$ 25,342</u>	<u>\$ 2,359,699</u>

**TOWN OF ORO VALLEY, ARIZONA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**NON-MAJOR SPECIAL REVENUE FUNDS**  
**YEAR ENDED JUNE 30, 2017**

	<u>HURF</u>	<u>State Seizures and Forfeitures</u>	<u>Federal Seizures and Forfeitures</u>
<b>Revenues:</b>			
Sales taxes	\$	\$	\$
Intergovernmental	3,485,976		
Licenses, fees & permits	75,447		
Fines, forfeitures & penalties		359,938	29,740
Charges for services	75,179		
Investment earnings	15,495	1,297	315
Other	4,451		
<b>Total revenues</b>	<u>3,656,548</u>	<u>361,235</u>	<u>30,055</u>
<b>Expenditures:</b>			
Current -			
General government			
Public safety		52,747	8,931
Highway and streets	2,993,402		
Capital outlay	1,402,577	37,071	
<b>Total expenditures</b>	<u>4,395,979</u>	<u>89,818</u>	<u>8,931</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(739,431)</u>	<u>271,417</u>	<u>21,124</u>
<b>Other financing sources (uses):</b>			
Transfers in	100,000		
Transfers out	(38,032)		
<b>Total other financing sources (uses):</b>	<u>61,968</u>		
<b>Changes in fund balances</b>	<u>(677,463)</u>	<u>271,417</u>	<u>21,124</u>
<b>Fund balances (deficits), beginning of year</b>	2,028,366	39,738	(29,198)
<b>Fund balances (deficits), end of year</b>	<u>\$ 1,350,903</u>	<u>\$ 311,155</u>	<u>\$ (8,074)</u>

<u>Bed Tax</u>	<u>Impound Fee</u>	<u>Totals</u>
\$ 1,142,649	\$	\$ 1,142,649
		3,485,976
		75,447
	36,866	426,544
536		75,179
3,500		17,643
<u>1,146,685</u>	<u>36,866</u>	<u>7,951</u>
		<u>5,231,389</u>
666,257	57,361	723,618
		61,678
		2,993,402
<u>666,257</u>	<u>57,361</u>	<u>1,439,648</u>
		<u>5,218,346</u>
<u>480,428</u>	<u>(20,495)</u>	<u>13,043</u>
		100,000
<u>(510,194)</u>	<u></u>	<u>(548,226)</u>
<u>(510,194)</u>	<u></u>	<u>(448,226)</u>
<u>(29,766)</u>	<u>(20,495)</u>	<u>(435,183)</u>
492,377	45,813	2,577,096
<u>\$ 462,611</u>	<u>\$ 25,318</u>	<u>\$ 2,141,913</u>

**TOWN OF ORO VALLEY, ARIZONA**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL**  
**NON-MAJOR SPECIAL REVENUE FUNDS**  
**YEAR ENDED JUNE 30, 2017**

	HURF		Variance - Positive (Negative)
	Budget	Actual	
<b>Revenues:</b>			
Sales taxes	\$	\$	\$
Intergovernmental	3,195,000	3,485,976	290,976
Licenses, fees & permits	52,500	75,447	22,947
Fines, forfeitures & penalties			
Charges for services	134,000	75,179	(58,821)
Investment earnings	28,600	15,495	(13,105)
Other	80,000	4,451	(75,549)
<b>Total revenues</b>	<u>3,490,100</u>	<u>3,656,548</u>	<u>166,448</u>
<b>Expenditures:</b>			
Current -			
General government			
Public safety			
Highway and streets	3,875,045	2,993,402	881,643
Capital outlay	1,678,750	1,402,577	276,173
<b>Total expenditures</b>	<u>5,553,795</u>	<u>4,395,979</u>	<u>1,157,816</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(2,063,695)</u>	<u>(739,431)</u>	<u>1,324,264</u>
<b>Other financing sources (uses):</b>			
Transfers in	100,000	100,000	
Transfers out	(38,032)	(38,032)	
<b>Total other financing sources (uses):</b>	<u>61,968</u>	<u>61,968</u>	
<b>Changes in fund balances</b>	<u>(2,001,727)</u>	<u>(677,463)</u>	<u>1,324,264</u>
<b>Fund balances (deficits), beginning of year</b>		2,028,366	2,028,366
<b>Fund balances (deficits), end of year</b>	<u>\$ (2,001,727)</u>	<u>\$ 1,350,903</u>	<u>\$ 3,352,630</u>

State Seizures and Forfeitures			Federal Seizures and Forfeitures		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$	\$	\$	\$	\$	\$
275,000	359,938	84,938		29,740	29,740
	1,297	1,297		315	315
<u>275,000</u>	<u>361,235</u>	<u>86,235</u>		<u>30,055</u>	<u>30,055</u>
342,328	52,747	289,581	22,768	8,931	13,837
	37,071	(37,071)			
<u>342,328</u>	<u>89,818</u>	<u>252,510</u>	<u>22,768</u>	<u>8,931</u>	<u>13,837</u>
<u>(67,328)</u>	<u>271,417</u>	<u>338,745</u>	<u>(22,768)</u>	<u>21,124</u>	<u>43,892</u>
<u>(67,328)</u>	<u>271,417</u>	<u>338,745</u>	<u>(22,768)</u>	<u>21,124</u>	<u>43,892</u>
	39,738	39,738		(29,198)	(29,198)
<u>\$ (67,328)</u>	<u>\$ 311,155</u>	<u>\$ 378,483</u>	<u>\$ (22,768)</u>	<u>\$ (8,074)</u>	<u>\$ 14,694</u>

(Continued)

**TOWN OF ORO VALLEY, ARIZONA**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL**  
**NON-MAJOR SPECIAL REVENUE FUNDS**  
**YEAR ENDED JUNE 30, 2017**

	Bed Tax		Variance - Positive (Negative)
	Budget	Actual	
<b>Revenues:</b>			
Sales taxes	\$ 1,085,805	\$ 1,142,649	\$ 56,844
Intergovernmental			
Licenses, fees & permits			
Fines, forfeitures & penalties			
Charges for services			
Investment earnings	6,200	536	(5,664)
Other		3,500	3,500
<b>Total revenues</b>	<u>1,092,005</u>	<u>1,146,685</u>	<u>54,680</u>
<b>Expenditures:</b>			
Current -			
General government	914,589	666,257	248,332
Public safety			
Highway and streets			
Capital outlay			
<b>Total expenditures</b>	<u>914,589</u>	<u>666,257</u>	<u>248,332</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>177,416</u>	<u>480,428</u>	<u>303,012</u>
<b>Other financing sources (uses):</b>			
Transfers in			
Transfers out	(510,194)	(510,194)	
<b>Total other financing sources (uses):</b>	<u>(510,194)</u>	<u>(510,194)</u>	
<b>Changes in fund balances</b>	<u>(332,778)</u>	<u>(29,766)</u>	<u>303,012</u>
<b>Fund balances (deficits), beginning of year</b>		492,377	492,377
<b>Fund balances (deficits), end of year</b>	<u>\$ (332,778)</u>	<u>\$ 462,611</u>	<u>\$ 795,389</u>

Impound Fee			Totals		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$	\$	\$	\$ 1,085,805	\$ 1,142,649	\$ 56,844
			3,195,000	3,485,976	290,976
			52,500	75,447	22,947
40,000	36,866	(3,134)	315,000	426,544	111,544
			134,000	75,179	(58,821)
			34,800	17,643	(17,157)
			80,000	7,951	(72,049)
<u>40,000</u>	<u>36,866</u>	<u>(3,134)</u>	<u>4,897,105</u>	<u>5,231,389</u>	<u>334,284</u>
80,814	57,361	23,453	995,403	723,618	271,785
			365,096	61,678	303,418
			3,875,045	2,993,402	881,643
			1,678,750	1,439,648	239,102
<u>80,814</u>	<u>57,361</u>	<u>23,453</u>	<u>6,914,294</u>	<u>5,218,346</u>	<u>1,695,948</u>
<u>(40,814)</u>	<u>(20,495)</u>	<u>20,319</u>	<u>(2,017,189)</u>	<u>13,043</u>	<u>2,030,232</u>
			100,000	100,000	
			(548,226)	(548,226)	
			(448,226)	(448,226)	
<u>(40,814)</u>	<u>(20,495)</u>	<u>20,319</u>	<u>(2,465,415)</u>	<u>(435,183)</u>	<u>2,030,232</u>
	45,813	45,813		2,577,096	2,577,096
<u>\$ (40,814)</u>	<u>\$ 25,318</u>	<u>\$ 66,132</u>	<u>\$ (2,465,415)</u>	<u>\$ 2,141,913</u>	<u>\$ 4,607,328</u>

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## **MUNICIPAL DEBT SERVICE FUNDS**

**Municipal Debt Service** - to account for the payments of debt service on the Series 2005 Excise Tax Revenue Obligations, the Series 2007 MPC Excise Tax Revenue Refunding Bonds, the Series 2010 Excise Tax Revenue Clean Renewable Energy Bonds (CREBs), the Series 2012 Excise Tax Revenue Obligations, and the Series 2015 Excise Tax Revenue Refunding Obligations.

**Oracle Road Debt Service** – to account for the special assessment collections and payment of the outstanding Oracle Road bond issue.

**TOWN OF ORO VALLEY, ARIZONA**  
**COMBINING BALANCE SHEET - NON-MAJOR DEBT SERVICE FUNDS**  
**JUNE 30, 2017**

	Municipal Debt Service	Oracle Road Debt Service	Totals
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 42,476	\$ 6,737	\$ 49,213
Special assessments		645,000	645,000
Prepaid items	47,911		47,911
<b>Total assets</b>	<b>\$ 90,387</b>	<b>\$ 651,737</b>	<b>\$ 742,124</b>
 <b><u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u></b>			
Liabilities:			
Accounts payable	\$ 1,060	\$	\$ 1,060
<b>Total liabilities</b>	<b>1,060</b>		<b>1,060</b>
Deferred inflows of resources:			
Unavailable revenues - special assessments		645,000	645,000
Fund balances:			
Restricted	89,327	6,737	96,064
<b>Total fund balances</b>	<b>89,327</b>	<b>6,737</b>	<b>96,064</b>
 <b>Total liabilities, deferred inflows of resources and fund balances</b>	 <b>\$ 90,387</b>	 <b>\$ 651,737</b>	 <b>\$ 742,124</b>

**TOWN OF ORO VALLEY, ARIZONA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**NON-MAJOR DEBT SERVICE FUNDS**  
**YEAR ENDED JUNE 30, 2017**

	Municipal Debt Service	Oracle Road Debt Service	Totals
<b>Revenues:</b>			
Special assessments	\$	\$ 175,539	\$ 175,539
Intergovernmental	91,139		91,139
Investment earnings	917		917
Other	104,847	156	105,003
<b>Total revenues</b>	<u>196,903</u>	<u>175,695</u>	<u>372,598</u>
<b>Expenditures:</b>			
Debt service -			
Principal retirement	334,940	140,000	474,940
Interest and fiscal charges	232,494	35,926	268,420
Bond issuance costs	18,209		18,209
<b>Total expenditures</b>	<u>585,643</u>	<u>175,926</u>	<u>761,569</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(388,740)</u>	<u>(231)</u>	<u>(388,971)</u>
<b>Other financing sources (uses):</b>			
Sale of refunding bonds	1,115,556		1,115,556
Transfers in	471,472		471,472
Payment to bond escrow agent	(1,171,447)		(1,171,447)
<b>Total other financing sources (uses):</b>	<u>415,581</u>		<u>415,581</u>
<b>Changes in fund balances</b>	<u>26,841</u>	<u>(231)</u>	<u>26,610</u>
<b>Fund balances, beginning of year</b>	62,486	6,968	69,454
<b>Fund balances, end of year</b>	<u>\$ 89,327</u>	<u>\$ 6,737</u>	<u>\$ 96,064</u>

**TOWN OF ORO VALLEY, ARIZONA**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL**  
**NON-MAJOR DEBT SERVICE FUNDS**  
**YEAR ENDED JUNE 30, 2017**

	Municipal Debt Service		
	Budget	Actual	Variance - Positive (Negative)
<b>Revenues:</b>			
Special assessments	\$	\$	\$
Intergovernmental	54,945	91,139	36,194
Investment earnings		917	917
Other	90,000	104,847	14,847
<b>Total revenues</b>	<u>144,945</u>	<u>196,903</u>	<u>51,958</u>
<b>Expenditures:</b>			
Debt service -			
Principal retirement	334,940	334,940	
Interest and fiscal charges	355,717	232,494	123,223
Bond issuance costs		18,209	(18,209)
<b>Total expenditures</b>	<u>690,657</u>	<u>585,643</u>	<u>105,014</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(545,712)</u>	<u>(388,740)</u>	<u>156,972</u>
<b>Other financing sources (uses):</b>			
Sale of refunding bonds		1,115,556	1,115,556
Transfers in	471,472	471,472	
Payment to bond escrow agent		(1,171,447)	(1,171,447)
<b>Total other financing sources (uses):</b>	<u>471,472</u>	<u>415,581</u>	<u>(55,891)</u>
<b>Changes in fund balances</b>	<u>(74,240)</u>	<u>26,841</u>	<u>101,081</u>
<b>Fund balances, beginning of year</b>		62,486	62,486
<b>Fund balances (deficits), end of year</b>	<u>\$ (74,240)</u>	<u>\$ 89,327</u>	<u>\$ 163,567</u>

Oracle Road Debt Service			Totals		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$ 178,558	\$ 175,539	\$ (3,019)	\$ 178,558	\$ 175,539	\$ (3,019)
			54,945	91,139	36,194
	156	156	90,000	917	917
<u>178,558</u>	<u>175,695</u>	<u>(2,863)</u>	<u>323,503</u>	<u>372,598</u>	<u>49,095</u>
140,000	140,000		474,940	474,940	
43,504	35,926	7,578	399,221	268,420	130,801
<u>183,504</u>	<u>175,926</u>	<u>7,578</u>	<u>874,161</u>	<u>761,569</u>	<u>112,592</u>
<u>(4,946)</u>	<u>(231)</u>	<u>4,715</u>	<u>(550,658)</u>	<u>(388,971)</u>	<u>161,687</u>
3,000		(3,000)	474,472	1,115,556	1,115,556
<u>3,000</u>		<u>(3,000)</u>	<u>474,472</u>	471,472	(3,000)
<u>(1,946)</u>	<u>(231)</u>	<u>1,715</u>	<u>(76,186)</u>	<u>(1,171,447)</u>	<u>(1,171,447)</u>
	6,968	6,968		415,581	(58,891)
<u>\$ (1,946)</u>	<u>\$ 6,737</u>	<u>\$ 8,683</u>	<u>\$ (76,186)</u>	<u>\$ 96,064</u>	<u>\$ 172,250</u>

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## **CAPITAL PROJECTS FUNDS**

Capital Projects Funds are created to account for the purchase or construction of major capital facilities which are not financed by the general, enterprise, or special revenue funds.

**Townwide Roadway Development Impact Fees** – to account for the collection and capital expenditures of the Townwide Roadway Development Impact Fees.

**General Impact Fees** – accounts for the collection of development impact fees charged for new residential and nonresidential growth to be used for future general government facilities, vehicles, equipment, and other necessary general government infrastructure needed as a result of new growth.

**Townwide Facilities Projects** – accounts for revenues dedicated to improvements to Town parks.

**General Government CIP** – to account for governmental capital asset projects.

**PAG/RTA** - to account for revenues dedicated to Town improvements funded through Pima Association of Governments and the Regional Transportation Authority.

**Energy Efficiency Project** – to account for bond proceeds to fund energy improvements at the Oro Valley Community Center.

**TOWN OF ORO VALLEY, ARIZONA**  
**COMBINING BALANCE SHEET - NON-MAJOR CAPITAL PROJECTS FUNDS**  
**JUNE 30, 2017**

	Townwide Roadway Development Impact Fees	General Impact Fees	Townwide Facilities Projects
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 3,097,156	\$ 1,023,792	\$ 15,718
Intergovernmental receivable			
<b>Total assets</b>	<u>\$ 3,097,156</u>	<u>\$ 1,023,792</u>	<u>\$ 15,718</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>			
Liabilities:			
Accounts payable	\$ _____	\$ _____	\$ _____
<b>Total liabilities</b>	_____	_____	_____
Fund balances:			
Restricted	3,097,156	1,023,792	
Committed			15,718
Assigned			
<b>Total fund balances</b>	<u>3,097,156</u>	<u>1,023,792</u>	<u>15,718</u>
<b>Total liabilities and fund balances</b>	<u>\$ 3,097,156</u>	<u>\$ 1,023,792</u>	<u>\$ 15,718</u>

<u>General Government CIP</u>	<u>PAG/RTA</u>	<u>Energy Efficiency Project</u>	<u>Totals</u>
\$ 1,737,570	\$ 584,695	\$ 1,088,959	\$ 7,547,890
	1,242,460		1,242,460
<u>\$ 1,737,570</u>	<u>\$ 1,827,155</u>	<u>\$ 1,088,959</u>	<u>\$ 8,790,350</u>
\$ 21,209	\$ 942,393	\$ 520,622	\$ 1,484,224
<u>21,209</u>	<u>942,393</u>	<u>520,622</u>	<u>1,484,224</u>
	884,762	568,337	5,574,047
1,716,361			15,718
<u>1,716,361</u>	<u>884,762</u>	<u>568,337</u>	<u>1,716,361</u>
			7,306,126
<u>\$ 1,737,570</u>	<u>\$ 1,827,155</u>	<u>\$ 1,088,959</u>	<u>\$ 8,790,350</u>

**TOWN OF ORO VALLEY, ARIZONA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**NON-MAJOR CAPITAL PROJECTS FUNDS**  
**YEAR ENDED JUNE 30, 2017**

	Townwide Roadway Development Impact Fees	General Impact Fees	Townwide Facilities Projects
<b>Revenues:</b>			
Development impact fees	\$ 873,690	\$ 474,838	\$
Intergovernmental			
Contributions and donations		150,000	
Investment earnings	8,391	2,141	
Other			
<b>Total revenues</b>	882,081	626,979	
<b>Expenditures:</b>			
Current -			
Public safety			
Capital outlay	1,000,000	199,680	
Debt service -			
Principal retirement			
Bond issuance costs			
<b>Total expenditures</b>	1,000,000	199,680	
<b>Excess (deficiency) of revenues over expenditures</b>	(117,919)	427,299	
<b>Other financing sources (uses):</b>			
Issuance of revenue bonds			
Transfers in			
Transfers out		(112,600)	
<b>Total other financing sources (uses):</b>		(112,600)	
<b>Changes in fund balances</b>	(117,919)	314,699	
<b>Fund balances, beginning of year</b>	3,215,075	709,093	15,718
<b>Fund balances, end of year</b>	\$ 3,097,156	\$ 1,023,792	\$ 15,718

<u>General Government CIP</u>	<u>PAG/RTA</u>	<u>Energy Efficiency Project</u>	<u>Totals</u>
\$ 60,909	\$ 5,022,428	\$	\$ 1,348,528
			5,083,337
			150,000
	23,400		10,532
	<u>5,045,828</u>		<u>23,400</u>
<u>60,909</u>			<u>6,615,797</u>
	120,059		120,059
440,157	4,662,989	1,381,913	7,684,739
350,000			350,000
		49,750	49,750
<u>790,157</u>	<u>4,783,048</u>	<u>1,431,663</u>	<u>8,204,548</u>
<u>(729,248)</u>	<u>262,780</u>	<u>(1,431,663)</u>	<u>(1,588,751)</u>
		2,000,000	2,000,000
1,726,600			1,726,600
			(112,600)
<u>1,726,600</u>		<u>2,000,000</u>	<u>3,614,000</u>
<u>997,352</u>	<u>262,780</u>	<u>568,337</u>	<u>2,025,249</u>
719,009	621,982		5,280,877
<u>\$ 1,716,361</u>	<u>\$ 884,762</u>	<u>\$ 568,337</u>	<u>\$ 7,306,126</u>

**TOWN OF ORO VALLEY, ARIZONA**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL**  
**NON-MAJOR CAPITAL PROJECTS FUNDS**  
**YEAR ENDED JUNE 30, 2017**

	Townwide Roadway Development Impact Fees		
	Budget	Actual	Variance - Positive (Negative)
<b>Revenues:</b>			
Development impact fees	\$ 340,167	\$ 873,690	\$ 533,523
Intergovernmental			
Contributions and donations			
Investment earnings	3,000	8,391	5,391
Other			
<b>Total revenues</b>	343,167	882,081	538,914
<b>Expenditures:</b>			
Current -			
Public safety			
Capital outlay	3,317,088	1,000,000	2,317,088
Debt service -			
Principal retirement			
Bond issuance costs			
<b>Total expenditures</b>	3,317,088	1,000,000	2,317,088
<b>Excess (deficiency) of revenues over expenditures</b>	(2,973,921)	(117,919)	2,856,002
<b>Other financing sources (uses):</b>			
Issuance of revenue bonds			
Transfers in			
Transfers out			
<b>Total other financing sources (uses):</b>			
<b>Changes in fund balances</b>	(2,973,921)	(117,919)	2,856,002
<b>Fund balances, beginning of year</b>		3,215,075	3,215,075
<b>Fund balances (deficits), end of year</b>	\$ (2,973,921)	\$ 3,097,156	\$ 6,071,077

General Impact Fees			Townwide Facilities Projects		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$ 206,680	\$ 474,838	\$ 268,158	\$	\$	\$
150,000	150,000				
	2,141	2,141			
<u>356,680</u>	<u>626,979</u>	<u>270,299</u>			
696,530	199,680	496,850	27,918		27,918
<u>696,530</u>	<u>199,680</u>	<u>496,850</u>	<u>27,918</u>		<u>27,918</u>
<u>(339,850)</u>	<u>427,299</u>	<u>767,149</u>	<u>(27,918)</u>		<u>27,918</u>
<u>(250,000)</u>	<u>(112,600)</u>	<u>137,400</u>			
<u>(250,000)</u>	<u>(112,600)</u>	<u>137,400</u>			
<u>(589,850)</u>	<u>314,699</u>	<u>904,549</u>	<u>(27,918)</u>		<u>27,918</u>
	709,093	709,093		15,718	15,718
<u>\$ (589,850)</u>	<u>\$ 1,023,792</u>	<u>\$ 1,613,642</u>	<u>\$ (27,918)</u>	<u>\$ 15,718</u>	<u>\$ 43,636</u>

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**TOWN OF ORO VALLEY, ARIZONA**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL**  
**NON-MAJOR CAPITAL PROJECTS FUNDS**  
**YEAR ENDED JUNE 30, 2017**

	General Government CIP		
	Budget	Actual	Variance - Positive (Negative)
<b>Revenues:</b>			
Development impact fees	\$	\$	\$
Intergovernmental	81,000	60,909	(20,091)
Contributions and donations			
Investment earnings			
Other			
<b>Total revenues</b>	<u>81,000</u>	<u>60,909</u>	<u>(20,091)</u>
<b>Expenditures:</b>			
Current -			
Public safety			
Capital outlay	2,648,000	440,157	2,207,843
Debt service -			
Principal retirement		350,000	(350,000)
Bond issuance costs			
<b>Total expenditures</b>	<u>2,648,000</u>	<u>790,157</u>	<u>1,857,843</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(2,567,000)</u>	<u>(729,248)</u>	<u>1,837,752</u>
<b>Other financing sources (uses):</b>			
Issuance of revenue bonds			
Transfers in	1,867,000	1,726,600	(140,400)
Transfers out			
<b>Total other financing sources (uses):</b>	<u>1,867,000</u>	<u>1,726,600</u>	<u>(140,400)</u>
<b>Changes in fund balances</b>	<u>(700,000)</u>	<u>997,352</u>	<u>1,697,352</u>
<b>Fund balances, beginning of year</b>		719,009	719,009
<b>Fund balances (deficits), end of year</b>	<u>\$ (700,000)</u>	<u>\$ 1,716,361</u>	<u>\$ 2,416,361</u>

PAG/RTA			Energy Efficiency Project		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$ 9,249,971	\$ 5,022,428	\$ (4,227,543)	\$	\$	\$
22,500	23,400	900			
<u>9,272,471</u>	<u>5,045,828</u>	<u>(4,226,643)</u>			
9,552,166	120,059 4,662,989	(120,059) 4,889,177	3,000,000	1,381,913	1,618,087
<u>9,552,166</u>	<u>4,783,048</u>	<u>4,769,118</u>	<u>3,000,000</u>	<u>49,750</u> <u>1,431,663</u>	<u>(49,750)</u> <u>1,568,337</u>
<u>(279,695)</u>	<u>262,780</u>	<u>542,475</u>	<u>(3,000,000)</u>	<u>(1,431,663)</u>	<u>1,568,337</u>
				2,000,000	2,000,000
				<u>2,000,000</u>	<u>2,000,000</u>
<u>(279,695)</u>	<u>262,780</u>	<u>542,475</u>	<u>(3,000,000)</u>	<u>568,337</u>	<u>3,568,337</u>
	621,982	621,982			
<u>\$ (279,695)</u>	<u>\$ 884,762</u>	<u>\$ 1,164,457</u>	<u>\$ (3,000,000)</u>	<u>\$ 568,337</u>	<u>\$ 3,568,337</u>

(Continued)

**TOWN OF ORO VALLEY, ARIZONA**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL**  
**NON-MAJOR CAPITAL PROJECTS FUNDS**  
**YEAR ENDED JUNE 30, 2017**

	Totals		Variance - Positive (Negative)
	Budget	Actual	
<b>Revenues:</b>			
Development impact fees	\$ 546,847	\$ 1,348,528	\$ 801,681
Intergovernmental	9,330,971	5,083,337	(4,247,634)
Contributions and donations	150,000	150,000	
Investment earnings	3,000	10,532	7,532
Other	22,500	23,400	900
<b>Total revenues</b>	<u>10,053,318</u>	<u>6,615,797</u>	<u>(3,437,521)</u>
<b>Expenditures:</b>			
Current -			
Public safety		120,059	(120,059)
Capital outlay	19,241,702	7,684,739	11,556,963
Debt service -			
Principal retirement		350,000	(350,000)
Bond issuance costs		49,750	(49,750)
<b>Total expenditures</b>	<u>19,241,702</u>	<u>8,204,548</u>	<u>11,037,154</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(9,188,384)</u>	<u>(1,588,751)</u>	<u>7,599,633</u>
<b>Other financing sources (uses):</b>			
Issuance of revenue bonds		2,000,000	2,000,000
Transfers in	1,867,000	1,726,600	(140,400)
Transfers out	(250,000)	(112,600)	137,400
<b>Total other financing sources (uses):</b>	<u>1,617,000</u>	<u>3,614,000</u>	<u>1,997,000</u>
<b>Changes in fund balances</b>	<u>(7,571,384)</u>	<u>2,025,249</u>	<u>9,596,633</u>
<b>Fund balances, beginning of year</b>		5,280,877	5,280,877
<b>Fund balances (deficits), end of year</b>	<u>\$ (7,571,384)</u>	<u>\$ 7,306,126</u>	<u>\$ 14,877,510</u>

## **INTERNAL SERVICE FUNDS**

**Self Insurance** - to account for the financial activity associated with the Town's self-insurance program for employee health care.

**Fleet Maintenance** - to account for the Town's fleet maintenance services.

**TOWN OF ORO VALLEY, ARIZONA  
 COMBINING STATEMENT OF NET POSITION -  
 ALL INTERNAL SERVICE FUNDS  
 JUNE 30, 2017**

	Fleet Maintenance	Self Insurance	Totals
<b><u>ASSETS</u></b>			
Current assets:			
Cash and cash equivalents	\$ 952,371	\$ 225,469	\$ 1,177,840
Total current assets	952,371	225,469	1,177,840
<b>Total assets</b>	952,371	225,469	1,177,840
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>			
Pension plan items	24,809		24,809
<b><u>LIABILITIES</u></b>			
Current liabilities:			
Accounts payable	76,454	15,749	92,203
Claims payable		323,077	323,077
Total current liabilities	76,454	338,826	415,280
Noncurrent liabilities:			
Non-current portion of long-term obligations	107,559		107,559
Total noncurrent liabilities	107,559		107,559
<b>Total liabilities</b>	184,013	338,826	522,839
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>			
Pension plan items	13,557		13,557
<b><u>NET POSITION</u></b>			
Unrestricted	779,610	(113,357)	666,253
<b>Total net position</b>	\$ 779,610	\$ (113,357)	\$ 666,253

**TOWN OF ORO VALLEY, ARIZONA**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION -**  
**ALL INTERNAL SERVICE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	Fleet Maintenance	Self Insurance	Totals
<b>Operating revenues:</b>			
Charges for services	\$ 1,630,329	\$	\$ 1,630,329
Other	72,354		72,354
Self insurance premiums		3,047,980	3,047,980
<b>Total operating revenues</b>	<u>1,702,683</u>	<u>3,047,980</u>	<u>4,750,663</u>
<b>Operating expenses:</b>			
Costs of sales and services	1,353,330	40,108	1,393,438
Claims payments		2,761,967	2,761,967
Administrative fees		57,000	57,000
Reinsurance premiums		633,462	633,462
<b>Total operating expenses</b>	<u>1,353,330</u>	<u>3,492,537</u>	<u>4,845,867</u>
<b>Operating income (loss)</b>	<u>349,353</u>	<u>(444,557)</u>	<u>(95,204)</u>
<b>Income (loss) before transfers</b>	<u>349,353</u>	<u>(444,557)</u>	<u>(95,204)</u>
<b>Transfers in</b>		<u>300,000</u>	<u>300,000</u>
<b>Changes in net position</b>	<u>349,353</u>	<u>(144,557)</u>	<u>204,796</u>
<b>Total net position, beginning of year</b>	430,257	31,200	461,457
<b>Total net position, end of year</b>	<u>\$ 779,610</u>	<u>\$ (113,357)</u>	<u>\$ 666,253</u>

**TOWN OF ORO VALLEY, ARIZONA  
COMBINING STATEMENT OF CASH FLOWS  
ALL INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Fleet Maintenance</u>	<u>Self Insurance</u>	<u>Total</u>
<b><u>Increase (Decrease) in Cash and Cash Equivalents</u></b>			
Cash flows from operating activities:			
Cash received from customers	\$ 1,702,683	\$	\$ 1,702,683
Cash received from premiums		3,123,048	3,123,048
Cash payments to suppliers for goods and services	(1,232,283)	(746,094)	(1,978,377)
Cash payments to employees for services	(87,468)		(87,468)
Cash payments for claims		(2,687,926)	(2,687,926)
<b>Net cash provided by (used for) operating activities</b>	<u>382,932</u>	<u>(310,972)</u>	<u>71,960</u>
Cash flows from noncapital and related financing activities:			
Interfund transfers		300,000	300,000
<b>Net cash provided by noncapital financing activities</b>		<u>300,000</u>	<u>300,000</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<u>382,932</u>	<u>(10,972)</u>	<u>371,960</u>
<b>Cash and cash equivalents, beginning of year</b>	<u>569,439</u>	<u>236,441</u>	<u>805,880</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 952,371</u>	<u>\$ 225,469</u>	<u>\$ 1,177,840</u>
<b><u>Reconciliation of Operating Income (Loss) to</u></b>			
<b><u>Net Cash Provided by (Used for) Operating Activities</u></b>			
<b>Operating income (loss)</b>	\$ 349,353	\$ (444,557)	\$ (95,204)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Change in assets and liabilities:			
Accounts receivable		75,068	75,068
Accounts payable	33,108	(15,524)	17,584
Claims payable		74,041	74,041
Pension items	471		471
<b>Total adjustments</b>	<u>33,579</u>	<u>133,585</u>	<u>167,164</u>
<b>Net cash provided by (used for) operating activities</b>	<u>\$ 382,932</u>	<u>\$ (310,972)</u>	<u>\$ 71,960</u>

## STATISTICAL SECTION

The statistical section presents financial statement trends as well as detailed financial and operational information not available elsewhere in the report. The statistical section is intended to enhance the reader's understanding of the information presented in the financial statements, notes to the financial statements, and other supplementary information presented in this report. The statistical section is comprised of the five categories of statistical information presented below.

### **Financial Trends**

These schedules contain information on financial trends to help the reader understand how the Town's financial position and financial activities have changed over time.

### **Revenue Capacity**

These schedules contain information to help the reader assess the factors affecting the Town's ability to generate property revenue.

### **Debt Capacity**

These schedules present information to help the reader evaluate the Town's current levels of outstanding debt as well as assess the Town's ability to make debt payments and/or issue additional debt in the future.

### **Demographic and Economic Information**

These schedules present various demographic and economic indicators to help the reader understand the environment in which the Town's financial activities take place and to help make comparisons with other municipalities.

### **Operating Information**

These schedules contain information about the Town's operations and various resources to help the reader draw conclusions as to how the Town's financial information relates to the services provided by the Town.

**Note:** For locally assessed property (i.e., excluding mines, utilities, etc.) Proposition 117, approved by voters in 2012, amended the Arizona Constitution to require that all property taxes after fiscal year 2014-15 be based upon property values limited to five percent in annual growth. The aggregate assessed value of all taxable properties within a taxing jurisdiction (i.e., after applying assessment ratios based on the use of a property), including property values with a growth limit, is currently referred to as net limited assessed value and formerly as primary assessed value. In accordance with Proposition 117, this value is used for all taxing purposes beginning fiscal year 2015-16. Aggregate assessed value without a growth limit is currently referred to as net full cash assessed value and formerly as secondary assessed value. This remains the value utilized for determining debt capacity limits.

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TOWN OF ORO VALLEY, ARIZONA  
NET POSITION BY COMPONENT  
LAST TEN FISCAL YEARS  
(ACCRUAL BASIS OF ACCOUNTING)  
(UNAUDITED)

	2013	2014	2015	2016	2017
Governmental activities					
Net investment in capital assets	\$ 134,512,094	\$ 133,714,821	\$ 133,800,218	\$ 132,419,826	\$ 133,414,691
Restricted	3,730,312	4,555,138	3,599,966	4,653,905	6,006,584
Unrestricted	18,901,112	18,430,146	(9,493,907)	(10,883,206)	(15,397,688)
Total governmental activities net position	<u>\$ 157,143,518</u>	<u>\$ 156,700,105</u>	<u>\$ 127,906,277</u>	<u>\$ 126,190,525</u>	<u>\$ 124,023,587</u>
Business-type activities					
Net investment in capital assets	\$ 48,802,267	\$ 52,775,561	\$ 54,858,448	\$ 61,261,271	\$ 66,755,370
Restricted					
Unrestricted	19,501,676	21,541,202	20,092,694	19,504,748	18,721,247
Total business-type activities net position	<u>\$ 68,303,943</u>	<u>\$ 74,316,763</u>	<u>\$ 74,951,142</u>	<u>\$ 80,766,019</u>	<u>\$ 85,476,617</u>
Primary government					
Net investment in capital assets	\$ 183,314,361	\$ 186,490,382	\$ 188,658,666	\$ 193,681,097	\$ 200,170,061
Restricted	3,730,312	4,555,138	3,599,966	4,653,905	6,006,584
Unrestricted	38,402,788	39,971,348	10,598,787	8,621,542	3,323,559
Total primary government net position	<u>\$ 225,447,461</u>	<u>\$ 231,016,868</u>	<u>\$ 202,857,419</u>	<u>\$ 206,956,544</u>	<u>\$ 209,500,204</u>
Governmental activities	2008	2009	2010	2011	2012
Net investment in capital assets					
Restricted					
Unrestricted	\$ 115,177,344	\$ 120,515,962	\$ 127,712,057	\$ 132,956,156	\$ 135,336,862
	14,072,781	7,537,331	9,580,610	9,048,505	11,454,390
Total governmental activities net position	<u>26,698,611</u>	<u>26,135,593</u>	<u>15,979,093</u>	<u>10,588,160</u>	<u>10,808,596</u>
Business-type activities	<u>\$ 155,948,736</u>	<u>\$ 154,188,886</u>	<u>\$ 153,271,760</u>	<u>\$ 152,592,821</u>	<u>\$ 157,599,848</u>
Net investment in capital assets					
Restricted					
Unrestricted	\$ 21,274,023	\$ 28,212,750	\$ 31,383,715	\$ 40,005,568	\$ 45,669,488
Total business-type activities net position	<u>24,651,948</u>	<u>24,393,984</u>	<u>24,404,427</u>	<u>20,371,225</u>	<u>19,067,780</u>
Primary government	<u>\$ 45,925,971</u>	<u>\$ 52,606,734</u>	<u>\$ 55,788,142</u>	<u>\$ 60,376,793</u>	<u>\$ 64,737,268</u>
Net investment in capital assets					
Restricted					
Unrestricted	\$ 136,451,367	\$ 148,728,712	\$ 159,095,772	\$ 172,961,724	\$ 181,006,350
	14,072,781	7,537,331	9,580,610	9,048,505	11,454,390
Total primary government net position	<u>51,350,559</u>	<u>50,529,577</u>	<u>40,383,520</u>	<u>30,959,385</u>	<u>29,876,376</u>
	<u>\$ 201,874,707</u>	<u>\$ 206,795,620</u>	<u>\$ 209,059,902</u>	<u>\$ 212,969,614</u>	<u>\$ 222,337,116</u>

Source: Town of Oro Valley Finance Department

TOWN OF ORO VALLEY, ARIZONA  
CHANGES IN NET POSITION  
LAST TEN FISCAL YEARS  
(ACCRUAL BASIS OF ACCOUNTING)  
(UNAUDITED)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Expenses</b>										
Governmental activities:										
General government	\$ 9,080,766	\$ 9,936,639	\$ 9,950,053	\$ 9,887,523	\$ 9,961,376	\$ 9,861,131	\$ 10,990,007	\$ 11,533,702	\$ 11,888,794	\$ 12,130,905
Public Safety	14,347,250	15,019,980	13,730,593	12,509,201	12,349,948	12,770,224	13,814,914	16,587,168	16,123,500	22,251,172
Highways and streets	7,292,972	9,481,040	9,353,689	8,895,987	9,339,062	9,255,004	8,754,110	9,400,140	9,089,318	9,417,459
Transit							1,275,093	1,404,646	1,432,910	1,533,258
Culture and recreation	3,644,973	3,806,555	3,527,949	3,375,281	3,227,895	2,783,633	3,399,623	4,572,490	9,695,639	10,204,276
Interest on long-term debt	987,074	954,645	1,767,155	430,570	654,262	522,917	656,260	439,027	494,732	511,502
Total governmental activities/expenses	<u>35,353,035</u>	<u>39,198,859</u>	<u>38,329,439</u>	<u>35,098,562</u>	<u>35,532,543</u>	<u>35,192,909</u>	<u>38,890,007</u>	<u>43,937,173</u>	<u>48,724,893</u>	<u>56,048,572</u>
Business-type activities:										
Water	12,676,275	13,495,124	12,830,137	12,527,851	11,984,829	13,047,373	13,572,677	13,608,931	14,406,074	14,753,418
Stormwater drainage	177,673	494,166	486,994	586,006	636,966	983,975	749,038	854,510	917,898	1,115,494
Total business-type activities expenses	<u>12,853,948</u>	<u>13,989,290</u>	<u>13,317,131</u>	<u>13,113,857</u>	<u>12,621,795</u>	<u>14,031,348</u>	<u>14,321,715</u>	<u>14,463,441</u>	<u>15,323,972</u>	<u>15,868,912</u>
Total primary government expenses	<u>\$ 48,206,983</u>	<u>\$ 53,188,149</u>	<u>\$ 51,646,570</u>	<u>\$ 48,212,419</u>	<u>\$ 48,154,338</u>	<u>\$ 49,224,257</u>	<u>\$ 53,211,722</u>	<u>\$ 58,400,614</u>	<u>\$ 64,048,865</u>	<u>\$ 71,917,484</u>
<b>Program Revenues</b>										
Governmental activities:										
Fees, Fines and Charges for Services:										
General government	\$ 3,830,060	\$ 2,835,884	\$ 2,261,815	\$ 2,455,182	\$ 3,079,526	\$ 3,740,046	\$ 3,978,117	\$ 3,516,359	\$ 4,096,927	\$ 4,901,504
Public Safety	69,256	83,279	28,785	33,976	33,109	45,346	35,976	29,097	168,808	138,075
Highways and streets	211,088	119,847	137,436	400,977	329,420	1,052,581	546,066	496,098	764,397	1,052,167
Transit							71,078	72,783	88,684	100,052
Culture and recreation	73,149	110,857	119,273	126,290	82,832	169,965	435,354	1,108,734	4,373,693	4,611,576
Operating grants and contributions	5,619,003	5,392,667	4,728,050	4,887,283	5,247,844	5,318,097	4,706,844	5,070,396	5,503,530	4,664,197
Capital grants and contributions	10,264,829	1,781,571	6,514,602	8,980,239	7,107,063	2,920,335	2,919,641	2,456,727	3,602,656	6,749,407
Total governmental activities program revenues	<u>20,067,385</u>	<u>10,324,105</u>	<u>13,789,961</u>	<u>16,883,947</u>	<u>15,879,794</u>	<u>13,246,370</u>	<u>12,693,076</u>	<u>12,750,194</u>	<u>18,598,695</u>	<u>22,216,978</u>
Business-type activities:										
Charges for services:										
Water	16,803,950	16,098,086	15,136,784	15,119,065	15,817,345	16,732,600	19,286,794	16,088,681	16,739,580	18,158,385
Stormwater Utility	357,602	746,655	927,238	888,391	752,212	813,400	759,428	771,594	828,258	1,314,787
Operating grants and contributions									35,000	
Capital grants and contributions	3,567,083	3,697,229	362,273	1,655,307	245,607	48,871	179,675	1,979,037	3,334,372	1,097,285
Total business-type activities program revenues	<u>20,728,635</u>	<u>20,541,970</u>	<u>16,426,295</u>	<u>17,662,763</u>	<u>16,815,164</u>	<u>17,594,871</u>	<u>20,225,897</u>	<u>18,839,312</u>	<u>20,937,210</u>	<u>20,570,457</u>
Total primary government program revenues	<u>\$ 40,796,020</u>	<u>\$ 30,866,075</u>	<u>\$ 30,216,256</u>	<u>\$ 34,546,710</u>	<u>\$ 32,694,958</u>	<u>\$ 30,841,241</u>	<u>\$ 32,918,973</u>	<u>\$ 31,589,506</u>	<u>\$ 39,535,905</u>	<u>\$ 42,787,435</u>

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Net (Expense)/Revenues</b>										
Governmental activities	\$ (15,285,650)	\$ (28,874,754)	\$ (24,539,478)	\$ (18,214,615)	\$ (19,652,749)	\$ (21,946,539)	\$ (26,196,931)	\$ (31,186,979)	\$ (30,126,198)	\$ (33,831,594)
Business-type activities	7,874,687	6,552,680	3,109,164	4,548,906	4,193,369	3,563,523	5,904,182	4,375,871	5,613,238	4,701,545
Total primary government net expenses	<u>\$ (7,410,963)</u>	<u>\$ (22,322,074)</u>	<u>\$ (21,430,314)</u>	<u>\$ (13,665,709)</u>	<u>\$ (15,459,380)</u>	<u>\$ (18,383,016)</u>	<u>\$ (20,292,749)</u>	<u>\$ (26,811,108)</u>	<u>\$ (24,512,960)</u>	<u>\$ (29,130,049)</u>
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities:										
Taxes:										
Sales taxes	\$ 17,168,998	\$ 15,376,408	\$ 12,970,865	\$ 11,572,148	\$ 12,799,678	\$ 14,241,065	\$ 15,286,001	\$ 16,132,159	\$ 16,998,464	\$ 19,767,720
Franchise taxes	516,652	506,685	509,285	514,814	525,427	539,477	571,731	582,064	621,546	647,830
Impact fees*	910,741	441,020	584,113							
Unrestricted state revenue sharing	5,544,763	5,886,132	5,086,953	4,520,935	3,461,359	9,048,365	9,636,906	10,413,464	10,549,196	11,177,729
Unrestricted state sales tax revenue sharing	3,621,016	3,134,789	2,891,386	2,569,666	3,204,612					
Unrestricted auto lieu tax revenue sharing	1,738,875	1,655,875	1,484,125	1,318,989	1,479,094					
Investment earnings (loss)	1,590,654	113,995	95,625	39,124	189,606	265,787	255,702	216,175	238,210	68,435
Special item - Capital asset conveyance						(2,606,804)				
Transfers	1,600,000					2,319	3,178	3,119	3,030	2,942
Total governmental activities	<u>32,691,699</u>	<u>27,114,904</u>	<u>23,622,352</u>	<u>20,535,676</u>	<u>21,659,776</u>	<u>21,490,209</u>	<u>25,753,518</u>	<u>27,346,981</u>	<u>28,410,446</u>	<u>31,664,656</u>
Business-type activities:										
Investment earnings (loss)	864,494	128,083	72,244	39,745	167,106	5,471	111,816	124,887	204,669	11,995
Transfers	(1,600,000)					(2,319)	(3,178)	(3,119)	(3,030)	(2,942)
Total business-type activities	<u>(735,506)</u>	<u>128,083</u>	<u>72,244</u>	<u>39,745</u>	<u>167,106</u>	<u>3,152</u>	<u>108,638</u>	<u>121,768</u>	<u>201,639</u>	<u>9,053</u>
Total primary government	<u>\$ 31,956,193</u>	<u>\$ 27,242,987</u>	<u>\$ 23,694,596</u>	<u>\$ 20,575,421</u>	<u>\$ 21,826,882</u>	<u>\$ 21,493,361</u>	<u>\$ 25,862,156</u>	<u>\$ 27,468,749</u>	<u>\$ 28,612,085</u>	<u>\$ 31,673,709</u>
<b>Change in Net Position</b>										
Governmental activities	\$ 17,406,049	\$ (1,759,850)	\$ (917,126)	\$ 2,321,061	\$ 2,007,027	\$ (456,330)	\$ (443,413)	\$ (3,839,998)	\$ (1,715,752)	\$ (2,166,938)
Business-type activities	7,139,181	6,680,763	3,181,408	4,588,651	4,360,475	3,566,675	6,012,820	4,497,639	5,814,877	4,710,598
Total primary government	<u>\$ 24,545,230</u>	<u>\$ 4,920,913</u>	<u>\$ 2,264,282</u>	<u>\$ 6,909,712</u>	<u>\$ 6,367,502</u>	<u>\$ 3,110,345</u>	<u>\$ 5,569,407</u>	<u>\$ 657,641</u>	<u>\$ 4,099,125</u>	<u>\$ 2,543,660</u>

Source: Town of Oro Valley Finance Department

\* Impact fees in fiscal year 2011 are now presented in program revenues.

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TOWN OF ORO VALLEY, ARIZONA  
 FUND BALANCES OF GOVERNMENTAL FUNDS  
 LAST TEN FISCAL YEARS  
 (MODIFIED ACCRUAL BASIS OF ACCOUNTING)  
 (UNAUDITED)

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Fund										
Nonspendable	\$	\$	\$	\$	\$	\$	\$	\$ 31,278	\$ 97,269	\$ 130,030
Restricted										
Committed										
Assigned				1,769,333	1,608,035	1,608,035	1,608,035	1,553,999	1,441,862	1,441,862
Unassigned				9,237,805	9,793,614	11,529,070	9,925,988	8,566,598	8,985,422	11,831,322
Reserved										
Unreserved	16,666,388	15,940,438	11,904,429							
Total general fund	<u>\$ 16,666,388</u>	<u>\$ 15,940,438</u>	<u>\$ 11,904,429</u>	<u>\$ 11,007,138</u>	<u>\$ 11,401,649</u>	<u>\$ 13,137,105</u>	<u>\$ 11,534,023</u>	<u>\$ 10,151,875</u>	<u>\$ 10,524,553</u>	<u>\$ 13,403,214</u>
All Other Governmental Funds										
Nonspendable	\$	\$	\$	\$	\$	\$	\$	\$ 149,348	\$ 127,600	\$ 132,538
Restricted				9,128,505	11,454,390	3,730,312	4,555,138	3,599,966	4,031,923	6,006,584
Committed				840,704	622,919	4,166,818	5,343,506	4,637,773	2,617,856	1,829,232
Assigned							1,500,000	1,421,593	1,340,991	1,716,361
Unassigned									(29,198)	(237,769)
Reserved										
Unreserved, reported in:										
Special revenue funds	5,534,192	5,887,082	5,868,523							
Capital projects funds	15,396,024	9,071,398	3,933,044							
Debt service funds	263,478	158,816	1,929,635							
Total all other governmental funds	<u>\$ 21,193,694</u>	<u>\$ 15,117,296</u>	<u>\$ 11,731,202</u>	<u>\$ 9,969,209</u>	<u>\$ 12,077,309</u>	<u>\$ 7,897,130</u>	<u>\$ 11,398,644</u>	<u>\$ 9,808,680</u>	<u>\$ 8,089,172</u>	<u>\$ 9,446,946</u>

Source: Town of Oro Valley Finance Department

Note: The provisions of the Governmental Accounting Standards Board (GASB) Statement No. 54 were adopted in fiscal year 2011. The standard replaces the previous reserved and unreserved fund balance categories with the following five fund balance classifications; nonspendable, restricted, committed, assigned, and unassigned fund balance.

TOWN OF ORO VALLEY, ARIZONA  
 CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
 LAST TEN FISCAL YEARS  
 (MODIFIED ACCRUAL BASIS OF ACCOUNTING)  
 (UNAUDITED)

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Revenues</b>										
Taxes	\$ 17,685,650	\$ 15,883,093	\$ 13,480,150	\$ 12,086,962	\$ 13,325,105	\$ 14,780,542	\$ 15,857,732	\$ 16,714,223	\$ 17,620,010	\$ 20,415,550
Intergovernmental	21,863,875	17,616,213	17,940,749	18,040,619	19,723,086	16,817,756	16,732,631	17,714,991	19,488,066	22,118,633
Fines and forfeitures	391,921	413,720	612,031	560,941	895,820	551,962	673,336	221,571	283,470	558,692
Licenses and permits	2,792,684	1,507,930	1,108,411	1,059,309	1,185,862	1,813,947	2,116,700	1,605,937	1,915,992	2,388,951
Charges for services	1,040,694	1,066,376	965,455	926,135	1,209,814	1,630,238	1,850,181	2,991,826	5,956,058	6,226,578
Contributions and donations	249,999	1,000	59	15,000	995	27,229			149,513	150,000
Special assessments	193,023	367,539	368,152	365,811	366,028	365,935	1,462,307	178,078	189,525	175,539
Impact fees	910,741	441,020	584,113	481,619	417,742	988,342	569,338	439,637	795,471	1,348,528
Investment earnings	1,590,654	113,995	95,625	39,124	189,606	265,787	255,702	216,175	238,210	68,435
Other revenues	555,790	233,123	216,030	297,109	460,512	349,326	305,489	141,618	504,796	572,886
<b>Total revenues</b>	<b>\$ 47,275,031</b>	<b>\$ 37,644,009</b>	<b>\$ 35,370,775</b>	<b>\$ 33,872,629</b>	<b>\$ 37,774,570</b>	<b>\$ 37,591,064</b>	<b>\$ 39,823,416</b>	<b>\$ 40,224,056</b>	<b>\$ 47,141,111</b>	<b>\$ 54,023,792</b>
<b>Expenditures</b>										
General government	\$ 8,767,496	\$ 9,586,029	\$ 9,452,778	\$ 9,848,393	\$ 9,212,866	\$ 9,289,771	\$ 10,610,673	\$ 10,862,553	\$ 11,426,687	\$ 11,098,844
Public safety	13,549,170	14,289,423	12,979,291	11,928,567	11,993,864	12,342,349	13,539,322	15,071,396	15,494,532	15,725,029
Highways and streets	4,107,871	3,848,725	3,475,556	3,288,349	3,191,654	3,513,479	3,710,577	2,602,321	2,754,413	2,993,402
Transit								1,404,646	1,432,910	1,528,654
Culture and recreation	3,324,066	3,416,305	3,157,369	3,031,520	2,954,549	2,468,129	2,445,131	4,078,817	9,097,752	9,433,339
Capital Outlay	13,090,313	11,332,914	3,189,765	7,014,659	6,929,834	11,053,739	5,495,185	8,093,704	7,995,340	9,196,801
Debt Service										
Principal retirement	3,403,102	938,900	3,400,877	3,459,970	3,052,953	571,910	1,867,901	649,840	897,637	1,075,466
Interest and fiscal charges	907,658	1,034,061	831,580	470,578	554,274	498,729	472,268	436,010	336,510	314,914
Payment to bond escrow agent			6,279,112							
Bond Issuance costs			26,550		75,800				104,533	67,959
<b>Total expenditures</b>	<b>\$ 47,149,676</b>	<b>\$ 44,446,357</b>	<b>\$ 42,792,878</b>	<b>\$ 39,042,036</b>	<b>\$ 37,965,794</b>	<b>\$ 39,738,106</b>	<b>\$ 38,141,057</b>	<b>\$ 43,199,287</b>	<b>\$ 49,540,314</b>	<b>\$ 51,434,408</b>
Excess of revenues over (under) expenditures	\$ 125,355	\$ (6,802,348)	\$ (7,422,103)	\$ (5,169,407)	\$ (191,224)	\$ (2,147,042)	\$ 1,682,359	\$ (2,975,231)	\$ (2,399,203)	\$ 2,589,384
<b>Other Financing Sources (Uses)</b>										
Premium on bonds issued	\$	\$	\$	\$	\$ 113,835	\$	\$	\$	\$	\$
Proceeds from capital lease agreements							212,895		1,043,214	
Issuance of long-term loan payable	8,000,000									
Payment to bond escrow agent									(2,523,121)	(1,171,447)
Issuance of long-term debt				2,445,000	2,580,000				2,529,250	3,115,556
Transfers in	8,447,951	1,950,898	10,012,679	860,143	1,003,666	1,704,272	4,115,152	4,326,627	1,872,026	2,953,072
Transfers out	(6,847,951)	(1,950,898)	(10,012,679)	(795,020)	(1,003,666)	(2,001,953)	(4,111,974)	(4,323,508)	(1,868,996)	(3,250,130)
<b>Total other financing sources (uses)</b>	<b>\$ 9,600,000</b>	<b>\$</b>	<b>\$</b>	<b>\$ 2,510,123</b>	<b>\$ 2,693,835</b>	<b>\$ (297,681)</b>	<b>\$ 216,073</b>	<b>\$ 3,119</b>	<b>\$ 1,052,373</b>	<b>\$ 1,647,051</b>
<b>Net change in fund balances</b>	<b>\$ 9,725,355</b>	<b>\$ (6,802,348)</b>	<b>\$ (7,422,103)</b>	<b>\$ (2,659,284)</b>	<b>\$ 2,502,611</b>	<b>\$ (2,444,723)</b>	<b>\$ 1,898,432</b>	<b>\$ (2,972,112)</b>	<b>\$ (1,346,830)</b>	<b>\$ 4,236,435</b>
Debt service as a percentage of noncapital expenditures	12.36%	5.88%	10.60%	12.36%	11.55%	3.76%	7.30%	3.17%	3.00%	3.32%

Source: Town of Oro Valley Finance Department

TOWN OF ORO VALLEY, ARIZONA  
 PRINCIPAL EMPLOYERS  
 CURRENT FISCAL YEAR AND FISCAL YEAR NINE YEARS PRIOR  
 (UNAUDITED)

Employer	2016			2007		
	Employees	Rank	Percentage of Total Town Employment	Employees	Rank	Percentage of Total Town Employment
Ventana Medical Systems	1,291	1	7.53%	680	1	4.55%
Oro Valley Hospital	674	2	3.93%	560	4	
Town of Oro Valley	558	4	3.26%	448	5	3.00%
Amphitheater Public Schools	435	3	2.54%	602	2	4.03%
Hilton El Conquistador Golf & Tennis Resort	254	5	1.48%	600	3	4.02%
Casa de la luz Hospice	207	6	1.21%			0.00%
Splendido at Rancho Vistoso	156	7	0.91%			
Securaplane	154	8	0.90%			
Walmart Supercenter	125	9	0.73%			
Target	100	10	0.58%	135	8	
Fry's Food & Drug Store				220	6	1.47%
Home Depot				150	7	1.00%
Long Realty				125	9	0.84%
Stone Canyon Golf/Golf Club at Vistoso				80	10	0.54%
<b>Total</b>	<b>3,954</b>		<b>23.07%</b>	<b>3,600</b>		<b>19.44%</b>

Source: U.S. Bureau of Labor Statistics

TOWN OF ORO VALLEY, ARIZONA  
 PRINCIPAL SALES TAXPAYERS  
 CURRENT FISCAL YEAR AND FISCAL YEAR NINE YEARS PRIOR  
 (UNAUDITED)

Taxpayer	Business Type	Fiscal Year 2017			Fiscal Year 2008		
		Sales Tax Payments	Rank	Percentage of Total Sales Tax Payments	Sales Tax Payments	Rank	Percentage of Total Sales Tax Payments
Taxpayer A	Utility	\$ 1,896,696	1	9.67%	\$ 728,819	3	4.39%
Taxpayer B	Construction	1,728,988	3	8.81%			
Taxpayer C	Accomodation	1,175,238	4	5.99%	1,705,616	1	10.27%
Taxpayer D	Retail Trade	1,075,738	5	5.48%			
Taxpayer E	Retail Trade	876,931	9	4.47%	637,204	4	3.84%
Taxpayer F	Government	546,744	7	2.79%			
Taxpayer G	Retail Trade	475,812	6	2.43%	634,572	5	3.82%
Taxpayer H	Construction	470,501	8	2.40%			
Taxpayer I	Construction	461,665	2	2.35%			0.00%
Taxpayer J	Retail Trade	452,660	10	2.31%	298,627	10	1.80%
Taxpayer K	Construction				831,304	2	5.01%
Taxpayer L	Construction				605,515	6	3.65%
Taxpayer M	Construction				374,619	7	2.26%
Taxpayer N	Retail Trade				324,055	8	1.95%
Taxpayer O	Construction				298,948	9	1.80%
Total		<u>\$ 9,160,973</u>		<u>46.70%</u>	<u>\$ 6,439,279</u>		<u>38.78%</u>

Source: Arizona Department of Revenue

TOWN OF ORO VALLEY, ARIZONA  
TAXABLE SALES BY CATEGORY  
LAST TEN FISCAL YEARS  
(UNAUDITED)  
(\$000's)

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Construction	\$ 7,038	\$ 5,143	\$ 2,110	\$ 1,707	\$ 1,738	\$ 2,842	\$ 3,338	\$ 3,199	\$ 2,131	\$ 4,295
Manufacturing	280	230	230	266	258	258	257	141	156	137
Transportation, Warehousing, Communications & Utilities	1,279	1,632	1,554	1,534	2,450	2,785	2,959	3,068	3,133	3,171
Wholesale Trade	69	54	75	93	106	110	103	125	131	136
Retail Trade	4,017	4,264	4,544	4,720	4,925	5,153	5,243	5,808	6,844	7,086
Restaurants, Bars & Lodging	2,775	2,333	2,283	2,314	2,314	2,164	2,761	2,803	3,295	3,324
Finance, Insurance & Real Estate	496	324	381	324	333	335	75	270	443	562
Services	312	322	378	417	456	456	529	599	672	702
All Other	337	896	627	102	103	75	60	115	190	202
Cable Franchise	517	507	509	515	525	540	572	582	622	648
<b>Total</b>	<b>\$ 17,120</b>	<b>\$ 15,705</b>	<b>\$ 12,691</b>	<b>\$ 11,992</b>	<b>\$ 13,208</b>	<b>\$ 14,718</b>	<b>\$ 15,897</b>	<b>\$ 16,710</b>	<b>\$ 17,617</b>	<b>\$ 20,263</b>
Town sales tax rate*	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.50%	2.50%	2.50%

Source: Arizona Department of Revenue

\*Note:  
1% Additional Bed Tax Effective May 1, 1990  
3% Additional Bed Tax Effective September 1, 2001  
4% Construction Sales Tax Effective May 1, 2004  
6% Additional Bed Tax Effective January 1, 2006  
2% Utility Sales Tax Effective April 1, 2007  
2% Additional Utility Sales Tax Effective August 1, 2011  
.5% Additional sales tax effective March 1, 2015

TOWN OF ORO VALLEY, ARIZONA  
 DIRECT AND OVERLAPPING SALES TAX RATES  
 LAST TEN FISCAL YEARS  
 (UNAUDITED)

Fiscal Year	Town of Oro Valley Sales Tax	Town of Oro Valley Bed Tax	Town of Oro Valley Construction Sales Tax	Town of Oro Valley Utility Sales Tax	Pima County
2008	2.00%	6.00%	4.00%	2.00%	6.10%
2009	2.00%	6.00%	4.00%	2.00%	6.10%
2010	2.00%	6.00%	4.00%	2.00%	7.10%
2011	2.00%	6.00%	4.00%	2.00%	7.10%
2012	2.00%	6.00%	4.00%	4.00%	7.10%
2013	2.00%	6.00%	4.00%	4.00%	6.10%
2014	2.00%	6.00%	4.00%	4.00%	6.10%
2015*	2.50%	6.00%	4.00%	4.00%	6.10%
2016	2.50%	6.00%	4.00%	4.00%	6.10%
2017	2.50%	6.00%	4.00%	4.00%	6.10%

\*.5% Additional sales tax effective March 1, 2015  
 Source: Arizona Department of Revenue

TOWN OF ORO VALLEY, ARIZONA  
LIMITED & FULL CASH ASSESSED PROPERTY VALUES  
LAST TEN FISCAL YEARS  
(UNAUDITED)

Year	Limited Assessed Valuation	Full Cash Assesed Valuation	Estimated Full Cash Value	Total Outstanding General Obligation Bond Debt
2008	\$ 515,095,975	\$ 582,838,439	\$ 5,098,720,276	0
2009	582,236,657	686,707,506	6,141,419,229	0
2010	642,601,840	693,924,598	6,140,054,657	0
2011	649,015,575	672,309,638	6,041,904,306	0
2012	618,976,953	629,340,548	5,716,229,517	0
2013	589,160,533	592,761,968	5,461,131,133	0
2014	553,366,744	556,259,856	5,175,406,955	0
2015	556,566,167	560,863,509	5,252,917,489	0
2016	572,696,599	593,299,222	5,616,655,680	0
2017	593,580,247	616,216,705	5,688,443,027	0

Source: State of Arizona Department of Revenue Abstract of the Assessment Roll

Note: Beginning in FY 2016, due to Proposition 117, the primary (limited assessed valuation) is to be used by municipalities when levying for maintenance and operation and for debt retirement. Prior to that date, the secondary (full cash) assessed valuation was used when levying for debt retirement, voter-approved budget overrides, and maintenance and operation of special service districts.

TOWN OF ORO VALLEY, ARIZONA  
HISTORICAL AND PROJECTED EXCISE TAX COLLECTIONS  
JUNE 30, 2017  
(UNAUDITED)

Revenue Source	Actual								Projected	
	Fiscal Year 2010	Fiscal Year 2011	Fiscal Year 2012	Fiscal Year 2013	Fiscal Year 2014	Fiscal Year 2015	Fiscal Year 2016	Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2019
Town Sales and Franchise Taxes	\$ 13,480,150	\$ 12,086,962	\$ 13,325,106	\$ 14,780,543	\$ 15,857,732	\$ 16,714,223	\$ 17,620,010	\$ 20,415,550	\$ 20,599,640	\$ 21,217,629
Licenses and Permits	1,108,411	1,059,309	1,185,862	1,813,947	2,116,700	1,605,937	1,915,992	2,313,504	2,063,121	2,125,015
Fines	202,144	195,933	200,672	180,875	172,232	148,050	159,154	131,637	120,000	123,600
State-Shared Sales Tax	2,891,386	3,024,857	3,204,612	3,356,826	3,569,711	3,747,944	3,887,673	3,989,179	4,140,787	4,265,011
State-Shared Income Tax	5,086,954	3,834,911	3,461,359	4,189,186	4,571,196	4,964,635	4,937,719	5,329,864	5,467,916	5,631,953
<b>Total</b>	<b>\$ 22,769,045</b>	<b>\$ 20,201,972</b>	<b>\$ 21,377,611</b>	<b>\$ 24,321,377</b>	<b>\$ 26,287,571</b>	<b>\$ 27,180,789</b>	<b>\$ 28,520,548</b>	<b>\$ 32,179,734</b>	<b>\$ 32,391,465</b>	<b>\$ 33,363,208</b>

(a) All revenue sources are presented on a modified accrual basis of accounting except for Town sales taxes which are presented on the cash basis of accounting per the Arizona Department of Revenue Standard Industry Summary Local Taxes Collection Reports.

Source: Oro Valley Finance Department

Note: The above information is provided for bond requirements only and the bond does not require ten years of data.

TOWN OF ORO VALLEY, ARIZONA  
RATIO OF OUTSTANDING DEBT BY TYPE  
LAST TEN FISCAL YEARS  
(UNAUDITED)

Fiscal Year	Governmental Activities					Business-Type Activities			Total Primary Government	Percentage of Personal Income	Per Capita
	Capital Leases	Note Payable	Loan Payable	Excise Tax Bonds	Special Assessment Bonds	Revenue Bonds	Capital Leases	Loan Payable			
2008	\$	\$	\$ 8,000,000	\$ 12,183,046	\$ 3,565,000	\$ 59,586,954	\$	\$ 5,731,766	\$ 89,066,766	5.02%	\$ 2,040
2009			8,000,000	11,449,146	3,360,000	57,575,854	107,046	5,788,122	86,280,168	4.72%	1,975
2010			5,513,133	4,939,750	3,145,000	52,305,500	123,883	6,305,650	72,332,916	3.86%	1,662
2011			2,513,133	7,149,780	2,920,000	49,803,970	35,392	5,473,096	67,895,371	3.73%	1,656
2012				9,485,968	2,685,000	45,988,331		5,893,122	64,052,421	3.85%	1,550
2013				9,155,743	2,435,000	43,349,121	185,307	5,575,041	60,700,212	3.59%	1,409
2014	168,994			8,703,428	1,055,000	40,811,243	93,593	6,371,529	57,203,787	3.41%	1,366
2015	128,594	1,000,000		8,215,673	925,000	37,683,805	118,862	8,169,765	56,241,699	3.25%	1,331
2016	966,962	700,000		7,716,638	780,000	34,517,647	80,423	8,879,907	53,641,577	2.95%	1,231
2017	716,622	350,000		9,341,559	640,000	30,804,327	40,814	8,284,407	50,177,729	2.69%	1,146

Source: Town of Oro Valley Finance Department and U.S. Census Bureau

TOWN OF ORO VALLEY, ARIZONA  
 DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT  
 JUNE 30, 2017  
 (UNAUDITED)

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Pima County	\$ 336,954,000	7.46%	\$ 25,136,768
Amphitheater Unified School District No. 10	93,685,000	40.83%	<u>38,251,586</u>
Total Overlapping			63,388,354
Town of Oro Valley	11,048,181	100%	<u>11,048,181</u>
Total Direct			11,048,181
Total direct and overlapping debt			<u><u>\$ 74,436,535</u></u>

Source: Pima County, Pima County Community College District and Amphitheater Unified School District No. 10.  
 (1) Proportion applicable to the Town of Oro Valley, Arizona, is computed on the ratio of secondary assessed valuation for 2016-17.

TOWN OF ORO VALLEY, ARIZONA  
 LEGAL DEBT MARGIN INFORMATION  
 LAST TEN FISCAL YEARS  
 (UNAUDITED)

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Debt Limit	\$ 151,537,994	\$ 178,543,952	\$ 180,420,396	\$ 174,800,436	\$ 163,628,543	\$ 154,118,112	\$ 144,627,563	\$ 145,824,512	\$ 154,257,798	\$ 160,216,343
Total net debt applicable to limit										
Legal debt margin	<u>\$ 120,435,053</u>	<u>\$ 151,537,994</u>	<u>\$ 178,543,952</u>	<u>\$ 180,420,396</u>	<u>\$ 174,800,436</u>	<u>\$ 163,628,543</u>	<u>\$ 154,118,112</u>	<u>\$ 145,824,512</u>	<u>\$ 154,257,798</u>	<u>\$ 160,216,343</u>
Total net debt applicable to the limit as a percentage of debt limit	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Source: Town of Oro Valley Finance Department



TOWN OF ORO VALLEY, ARIZONA  
 PLEDGED-REVENUE COVERAGE  
 LAST TEN FISCAL YEARS  
 (UNAUDITED)

**Water Utility Revenue Bonds**

Fiscal Year	Gross Revenues	Debt Service			Coverage
		Principal	Interest	Total	
2008	\$ 17,668,212	\$ 1,981,898	\$ 2,452,583	\$ 4,434,481	3.98
2009	16,223,544	2,011,100	2,784,444	4,795,544	3.38
2010	15,207,113	5,270,354	2,689,427	7,959,781	1.91
2011	15,359,681	2,501,530	2,505,960	5,007,490	3.07
2012	15,983,999	2,370,180	2,190,894	4,561,074	3.50
2013	16,732,600	2,536,840	1,732,008	4,268,848	3.92
2014	19,397,409	2,406,000	1,429,538	3,835,538	5.06
2015	16,213,273	2,995,560	1,372,024	4,367,584	3.71
2016	16,943,615	3,054,080	1,239,488	4,293,568	3.95
2017	18,169,402	3,054,060	870,547	3,924,607	4.63

**Governmental Revenue Bonds**

Fiscal Year	Gross Revenues	Debt Service			Coverage
		Principal	Interest	Total	
2008	\$ 30,629,130	\$ 708,102	\$ 501,150	\$ 1,209,252	25.33
2009	28,084,482	733,900	486,372	1,220,272	23.01
2010	25,695,598	6,510,516	933,536	7,444,052	3.45
2011	23,921,715	234,970	253,984	488,954	48.92
2012	25,085,767	304,820	314,703	619,523	40.49
2013	28,135,868	321,910	371,951	693,861	40.55
2014	29,512,099	444,000	382,639	826,639	35.70
2015	31,739,256	479,440	367,991	847,431	37.45
2016	31,883,978	530,920	289,630	820,550	38.86
2017	31,739,256	334,940	281,475	616,415	51.49

**Special Assessment**

Fiscal Year	Gross Revenues	Debt Service			Coverage
		Principal	Interest	Total	
2008	\$ 365,810	\$ 195,000	\$ 177,577	\$ 372,577	0.98
2009	367,539	205,000	248,429	453,429	0.81
2010	368,152	215,000	152,203	367,203	1.00
2011	365,811	225,000	147,548	372,548	0.98
2012	366,028	235,000	132,423	367,423	1.00
2013	365,935	250,000	117,576	367,576	1.00
2014	1,462,307	1,380,000	80,020	1,460,020	1.00
2015	178,078	130,000	45,917	175,917	1.01
2016	189,525	145,000	58,189	203,189	0.93
2017	175,539	140,000	33,203	173,203	1.01

Source: Town of Oro Valley Finance Department

TOWN OF ORO VALLEY, ARIZONA  
HISTORICAL AND PROJECTED WATER SYSTEM REVENUES,  
EXPENSES, DEBT SERVICE AND COVERAGE  
JUNE 30, 2017  
(UNAUDITED)

	Historical 2008/09	Historical 2009/10	Historical 2010/11	Historical 2011/12	Historical 2012/13	Historical 2013/14	Actual 2014/15	Actual 2015/16	Actual 2016/17
<b>Revenues:</b>									
Water revenues	\$ 11,424,787	\$ 12,071,031	\$ 12,038,482	\$ 11,578,981	\$ 11,585,181	\$ 12,169,375	\$ 11,280,269	\$ 12,018,429	\$ 12,493,557
Water connection fees	1,588,084	293,607	244,376	462,762	706,159	1,413,047	591,045	544,852	816,353
Alternative water connection fees	812,740	475,973	400,988	759,958	1,253,055	2,376,682	1,172,170	1,094,460	1,638,792
Groundwater preservation fees	1,632,549	1,769,142	2,096,093	2,315,277	2,527,524	2,599,718	2,330,231	2,371,100	2,440,045
Other revenues	639,926	527,031	541,299	557,222	660,681	727,972	714,965	710,740	769,638
Interest income	125,458	70,329	38,445	166,654		110,615	124,593	203,857	11,020
<b>Total revenues</b>	<b>16,223,544</b>	<b>15,207,113</b>	<b>15,359,683</b>	<b>15,840,854</b>	<b>16,732,600</b>	<b>19,397,409</b>	<b>16,213,273</b>	<b>16,943,438</b>	<b>18,169,405</b>
<b>Expenses:</b>									
Personnel	2,447,642	2,514,595	2,418,118	2,497,865	2,537,150	2,659,895	2,767,143	2,952,249	3,021,915
Operations & maintenance	5,415,423	4,505,751	3,721,167	3,559,807	4,564,894	4,303,230	4,530,436	5,059,998	4,719,579
CAP water costs	185,490	154,575	903,855	636,519	1,093,105	1,499,594	1,570,793	1,952,117	2,892,392
<b>Total expenses</b>	<b>8,048,555</b>	<b>7,174,921</b>	<b>7,043,140</b>	<b>6,694,191</b>	<b>8,195,149</b>	<b>8,462,719</b>	<b>8,868,372</b>	<b>9,964,364</b>	<b>10,633,886</b>
Net water system revenues	8,174,989	8,032,192	8,316,544	9,146,662	8,537,452	10,934,690	7,344,901	6,979,074	7,535,519
<b>Water supported debt service:</b>									
2007 WIFA Loan	308,406	369,627	316,983	316,875	316,763	311,494	311,377	311,256	311,130
2009 WIFA Loan			161,554	182,268	186,817	150,471	149,367	149,322	149,275
2014 WIFA Loan							296,972	361,059	395,534
2003 Revenue Bonds	2,544,423	2,544,973	2,545,935	2,545,435	980,000				
2003 Refunding Revenue Bonds	648,674	647,374	1,152,546	1,238,996	1,243,058				
2005 Excise Tax Bonds	151,946	152,672	151,744	152,099	151,245	152,565	152,516		
2007 Excise Tax Bonds	1,136,077	1,516,494	791,099	791,203	791,111	790,822	1,255,948	1,197,678	1,245,403
2012 Refunding Bonds					956,975	1,968,281	1,971,082	1,995,481	1,980,781
2013 Refunding Bonds						1,513,427	1,046,558	1,022,420	1,015,424
2015 Refunding Revenue Obligations								17,116	25,101
<b>Total water supported debt service</b>	<b>\$ 4,789,526</b>	<b>\$ 5,231,140</b>	<b>\$ 5,119,860</b>	<b>\$ 5,226,876</b>	<b>\$ 4,625,969</b>	<b>\$ 4,887,060</b>	<b>\$ 5,183,820</b>	<b>\$ 5,054,333</b>	<b>\$ 5,122,648</b>
<b>Debt service coverage</b>	<b>1.71</b>	<b>1.54</b>	<b>1.62</b>	<b>1.75</b>	<b>1.85</b>	<b>2.24</b>	<b>1.42</b>	<b>1.38</b>	<b>1.47</b>

Source: Oro Valley Finance Department

TOWN OF ORO VALLEY, ARIZONA  
 DEMOGRAPHIC AND ECONOMIC STATISTICS  
 LAST TEN FISCAL YEARS  
 (UNAUDITED)

Year	Population	Personal Income (thousands of dollars)	Per Capita Personal Income	Unemployment Rate
2008	43,651	\$ 1,773,226,205	\$ 40,623	3.0%
2009	43,694	1,828,222,176	41,841	5.1%
2010	43,521	1,875,613,105	43,097	6.2%
2011	41,011	1,820,460,164	44,390	6.0%
2012	41,335	1,661,839,665	40,204	6.4%
2013	43,070	1,692,780,210	39,303	6.4%
2014	41,887	1,679,965,408	40,107	6.2%
2015	42,259	1,728,773,431	40,909	5.2%
2016	43,565	1,817,844,597	41,727	5.3%
2017	43,781	1,863,394,821	42,562	4.6%

Source: US Census Bureau, Arizona Employment statistics and Pima Association of Governments

TOWN OF ORO VALLEY, ARIZONA  
 FULL-TIME EQUIVALENT EMPLOYEES BY FUNCTION  
 LAST TEN FISCAL YEARS  
 (UNAUDITED)

<b>Function/Program</b>	Full-time Equivalent Employees as of June 30									
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
<b>Administration</b>										
Town Clerk	4.54	4.56	4.56	4.90	4.54	4.44	4.60	4.00	4.60	4.60
Town Manager	7.38	7.38	8.00	7.00	7.00	7.10	7.10	8.10	8.50	8.10
Human Resources	3.48	3.50	3.50	2.00	5.00	5.00	5.00	4.00	4.00	4.00
Economic Development	3.00	3.00	2.00	2.00	3.00	1.00	1.00	1.40	1.40	2.25
Finance	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	9.00	9.00
Information Systems	7.00	7.00	7.00	7.30	6.50	6.50	8.00	8.00	7.00	8.00
Legal	6.00	6.00	6.00	6.00	6.00	8.00	8.00	7.00	10.00	10.25
<b>Community Development</b>										
Building Safety	0.00	0.00	0.00	0.00	0.00	0.00	0.00	13.00	16.00	18.00
Community Development Admin.	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Planning & Zoning	0.00	0.00	0.00	0.00	0.00	0.00	0.00	13.00	16.00	16.00
<b>Development &amp; Infrastructure Services</b>	103.63	83.76	81.45	78.84	77.22	73.38	73.10	0.00	0.00	0.00
<b>Parks and Recreation</b>	48.02	49.36	36.20	37.61	27.26	20.62	22.70	27.50	27.60	28.10
<b>Cultural Resources</b>	0.00	0.20	0.00	0.00	1.35	1.30	1.30	0.00	0.00	0.00
<b>Library</b>	0.00	0.00	0.00	0.00	0.00	18.55	18.40	18.50	18.70	19.40
<b>Police</b>										
Civilians	31.25	30.25	30.25	25.93	30.25	30.25	29.70	30.70	33.00	34.00
Officers	101.88	102.88	102.88	101.91	101.44	97.96	95.00	97.90	102.40	108.00
<b>Magistrate Court</b>	8.00	8.00	8.00	8.70	8.00	8.00	9.00	9.00	9.00	8.50
<b>Public Works</b>	0.00	0.00	0.00	0.00	0.00	0.00	0.00	47.70	52.90	56.10
<b>Water Utility</b>	39.48	38.48	37.48	37.00	36.00	36.00	34.00	35.00	36.30	35.50
<b>Total</b>	370.66	351.37	334.32	326.19	320.56	325.10	323.90	331.80	356.40	369.80

Source: Town of Oro Valley Finance Department

TOWN OF ORO VALLEY, ARIZONA  
WATER UTILITY REVENUES BY USER TYPE  
LAST TEN FISCAL YEARS  
(UNAUDITED)

<u>Fiscal Year</u>	<u>Residential</u>	<u>Commercial</u>	<u>Irrigation</u>	<u>Irrigation Reclaimed</u>	<u>Construction</u>	<u>Construction Reclaimed</u>	<u>Turf</u>	<u>Turf Reclaimed</u>	<u>Total</u>
2008	\$ 7,511,067	\$ 667,910	\$ 1,146,222	\$ 796	\$ 652,446	\$ 1,630	\$ 666,558	\$ 1,039,969	\$ 11,686,598
2009	7,573,960	749,019	1,093,852	9,007	349,994	3,757	265,413	1,389,783	11,434,785
2010	8,040,762	902,432	1,152,529	14,240	222,447	720	354,308	1,383,592	12,071,030
2011	8,043,658	921,825	1,166,921	13,258	92,257	814	130,704	1,669,045	12,038,482
2012	7,761,639	954,472	1,050,602	13,466	120,830	653	115,568	1,561,750	11,578,980
2013	7,752,934	962,824	1,040,793	19,000	196,354	884	135,720	1,507,574	11,616,083
2014	7,881,436	886,712	1,169,067	187,622	283,632	816	121,108	1,638,981	12,169,374
2015	7,649,136	779,877	981,545	214,848	271,815		115,955	1,267,093	11,280,269
2016	8,103,644	778,915	1,129,741	50,479	310,609		114,427	1,530,107	12,017,922
2017	8,416,714	814,041	1,170,946	51,373	224,532	8,733	104,880	1,702,338	12,493,557

Source: Town of Oro Valley Water Utility Department

TOWN OF ORO VALLEY, ARIZONA  
OPERATING INDICATORS BY FUNCTION  
LAST TEN FISCAL YEARS  
(UNAUDITED)

<u>Function/Program</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<b>Police</b>										
Burglaries	125	125	120	100	134	105	75	77	85	71
Citations (traffic)	7,497	9,256	6,736	5,244	5,084	5,456	4,668	4,486	3,890	3,446
Investigations	6,892	917	732	746	711	681	765	832	824	818
Total Arrests	2,254	2,478	2,176	1,932	1,716	1,564	1,679	1,721	1,598	1,458
Thefts	577	528	567	656	571	563	561	500	586	493
<b>Development &amp; Infrastructure Services</b>										
Street resurfacing (miles)	10.5	53.4	14.8	13.9	22.4	30.5	73.4	101.0	92.0	89.0
<b>Parks and Recreation</b>										
Recreation Programs Held Annually	46	46	40	47	37	35	30	38	52	55
Months of Public Pool Operations	10	10	12	12	12	10	12	12	12	12
Parks Maintenance Man-Hours Worked	17,472	16,288	16,120	18,680	16,016	17,000	20,000	16,255	15,083	15,463
<b>Library</b>										
Collection volume	96,000	95,750	100,142	100,652	97,364	0	0	0	0	0
<b>Water</b>										
New connections	346	196	68	61	97	213	165	202	176	340
Total connections	18,177	18,373	18,441	18,502	18,599	18,812	18,977	19,179	19,355	19,588
<b>Transit</b>										
Total route miles	175,841	163,964	138,752	138,333	200,058	353,936	439,512	392,071	529,170	568,657
Passengers	16,908	17,101	15,573	14,873	20,119	32,442	39,196	39,102	45,202	51,131

Source: Town of Oro Valley Finance Department

Note: Oro Valley Library was transferred to Pima County Library District on January 1, 2013.

TOWN OF ORO VALLEY, ARIZONA  
WATER RATES  
LAST TEN FISCAL YEARS  
(UNAUDITED)

<u>Year</u>	<u>Base Rate monthly</u>	<u>Tier 1 per 1,000</u>	<u>Tier 2 per 1,000</u>	<u>Tier 3 per 1,000</u>	<u>Tier 4 per 1,000</u>	<u>GPF per 1,000</u>
2008	\$ 13.25	\$ 2.08	\$ 2.81	\$ 3.76	\$ 5.00	\$ 0.40
2009	13.91	2.18	2.95	3.95	5.25	0.55
2010	14.19	2.20	2.99	4.03	5.38	0.75
2011	14.19	2.20	2.99	4.03	5.38	0.75
2012	14.19	2.20	2.99	4.03	5.38	0.95
2013	14.19	2.20	2.99	4.03	5.38	0.95
2014	14.19	2.23	3.01	4.07	5.49	0.95
2015	14.19	2.27	3.10	4.23	5.76	0.90
2016	14.19	2.32	3.19	4.40	6.05	0.90
2017	14.62	2.34	3.25	4.53	6.29	0.90

Source: Town of Oro Valley Water Utility

TOWN OF ORO VALLEY, ARIZONA  
 CAPITAL ASSETS STATISTICS BY FUNCTION  
 LAST TEN FISCAL YEARS  
 (UNAUDITED)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<u>Function/Program</u>										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Substations	2	2	3	3	3	3	3	3	3	3
Patrol units	113	109	108	53	67	66	64	74	77	72
Other fleet	0	0	0	55	42	43	42	45	44	67
Development & Infrastructure Services										
Streets (miles)	220.1	220.1	214.0	203.8	203.8	205.1	421.0	421.0	421.0	421.0
Streetlights	93	93	93	93	93	95	95	95	95	95
Traffic signals	16	16	18	16	17	19	19	19	19	19
Parks and recreation										
Acreage	300	300	374	374	436	436	457	448	448	448
Playgrounds	2	2	2	2	2	2	2	2	2	2
Baseball/softball diamonds	7	7	7	7	7	7	7	7	7	7
Community centers	0	0	0	0	0	0	0	1	1	1
Golf course holes	0	0	0	0	0	0	0	45	45	45
Tennis courts	1	1	1	1	1	1	1	32	32	32
Swimming pools	1	1	1	1	2	2	2	4	4	4
Water										
Wells	19	22	18	22	22	22	18	20	20	20
Storage capacity (MG)	18	19	19	20	20	20	13	12	12	12
Booster capacity	27	27	26	25	25	25	26	27	27	27
Transit										
Transit vans	9	9	9	5	5	5	9	7	4	4
Transit mini buses	0	0	0	5	10	12	17	19	22	22

Source: Town of Oro Valley Finance Department