

INSIDE

Overview	1
Oro Valley Fast Facts	2
Message from the Town Manager	2
Accomplishments & Accolades	3
GFOA Award	3
Net Position	4
Activities	5
Revenues	6
Expenses	7
Debt & Financial Ratings	9
Town Assets	10
Employment & Economic Statistics	11



Town of **ORO VALLEY, ARIZONA**
POPULAR ANNUAL FINANCIAL REPORT
 Fiscal Year ending June 30, 2019



OVERVIEW

The Town of Oro Valley is proud to present its eighth annual Popular Annual Financial Report (PAFR). The purpose of the PAFR is to provide a user-friendly summary of the financial position of the Town of Oro Valley and other interesting information for citizens who want a better understanding of the Town's finances. The financial information in the PAFR is taken from the Town's Comprehensive Annual Financial Report (CAFR). The CAFR outlines the Town's financial position and operating activities each fiscal year presented in conformity with generally accepted accounting principles (GAAP) and includes financial statements audited by Heinfeld Meech & Co., P.C., certified public accountants. The Town received an unmodified (or clean) audit opinion, which is the best audit opinion that the financial statements could receive.

While the numbers in the PAFR come from an audited source, they are presented in a summarized, unaudited non-GAAP format that is more accessible to the public. Additionally, some of the information in the PAFR is from the Town's Annual Budget. Citizens who wish to review the audited, GAAP-based, full disclosure financial statements can refer to the Town's CAFR available on the Town's website at www.orovalleyaz.gov, or contact the Finance Department by phone at 520-229-4700 or in person at 11000 N. La Cañada Drive, Oro Valley, AZ 85737.

Connect with us! Visit www.orovalleyaz.gov.



ORO VALLEY COUNCIL



Left to right:

- Bill Rodman, Councilmember
- Steve Solomon, Councilmember
- Rhonda Piña, Councilmember
- Joe Winfield, Mayor
- Melanie Barrett, Vice Mayor
- Josh Nicolson, Councilmember
- Joyce Jones-Ivey, Councilmember

HISTORY

After World War II, the Tucson area experienced dramatic population growth. In the early 1950s, the Oro Valley Country Club opened at the base of Pusch Ridge, and land owners began building residential homes. As the community continued to grow, area residents increasingly desired local control of the land in the area. In the late 1960s, a petition to incorporate began to circulate in Oro Valley, and Oro Valley was successfully incorporated in 1974. What began as a Town with only 2.4 square miles and 1,200 residents has grown into a vibrant community and tourist destination featuring world-class amenities and outdoor attractions, excellent schools, and a diverse business environment.



ORO VALLEY FAST FACTS

INCORPORATED	1974
SERVICES	Police, Parks and Recreation, Water Utility, Stormwater Utility, Public Transit, Community Development and Public Works
FORM OF GOVERNMENT	Council/Manager
GOVERNING BODY	Mayor elected at large to four-year term; 6 councilmembers elected at large to four-year terms
POPULATION (2016 census estimate)	45,184
# OF HOUSEHOLDS (2016 census data)	19,295
BACHELOR'S DEGREE OR HIGHER (AGE 25+)	52.3%
MEDIAN INCOME (2016 census data)	\$79,458
# OF PARKS	7
PARK ACRES MAINTAINED	772
TRAILS AND PATHS	54.5 miles
PARKS PROGRAMS HELD ANNUALLY	96
2019 BUDGET	\$142.9 million



MESSAGE *from the* TOWN MANAGER



Mary Jacobs
Town Manager

We are pleased to present the Town of Oro Valley Popular Annual Financial Report (PAFR) for fiscal year 2018/19. This is the eighth consecutive year that we have produced this summarized overview of various financial aspects of the Town, including sources of revenues and expenditures, financial trends, assets and liabilities and debt obligations. We are humbled to

have earned recognition from the Government Finance Officers Association (GFOA) for the past seven years with their Popular Annual Financial Reporting Award. The Town is one of only fourteen government agencies in Arizona to prepare a PAFR, representing the Town's ongoing commitment to transparency, accountability and communicating the financial position of the Town in this easy-to-understand format.

The Town's audited financial statements once again received an unmodified or "clean" audit opinion by our outside, independent auditors, which is the highest form of audit opinion given.

In addition, the Town demonstrated continued strong financial performance during fiscal year 2018/19. We are pleased to report that in the General Fund, our main operating fund, revenues exceeded expenditures by \$1.4 million. These surplus funds will be allocated toward future capital project funding and reducing the Town's Public Safety Personnel Retirement System (PSPRS) unfunded liability.

The Town's disciplined approach to budgeting, adherence to strong financial management principles and policies and a track record of prudent financial decision-making helps to ensure both near- and long-term fiscal health and sustainability. This is evidenced by the Town's strong credit rating, including our 'AA+' rating from Standard and Poor's.

In the coming year, we look forward to making investments in our facilities that provide maximum benefit to our community and managing your taxpayer dollars in the most efficient and effective manner.

We hope that our 2019 Popular Annual Financial Report fulfills its purpose as an understandable, informative publication, and thank you for your interest in the Town of Oro Valley government functions and finances.

Respectfully,
Mary Jacobs, Town Manager



FY 18/19 ACCOMPLISHMENTS

Participated as a contributing partner in the ground breaking of the new University of Arizona Center for Innovation at Oro Valley

Established fully functional back-up Emergency Communications Center at Marana Police Department

Collected over \$2 million in plan review and permit fees representing more than \$155 million in work valuation for new private construction

Issued a total of 2,363 permits and performed approximately 29,000 building inspections

Received the Achievement of Excellence in Financial Reporting Award, Distinguished Budget Presentation Award with special recognition for the Town's Capital Improvement Program and Popular Annual Financial Reporting Award from the Government Finance Officers Association

Received the Achievement of Excellence in Procurement Award from the National Procurement Institute

Ended FY 2018-19 with a \$1.4 million increase in the General Fund ending fund balance

Transitioned the Town's recreation software to CivicRec, providing a more user-friendly application for citizens and greater visibility of parks and recreational activities

Completed training of all full-time employees in process improvement skills as part of the Town's Peak Performance initiative, resulting in an estimated \$50,000 in savings for FY 18/19

Broke ground on \$20M La Cholla Blvd. widening project with partners Pima County and the Regional Transportation Authority

Increased Town's capacity to deliver CAP water by 30%, with the commissioning of the Water Utility's fourth CAP water interconnect, further offsetting the use of groundwater

Delivered a combined total of 2.99 billion gallons of water to water utility customers

ACCOLADES

- ★ Oro Valley ranked by "Safewise" as the Safest City in Arizona for 2019
- ★ Certificate of Achievement for Financial Reporting Excellence for FY 2017/18 from the Government Finance Officers Association (GFOA) for the 25th consecutive year
- ★ Popular Annual Financial Report (PAFR) award for FY 2017/18 from the GFOA for the seventh consecutive year
- ★ Distinguished Budget Presentation Award from the GFOA for the tenth consecutive year
- ★ Achievement of Excellence in Procurement Award from the National Procurement Institute for the eleventh consecutive year

The Government Finance Officers Association of the United States and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to the Town of Oro Valley for its Popular Annual Financial Report for the fiscal year ended June 30, 2018. The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports.

In order to receive this award, a government unit must publish a Popular Annual Financial Report, whose contents conform to program standards of creativity, presentation, understandability and reader appeal.

The award is valid for a period of one year only. We believe our current report continues to conform to program requirements, and we are submitting it to GFOA to determine eligibility for another award.



Government Finance Officers Association

Award for Outstanding Achievement in Popular Annual Financial Reporting

Presented to
Town of Oro Valley
Arizona

For its Annual
Financial Report
for the Fiscal Year Ended

June 30, 2018

Christopher P. Morill
Executive Director/CEO

STATEMENT OF NET POSITION

This Statement of Net Position is presented in much more detail in the Town's Comprehensive Annual Financial Report. This is a very high-level summary that captures total assets and liabilities and compares them to prior years. This Statement of Net Position may serve as a useful overall indicator of the Town's financial position and trends over the last two years.

The Town's activities are presented in two categories. Governmental activities include most of the Town's core services, such as public safety, parks and recreation, and street maintenance. Sales taxes, state-shared revenues and grants finance most of these activities. Business-type activities are the Water and Stormwater utilities, which are primarily financed through user fees and charges.



Statement of Net Position for the year ended June 30, 2019

	<u>2019</u>	<u>2018</u>
Assets		
Current assets and other assets	\$ 73,663,286	\$ 62,576,122
Capital assets, net	258,548,990	250,529,464
Total assets	332,212,276	313,105,586
Deferred outflows	10,355,143	11,223,394
Liabilities		
Current and other liabilities	12,350,907	10,324,285
Long-term liabilities	94,066,616	91,492,799
Total liabilities	106,417,523	101,817,084
Deferred inflows	2,841,551	1,926,082
Net Position	\$ 233,308,345	\$ 220,585,814

The largest portion of the Town's net position reflects its investment in capital assets such as land, buildings and improvements, vehicles, machinery and equipment, and construction, less any outstanding debt used to acquire those assets. The Town uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending.

The following are significant transactions that impacted the Statement of Net Position:

- The principal retirement of \$ 917,722 in bonds and \$8,315 in bond premium for governmental activities, and the principal retirement of \$3.9 million in bonds and \$116,677 in bond premium for business-type activities.
- The issuance of \$8.1 million of revenue bonds, \$2.0 million in governmental activities, and \$6.1 million in business-type activities.
- The addition of \$9.4 million and \$3.6 million for governmental activities and business-type activities, respectively, in accumulated depreciation due to depreciation expense.
- The addition of \$14.5 million and \$6.6 million for governmental activities and business-type activities, respectively, in capital assets related to buildings and improvements, infrastructure, and water systems.

i WHAT IT MEANS

Current Assets and Other Assets are assets that one can reasonably expect to convert to cash, sell, or consume within one year.

Capital Assets, Net are the Town's land, buildings, equipment, improvements, infrastructure, and construction in progress, net of accumulated depreciation.

Deferred Outflows are outflows of resources that have already occurred but are applicable to future periods.

Deferred Inflows are inflows of resources that have already occurred but are applicable to future periods.

Liabilities are payments due to vendors and employees, lease payments due, and other long term debt of the Town.

Net Position is the difference between assets plus deferred outflows and liabilities plus deferred inflows, of which may or may not be available for future spending.

STATEMENT OF ACTIVITIES

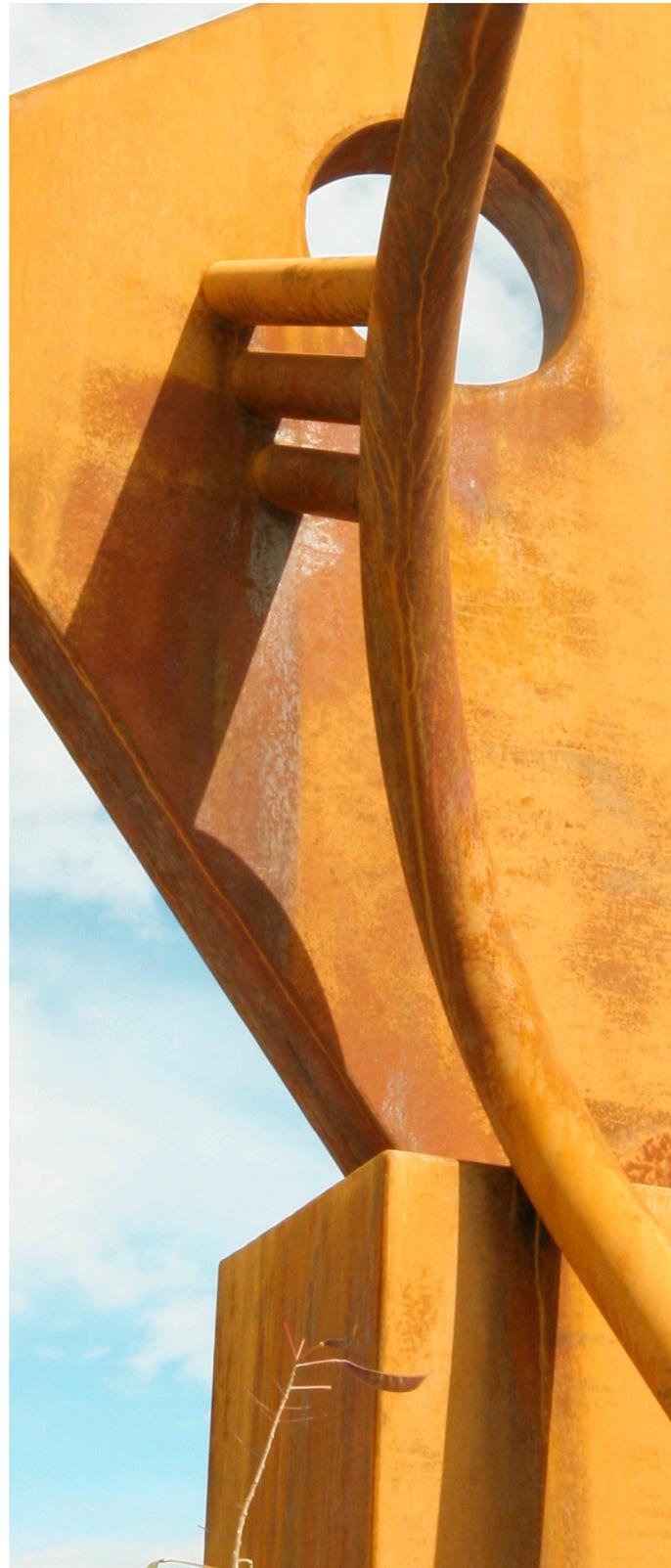
The Statement of Activities, often referred to as the Town’s income statement, reflects all of the financial activity for the Town during the fiscal year ended June 30, 2019. This statement presents information to show how the Town’s net position changed during the year as a result of the financial activity (e.g., revenues and expenses). Over time, increases or decreases in net position may serve as a useful indicator of whether the Town’s financial position is improving or deteriorating. Below is a summarized version of the detailed statement of activities found in the Town’s Comprehensive Annual Financial Report.

Statement of Activities for the year ended June 30, 2019

Note: The totals below reflect both the governmental and business-type activities of the Town.

	<u>2019</u>	<u>2018</u>
Revenues	\$ 83,163,924	\$ 77,640,925
Expenses	72,038,610	66,555,315
Change in net position	11,125,314	11,085,610
Net position, beginning of year, restated	222,183,031	209,500,204
Net position, end of year	\$ 233,308,345	\$ 220,585,814

The Statement of Activities shows that the Town’s total net position has improved over the beginning net position. The increase of \$5.5 million in total expenses was largely due to an increase in highways and street expenses due to improvements. Total revenues increased \$5.5 million, or 7 percent, largely due to additional intergovernmental revenues for road maintenance projects.

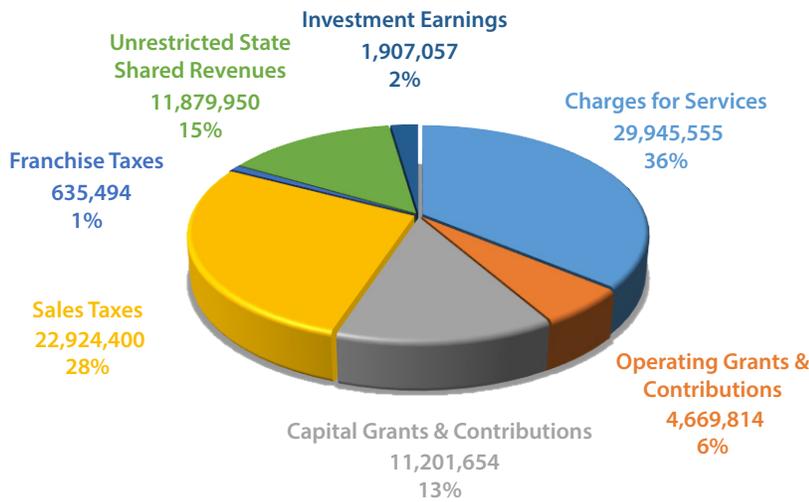


REVENUES

Where the money comes from

Revenues by Source

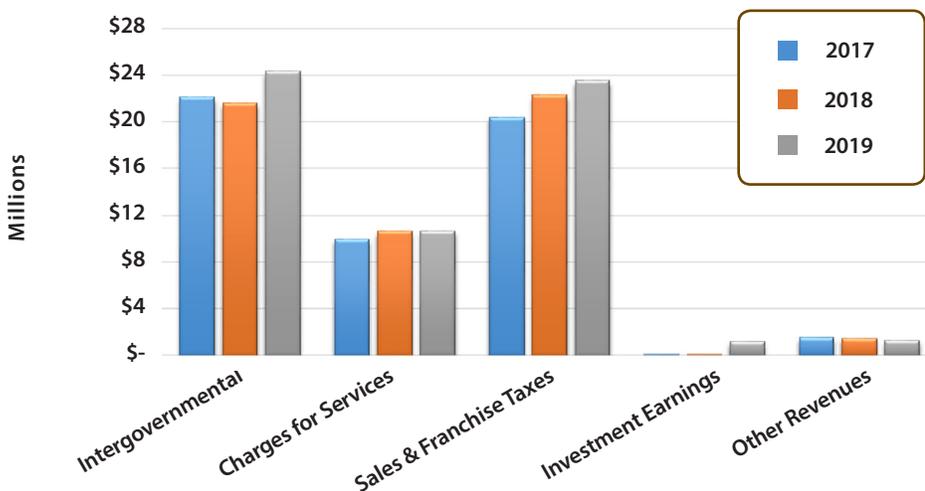
Includes Governmental & Business-Type Activities



This chart illustrates the sources and percentages of the Town's revenues totaling \$83.2 million for FY 2018/19. The Town's primary revenue sources during 2019 include charges for services, sales taxes and state-shared revenues. Together these three categories represented 78% of all revenue collections in FY 2018/19.

Three-Year Historical Comparison - Revenues

Governmental funds only



The Town Council and management are focused on efforts to maintain long-term financial health through diversified revenue sources while strategically investing in community initiatives. These decisions range from increasing efficiencies to using valuable intergovernmental partnerships to enhance and expand services.

WHAT IT MEANS

Charges for Services are revenues collected for services rendered to the public. Water sales make up the majority of these revenues.

Sales Taxes are levied on retail sales at 2.5%, utilities and construction activity at 4%, and lodging at 6%.

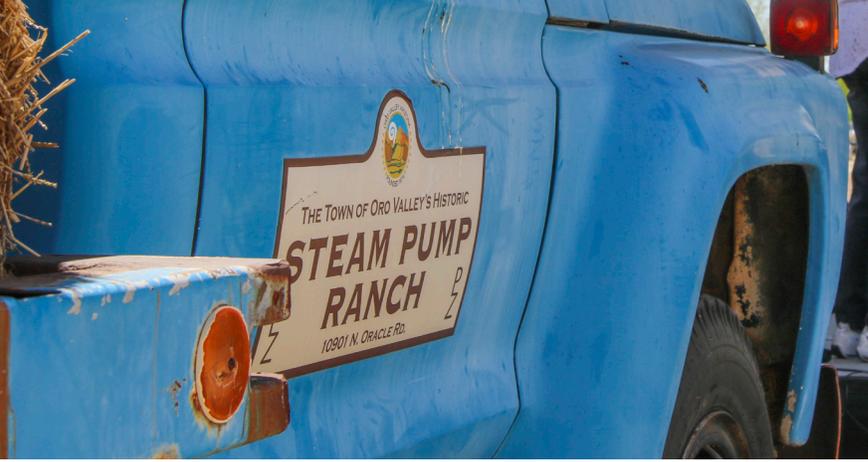
Franchise Taxes are negotiated fee revenues from a local cable provider.

Unrestricted State Shared Revenues consist of the Town's portion of Arizona state income tax, sales tax, and vehicle license tax revenue shared with incorporated cities, towns, and counties.

Capital Grants and Contributions are dedicated towards specific capital expenditures and purposes, such as highways and streets.

Operating Grants and Contributions are dedicated towards specific operating expenditures and purposes, such as employee salaries and ongoing maintenance costs for roadways, public safety, and culture and recreation.

Investment Earnings consist of interest income earned on the Town's invested funds.



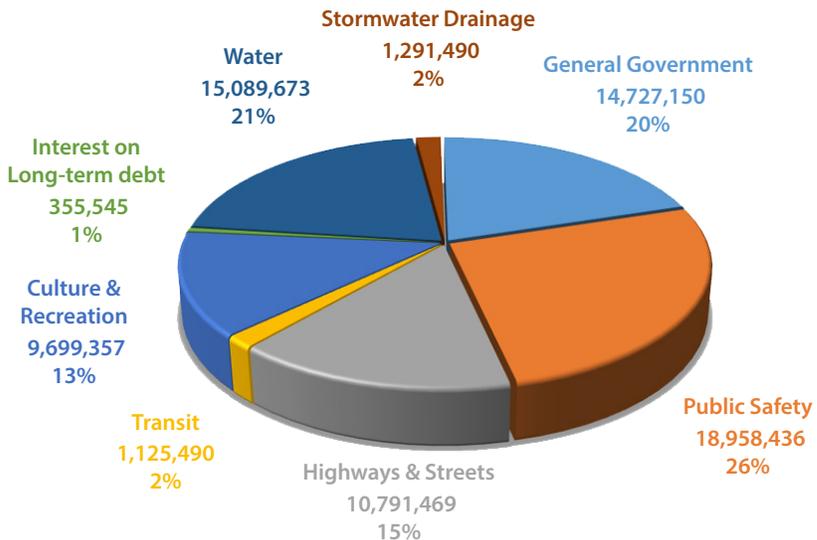
EXPENSES

Where the money goes

This chart illustrates the uses and percentages of the Town's expenses across all funds totaling \$72.0 million for FY 2018/19. The majority of expenses relate to public safety (police), general government operations and Water Utility operations. More than two-thirds of the Town's total expenses (68%) are from these three areas.

Expenses by Category

Includes Governmental & Business-Type Activities



WHAT IT MEANS

General Government expenses are incurred by the Town's administrative departments, including Mayor and Town Council, Town Manager, Legal Services, Finance, Town Clerk, Human Resources, Magistrate Court, and include other non-departmental costs.

Highways and Streets expenses are related to the design, construction, maintenance and operation of all roadways, sidewalks and related infrastructure within the town.

Culture and Recreation expenses are those incurred by the Town to enrich the quality of life in Oro Valley through parks, recreational and cultural activities.

Public Safety expenses are those incurred by the Town to provide police services to the public.

Water expenses are those incurred by the Town to provide water to the public.

Transit expenses are those related to the operation of the Sun Shuttle Dial-a-Ride service funded through a partnership with the Regional Transportation Authority (RTA).

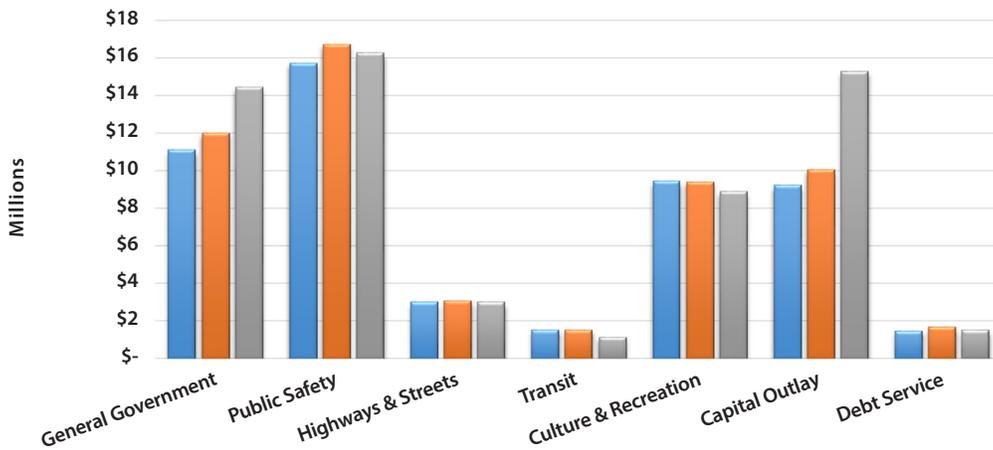
Stormwater Drainage expenses are those related to the design, construction, maintenance and operation of all stormwater drainageways within the town.

Interest on Long-Term Debt reflects the interest costs for long-term debt, such as bonds and loans. This does not include any interest costs on water-related debt.



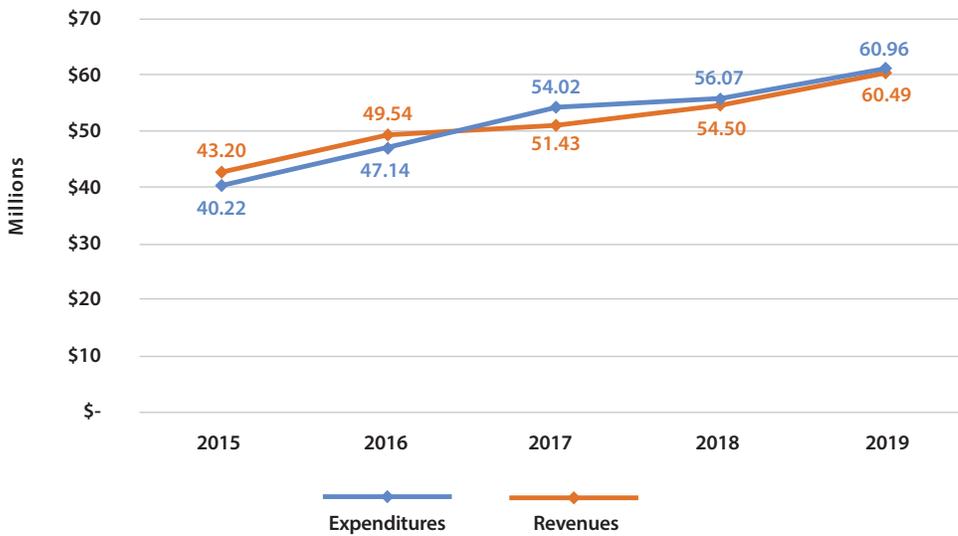


Three-Year Historical Comparison - Expenditures ■ 2017 ■ 2018 ■ 2019
Governmental Funds Only



The charts on this page reflect information for the Town's governmental funds only. These funds account for most of the Town's basic services, such as general government, public safety, highways and streets, and culture and recreation. Sales taxes, state-shared revenues and charges for services finance most of these activities. As such, the business-type activities related to Water and Stormwater operations are excluded.

Five-Year Historical Comparison - Revenues & Expenditures
Governmental Funds Only

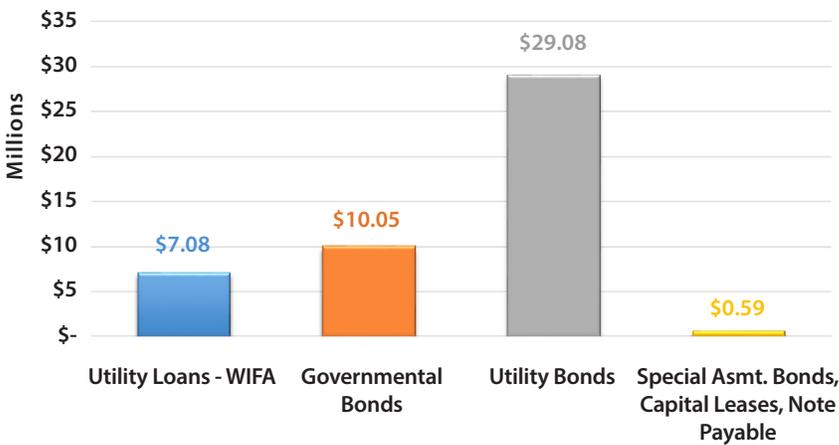


The Five-Year Historical Comparison chart provides a snapshot of the Town's revenue and expenditure growth for the last five fiscal years. The revenue and expenditure increase shown for FY 2015/16 mainly represents full-year operations of the Oro Valley Community Center. Revenue growth through FY 2018/19 reflects continued economic recovery with increased sales tax collections and state-shared revenues.

DEBT & FINANCIAL RATINGS

As of June 30, 2019, the Town had \$46.8 million in long-term debt outstanding with \$6.2 million due within one year. The majority of the outstanding debt relates to the Water Utility capital improvement revenue bonds. The chart below depicts the Town's outstanding debt for the fiscal year ended June 30, 2019.

Outstanding Debt Obligations as of June 30, 2019



The Town continues to maintain strong investment grade ratings on its outstanding excise tax bonds, which were upgraded from "AA-" to "AA+" by Standard & Poor's. The Town's water revenue bonds, are rated "AA" by Standard & Poor's. 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 \$19.5 million, or 46% of FY 2019-20 adopted expenditures of \$42 million.

WHAT IT MEANS

WIFA Utility Loans are low-interest loans from the Water Infrastructure Finance Authority of Arizona (WIFA). They finance the construction and improvement of drinking water, wastewater, wastewater reclamation, and other water quality projects.

Governmental Bonds are used to finance long-lived capital improvements, including land acquisition and construction or improvement of Town facilities. The Town's excise taxes are pledged as repayment of the debt.

Utility Bonds are issued to finance long-lived utility capital improvements for the Town's Water Utility. This debt is repaid with Water Utility revenues.

Special Assessment Bonds are used to finance specific infrastructure or improvement projects. A district is formed and the debt is repaid with assessments on properties within the district. The Town currently has one outstanding special assessment bond issue, which was used for roadway improvements.

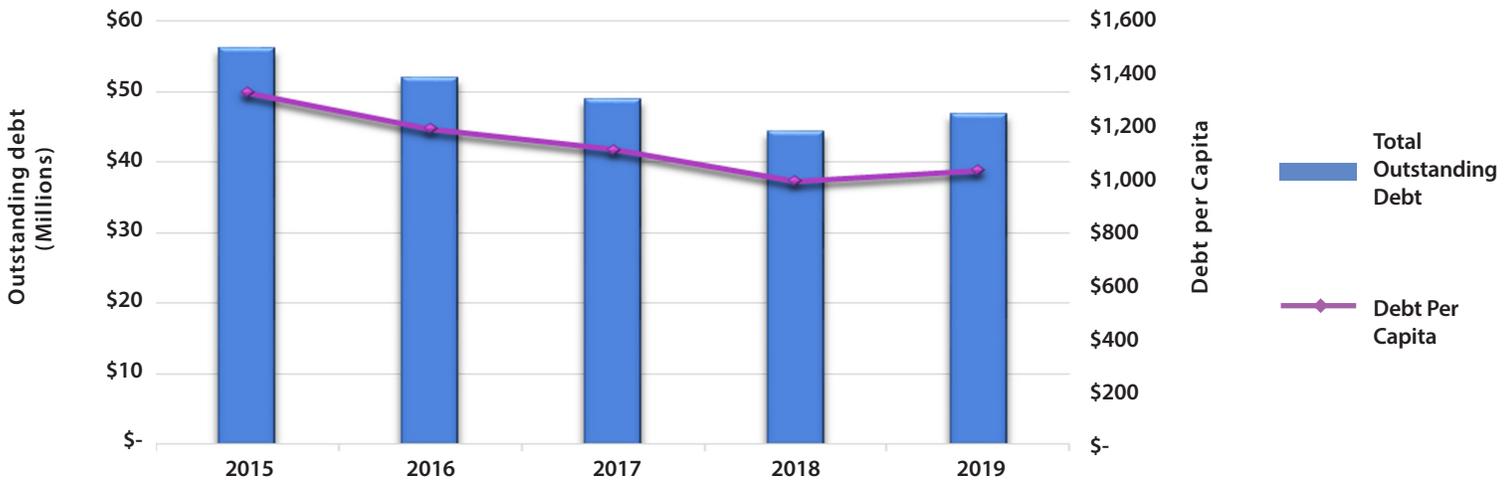
What they're saying...

Standard & Poor's raised its long-term rating on excise tax revenue bonds to "AA+" from "AA-"

S&P identified key credit considerations such as very strong economic fundamentals, very strong coverage and liquidity, and the Town's general creditworthiness.



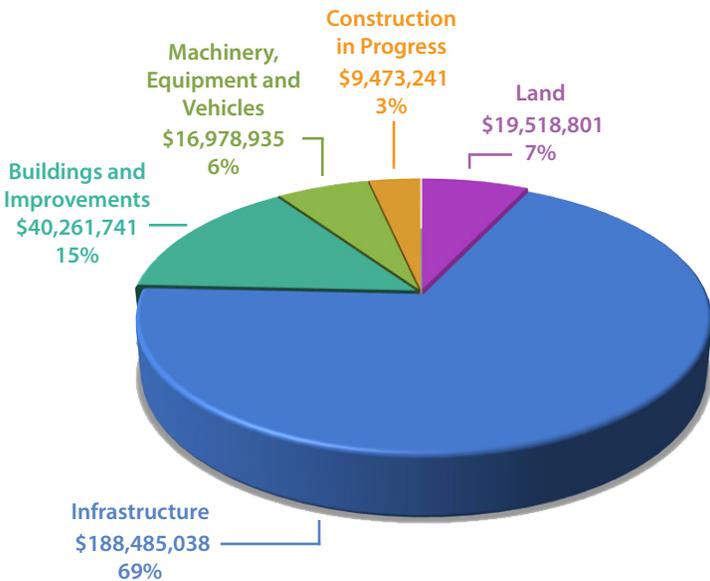
Five Year Historical Comparison Total Outstanding Debt & Debt Per Capita



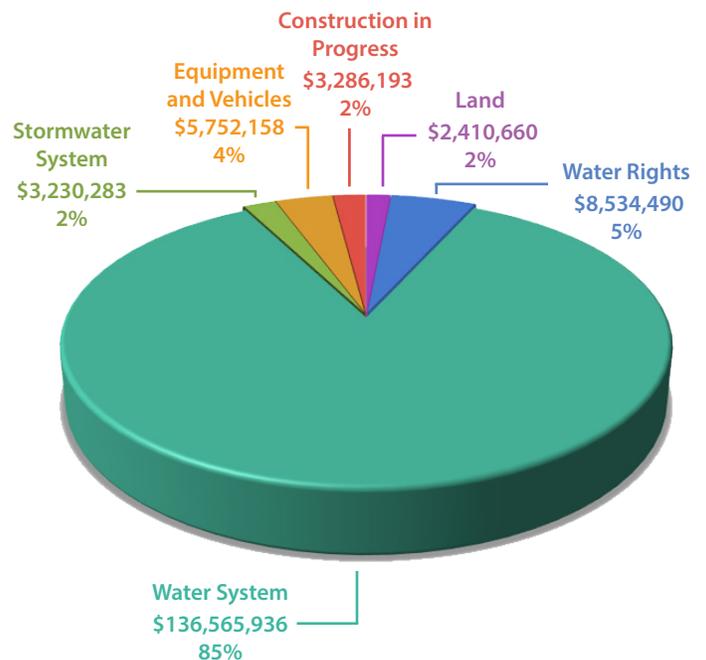
TOWN ASSETS

The Town develops a ten-year Capital Improvement Program (CIP) to systematically identify, plan, schedule, finance, track and monitor capital projects and acquisitions necessary to support service delivery to the community. Capital improvement projects are defined as infrastructure, equipment and vehicle purchases or construction which results in or makes improvements to a capitalized asset costing more than \$50,000 and having a useful life of five or more years. These capital projects and acquisitions comprise the capital assets of the Town. At June 30, 2019, the Town had invested \$258.5 million in capital assets (net of accumulated depreciation), including buildings, facilities, vehicles, computers, equipment and infrastructure assets.

Capital Assets Governmental Activities*



Capital Assets Business-Type Activities*



*Totals do not include accumulated depreciation

ECONOMIC DEVELOPMENT

The Town Council and management are focused on creating long-term economic sustainability, fostering a robust local economy and job market that provide opportunities for quality employment, and sustaining a strong sector of targeted industries, including bioscience, aerospace, and high tech that provide opportunities for synergy and growth.

The Town's public safety programs include Adopt-A-Business, Community Volunteer Assistance Program, Gals! Start your Engines, and Self-Defense Awareness and Fight Education also known as SAFE. This year SafeWise ranked Oro Valley as the number one safest city in Arizona. This is an important designation because public safety promotes economic growth and encourages families to buy homes, play in our parks, attend our schools and visit our businesses. There continues to be healthy economic growth in Oro Valley, as well as the Tucson metro region and state-wide. With Oro Valley's close proximity to Tucson, it is likely that the Town's local economy will continue to benefit with increased housing sales, retail and tourism growth, and overall personal income growth.

Management is in the process of creating a comprehensive annexation blueprint to guide the Town's strategic growth and economic expansion. The Town's goal is to support quality development with integrated architecture and natural open space to maintain and enhance the character of our community. The Town is working with the Planning and Zoning Commission and Town Council to create targeted commercial code amendments. This will add greater flexibility for redeveloping commercial properties. The Town's infrastructure is being revitalized through projects like the Tangerine Road and La Cholla improvement projects and the La Cañada and Moore intersection safety improvement project.

Town Employment Statistics

Principal Employers in Oro Valley

	<u>Employees</u>	<u>% of Total Town Employment</u>
Roche Tissue Diagnostics	1,300	6.78%
Honeywell Aerospace	650	3.39%
Oro Valley Hospital	605	3.15%
Amphitheater School District	502	2.62%
Town of Oro Valley	302	1.57%
Casa de la luz Hospice	272	1.42%
El Conquistador Tucson, A Hilton Resort	250	1.30%
Simpleview	213	1.11%
Splendido at Rancho Vistoso	204	1.06%
Meggitt Securaplane	157	0.82%

Town Demographic & Economic Statistics

