

## 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
Employee Salaries & Benefits	10
Employment & Economic Statistics	11



*Town of* **ORO VALLEY, ARIZONA**  
**POPULAR ANNUAL FINANCIAL REPORT**  
 Fiscal Year ending June 30, 2017





## OVERVIEW

The Town of Oro Valley is proud to present its sixth 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](http://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](http://www.orovalleyaz.gov).



## ORO VALLEY COUNCIL



Left to right:  
Rhonda Piña  
Councilmember  
Bill Rodman  
Councilmember  
Joe Hornat  
Councilmember  
Dr. Satish I. Hiremath  
Mayor  
Mary Snider  
Councilmember  
Lou Waters  
Vice Mayor  
Steve Solomon  
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

<b>INCORPORATED</b>	1974
<b>SERVICES</b>	Police, Parks and Recreation, Water Utility, Stormwater Utility, Public Transit, Community Development and Public Works
<b>FORM OF GOVERNING BODY</b>	Council/Manager Mayor elected at large to four-year term; 6 councilmembers elected at large to four-year terms
<b>POPULATION</b> (2016 census estimate)	43,781
<b># OF HOUSEHOLDS</b> (2016 census data)	17,997
<b>BACHELOR'S DEGREE OR HIGHER (AGE25+)</b>	50.6%
<b>MEDIAN INCOME</b> (2016 census data)	\$75,966
<b># OF PARKS</b>	8
<b>PARK ACRES MAINTAINED</b>	448
<b>TRAILS AND PATHS</b>	79 miles of bike facilities including bike lanes and shared paths & 55 miles of trails
<b>PARKS PROGRAMS HELD ANNUALLY</b>	55
<b>2017 BUDGET</b>	\$125.9 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 2016/17.

The PAFR provides an easy-to-understand, summarized overview of various financial aspects of the Town, including sources of revenues and expenditures, financial trends, assets and liabilities and debt obligations. The publication of this document represents the

Town's ongoing commitment to transparency, accountability and communicating the financial position of the Town.

The Town demonstrated continued strong financial performance during fiscal year 2016/17. We are happy to report that in the General Fund, our main operating fund, revenues exceeded expenditures by over \$5 million. A portion of these surplus funds are designated for needed capital projects that benefit the community, such as the construction of two additional multi-use fields at Naranja Park and the design and construction of a police substation/evidence facility.

During FY 2016/17, the Town updated its Strategic Plan to guide priorities and decision-making over the next two years. The plan is organized around a number of focus areas, including economic development, parks and recreation, public safety, water resources and transportation. Through our planning efforts, we continue to achieve great progress toward enhancing the community amenities and services that we offer.

Commercial and residential development continues to thrive in our community, which contributed significantly to the Town's strong local economy during the year. We saw a 19 percent increase in the issuance of building permits of all types over the prior year, and this level of activity is expected to be sustained over the next several years.

In the coming year, we look forward to aligning our resources to support the priorities in the adopted Strategic Plan, making investments in our facilities that provide maximum benefit to our community and managing your taxpayer dollars in the most efficient and effective manner to ensure long-term financial sustainability in our operations.

We hope that our 2017 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 16/17 ACCOMPLISHMENTS

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

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

Collected over \$2 million in plan review and permit fees representing more than \$170 million in work valuation for new private construction

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 Community Center, with debt service fully paid for by resulting energy savings

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

## ACCOLADES

- ★ Oro Valley was named Playful City USA 2017 for the seventh consecutive year
- ★ Oro Valley Mayor was honored with the 2017 National Award for Local Arts Leadership by the Americans for the Arts and United States Conference of Mayors
- ★ Honored with the United States Department of Transportation Educate and Enforce Award as part of the 2016 Mayors' Challenge for Safer People, Safer Streets
- ★ Certificate of Achievement for Financial Reporting Excellence for FY 2015/16 from the Government Finance Officers Association (GFOA) for the 23rd consecutive year
- ★ Popular Annual Financial Report (PAFR) award for FY 2015/16 from the GFOA for the fifth consecutive year
- ★ Distinguished Budget Presentation Award from the GFOA for the ninth consecutive year
- ★ Achievement of Excellence in Procurement Award from the National Procurement Institute for the ninth 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, 2016. 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, 2016**

*Jeffrey R. Egan*  
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, 2017

	<u>2017</u>	<u>2016</u>
<b>Assets</b>		
Current assets and other assets	\$ 56,329,387	\$ 52,459,795
Capital assets, net	248,212,756	246,642,663
<b>Total assets</b>	<b>304,542,143</b>	<b>299,102,458</b>
<b>Deferred outflows</b>	<b>13,861,078</b>	<b>9,377,491</b>
<b>Liabilities</b>		
Current and other liabilities	10,378,158	9,047,392
Long-term liabilities	95,343,446	90,332,151
<b>Total liabilities</b>	<b>105,721,604</b>	<b>99,379,543</b>
<b>Deferred inflows</b>	<b>3,181,413</b>	<b>2,143,862</b>
<b>Net Position</b>	<b>\$ 209,500,204</b>	<b>\$ 206,956,544</b>

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:

- 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.

## **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, 2017. 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, 2017

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

	<u>2017</u>	<u>2016</u>
<b>Revenues</b>	\$ 74,461,144	\$ 68,147,990
<b>Expenses</b>	71,917,484	64,048,865
<b>Change in net position</b>	2,543,660	4,099,125
<b>Net position, beginning of year</b>	<u>206,956,544</u>	<u>202,857,419</u>
<b>Net position, end of year</b>	<b>\$ 209,500,204</b>	<b>\$ 206,956,544</b>

The Statement of Activities shows that the Town's total net position has improved over the beginning net position. 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. Total expenses increased \$7.9 million, or 12 percent, primarily due to an increase in the net pension liability for public safety.



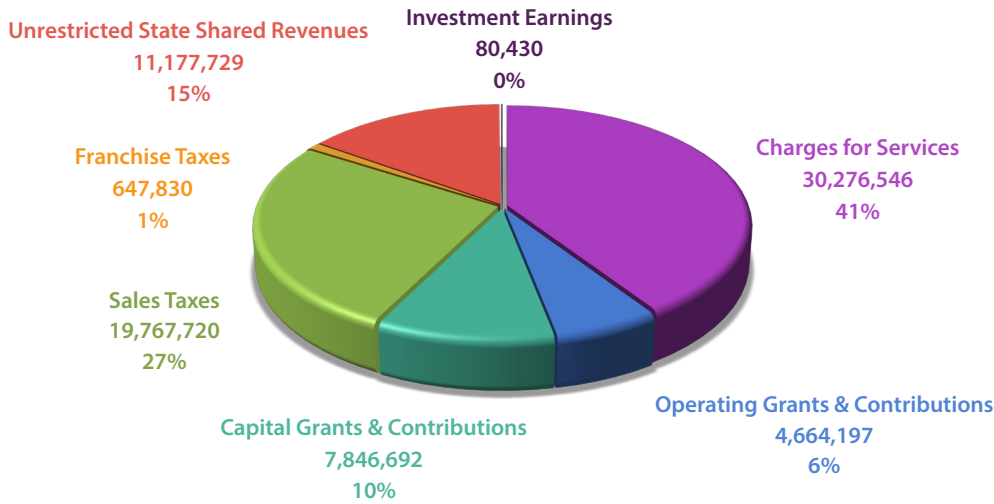


# REVENUES

Where the money comes from

## Revenues by Source

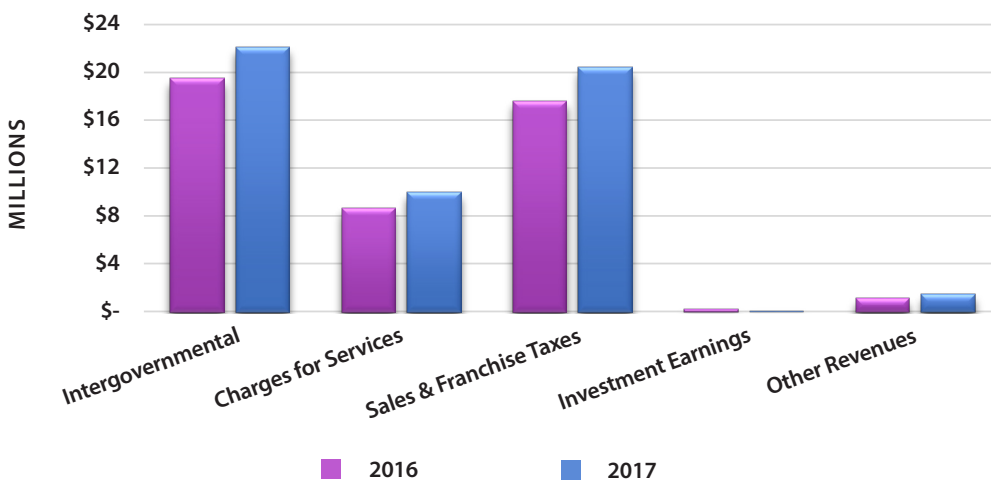
Includes Governmental & Business-Type Activities



This chart illustrates the sources and percentages of the Town's revenues totaling \$74.5 million for FY 2016/17. The Town's primary revenue sources during 2017 include charges for services, sales taxes and state-shared revenues. Together these three categories represented 83% of all revenue collections in FY 2016/17.

## Two-Year Historical Comparison - Revenues

Governmental funds only



## 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.

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.





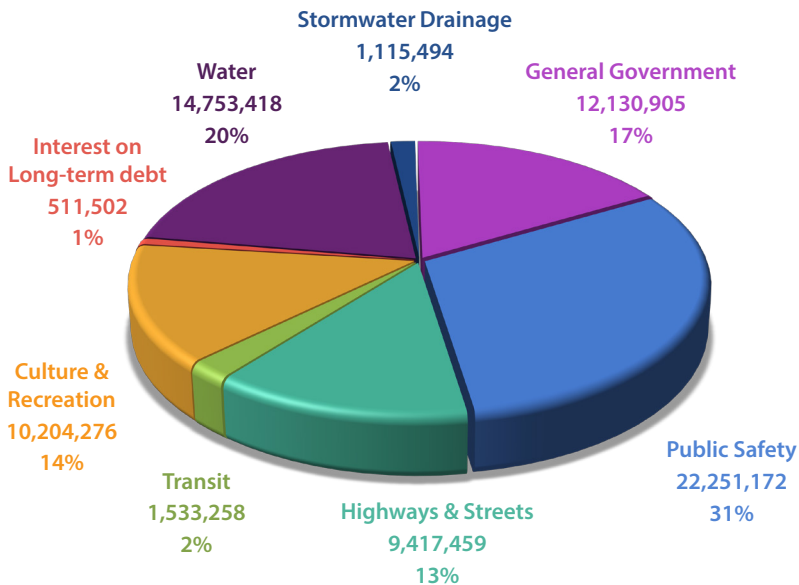
## EXPENSES

Where the money goes

This chart illustrates the uses and percentages of the Town's expenses across all funds totaling \$71.9 million for FY 2016/17. 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



## **i** 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).

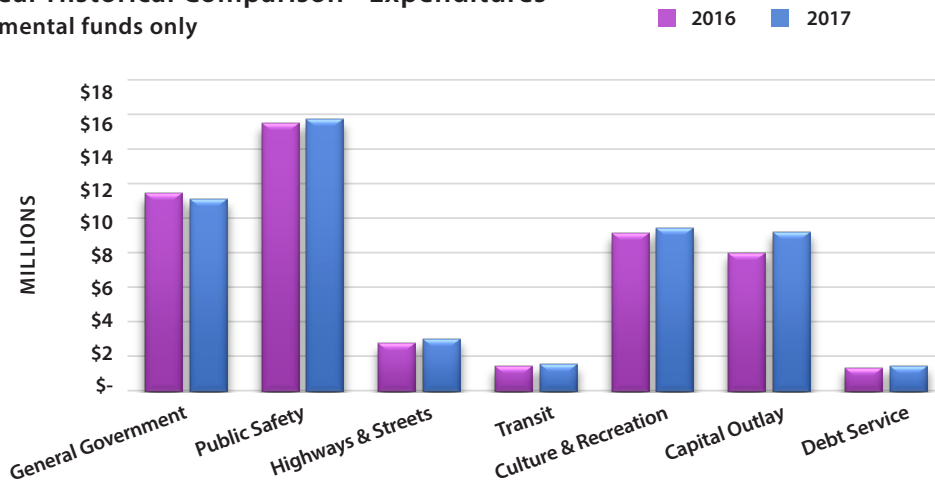
**Stormwater Drainage** expenses are those related to the design, construction, maintenance and operation of all stormwater drainageways within the town.

**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.



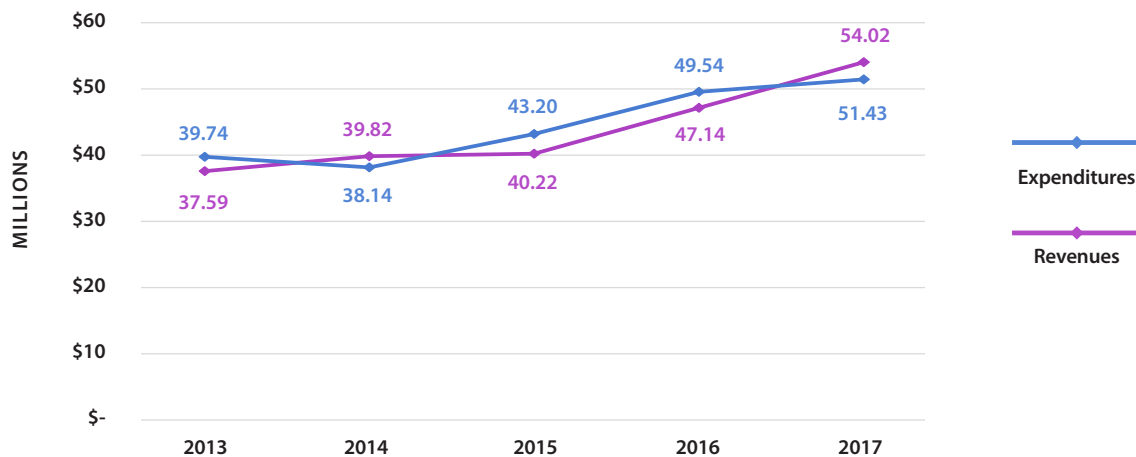


### Two-Year Historical Comparison - Expenditures Governmental funds only



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

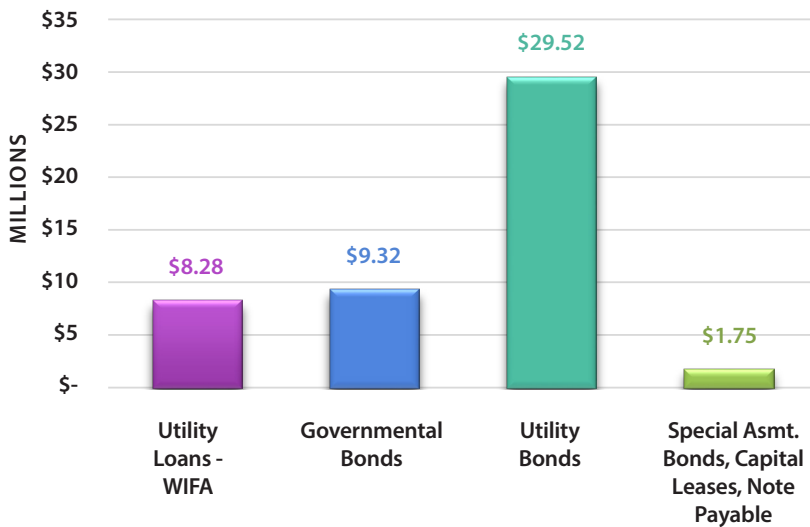


As displayed in the Five-Year Historical Comparison chart above, the Town's revenue and expenditure growth remained steady from FY 2012/13 through FY 2014/15. This is reflective of the Town's fiscal stability during the years following the Great Recession as economic growth slowly returned. Each year's Town budget took a measured approach to carefully plan where every new dollar generated from growth was allocated, ensuring structural balance was achieved between the Town's revenues and expenditures. 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 2016/17 reflects continued economic recovery with increased sales tax collections and state-shared revenues.

## DEBT & FINANCIAL RATINGS

As of June 30, 2017, the Town had \$48.9 million in long-term debt outstanding with \$4.5 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, 2017.

Outstanding Debt Obligations as of June 30, 2017



The Town continues to maintain strong investment grade ratings on its outstanding excise tax bonds, rated "AA-" by both Standard & Poor's and Fitch Ratings, and on its water revenue bonds, 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 \$13.4 million, or 37% of FY 2017/18 adopted expenditures of \$36.7 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...

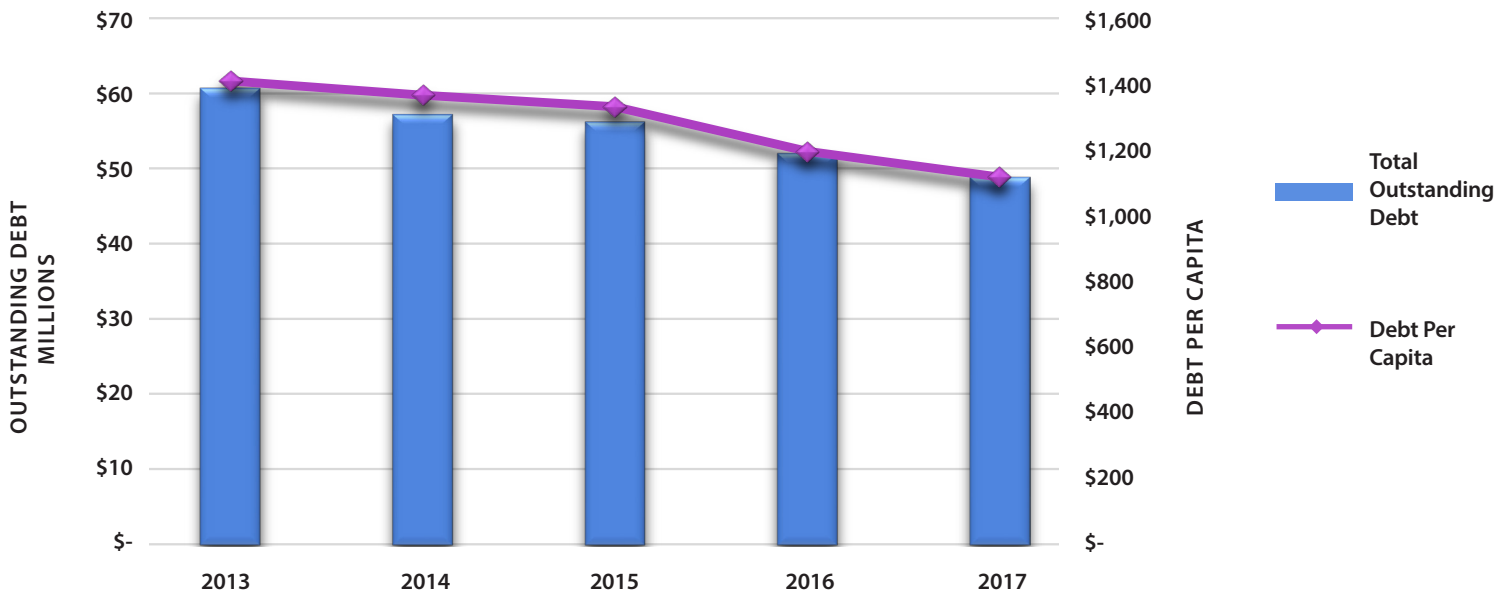
FITCH AFFIRMS ORO VALLEY, AZ'S WATER REVS AT AA-, OUTLOOK STABLE

Fitch has reaffirmed Oro Valley's 2012 Senior Lien Water Project revenues as AA- based on factors such as robust liquidity, ample water supply, a manageable capital plan and strong economic base.





## Five Year Historical Comparison Total Outstanding Debt & Debt Per Capita



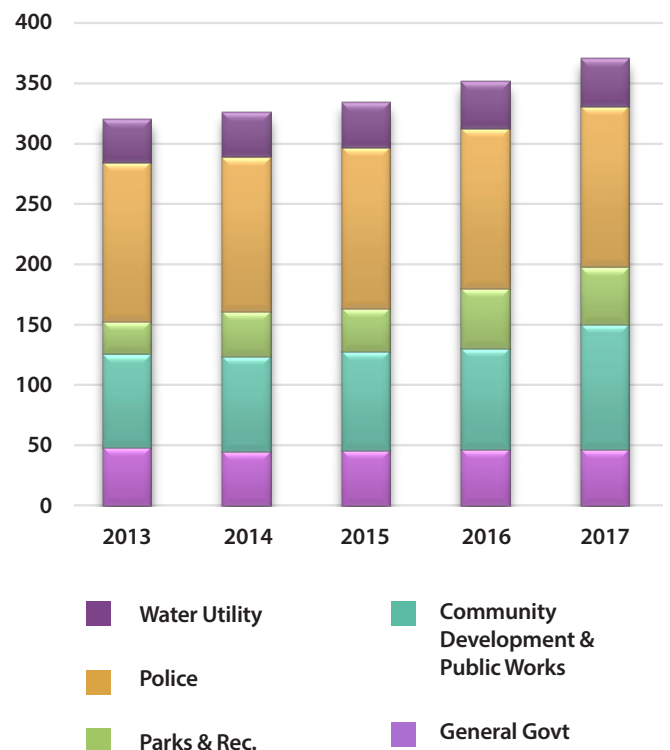
## EMPLOYEE SALARIES & BENEFITS

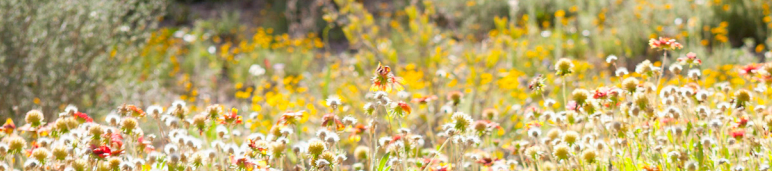
Personnel services comprised 48% of the total operating budget for FY 2016/17. The FY 2016/17 budget included funding for employee merit and step increases and benefit cost increases. Revenues will be re-analyzed each year to determine the affordable and feasible level of continued pay increases.

The Town participates in three pension plans as part of its employee benefits package. Pension benefits are considered deferred compensation because they are not paid out until the employee's tenure with the Town has concluded; nevertheless, the Town has a present obligation to pay these benefits in the future. Therefore, the Town's FY 2016/17 Comprehensive Annual Financial report shows \$42.8 million in net pension liability. Town management is actively managing its pension liability by looking for opportunities to reduce the outstanding balance and save on interest. For example, the Town prepaid its budgeted FY 2015/16 Public Safety Retirement contributions as a lump-sum early in FY 2016 instead of making bi-weekly contributions.

As shown in the chart, Community Development and Public Works increased by roughly 20 full-time equivalents in FY 2016/17 due to the reorganization of parks maintenance staff from the Parks and Recreation Department, as well as the addition of temporary staff to complete numerous capital improvement projects and added staff for Stormwater Utility planning and infrastructure management.

### Number of Full-Time Equivalent Employees by Function





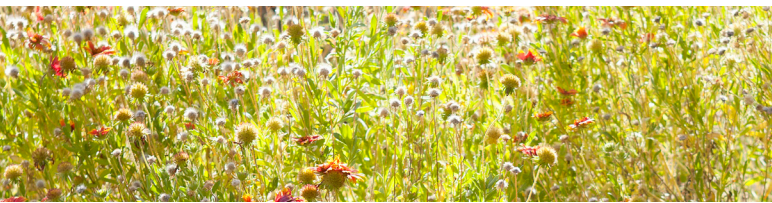
## ECONOMIC DEVELOPMENT

### Town Employment Statistics

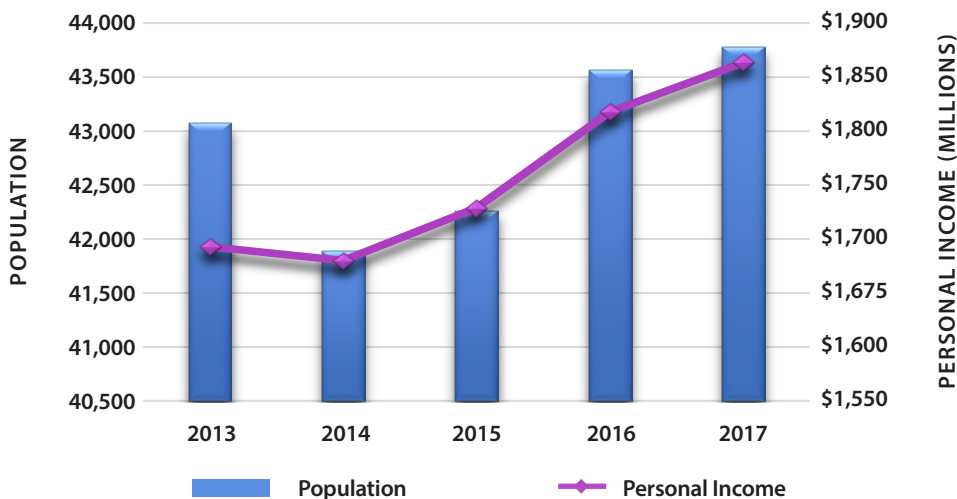
#### Principal Employers in Oro Valley

	Employees	% of Total Town Employment
Roche Group's Ventana Medical Systems	1,291	7.53%
Oro Valley Hospital	674	3.93%
Town of Oro Valley	558	3.26%
Amphitheater Public Schools	435	2.54%
Hilton El Conquistador Golf & Tennis Resort	254	1.48%
Casa de la Luz Hospice	207	1.21%
Splendido at Rancho Vistoso	156	0.91%
Securaplane	154	0.90%
Walmart Supercenter	125	0.73%
Target	100	0.58%

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. In FY 2016/17, the Town completed phase one of the planning process for the creation of two central "districts" in town, resulting in adoption of the Main Streets Concept Plan. This project is designed to promote walkable and unique areas for gathering, dining and shopping that will serve as a town center and enhance Oro Valley's lifestyle and economy. The Town's continued investment in the business sector through recruitment, retention and attraction has paid dividends in creating a vibrant, thriving community in Oro Valley. Partnerships with Visit Tucson and the Greater Oro Valley Chamber of Commerce focus heavily on tourism efforts as an additional economic development tool. Numerous cultural events are held throughout the year, such as the Halloween Spooktacular at the Community Center, the July 4th Celebration at Naranja Park, and the annual Holiday Tree Lighting Celebration, as well as a number of regional and state sporting events hosted at the Oro Valley Aquatic Center. In FY 2016/17, the Town issued a total of 339 single family residential permits, a 54% increase over the previous fiscal year. Numerous residential and commercial projects completed or underway in FY 2016/17 include the Apartments at El Corredor, the Amphitheater Innovation Academy, Leman Academy, Native Grill and Wings, Freddy's Frozen Custard and Steakburgers, Oro Valley Senior Care and the Tucson Orthopedic Institute.



### Town Demographic & Economic Statistics



Note: Demographic statistics reflect estimates provided by the Pima Association of Governments (PAG). Population figures for 2013 have been revised by PAG to 41,539. The chart reflects the original estimate to maintain consistency with the 2013 Comprehensive Annual Financial Report.

