



Town of Oro Valley, Arizona

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2019

**TOWN OF ORO VALLEY, ARIZONA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Prepared by:

Finance Department

Kevin Artz  
Interim Finance Director

**TOWN OF ORO VALLEY, ARIZONA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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## **INTRODUCTORY SECTION**



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December 19, 2019

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, 2019.

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, 2019, 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, 2019, 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.

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.

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

## **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 45,184. The population of Oro Valley has increased 52% since the 2000 population of 29,700.

Based on 2017 Census estimates, Oro Valley has a median household income of \$79,458, compared to the median household income for the state of Arizona of \$53,510. 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; proper planning and economic development; 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 2018.

The annual operating 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 operating budget approved by the Town Council. The Town's proposed operating budget is presented to the Town Council for review throughout the budget cycle starting in December and 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 Plan; 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

The Council adopted Strategic Leadership Plan for fiscal years 2019-20 through 2020-21 is the culmination of an extensive four-month process involving Town Council, Town staff, and the Oro Valley community. Rooted deeply in the values and priorities of the Your Voice, Our Future 10-year general plan, the two-year Strategic Leadership Plan provides organizational direction in seven focus areas:

- Economic Vitality
- Culture and Recreation
- Public Safety
- Roads, Water and Town Assets
- Land Use
- Effective and Efficient Government
- Town Finances

While the Strategic Leadership 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 2018-19.

- Received an upgrade by Standard and Poor's of its long-term rating from AA- to AA+ for excise tax obligations
- Received the Certificate of Achievement for 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
- Ended FY 2017-18 with a nearly \$1.6 million increase in the General Fund ending fund balance
- Participated as a contributing partner in the ground breaking of the new University of Arizona Center for Innovation at Oro Valley
- Completed and obtained Council approval of a five-year Comprehensive Economic Development Strategy
- Developed the Police Community Assistance Program (CAP) which provides follow-up after the initial 911 call to ensure our aging population has continued support
- Established a fully functional back-up Emergency Communications Center at the Town of Marana PD
- Completed new Police Evidence Facility and Substation on budget
- 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 to meet the community's potable water needs
- Transitioned the Town's recreation software to CivicRec, providing a more user-friendly application for citizens and greater visibility of parks and recreational activities, classes, sports and youth leagues
- Broke ground on \$20 million La Cholla Blvd. widening project with partners from Pima County and the Regional Transportation Authority
- Completed the training of all full-time employees in foundational process improvement skills as part of the Town's Peak Performance initiative, resulting in 98 employee submittals and an estimated \$50,000 in savings for FY18/19

## ECONOMIC CONDITIONS AND OUTLOOK

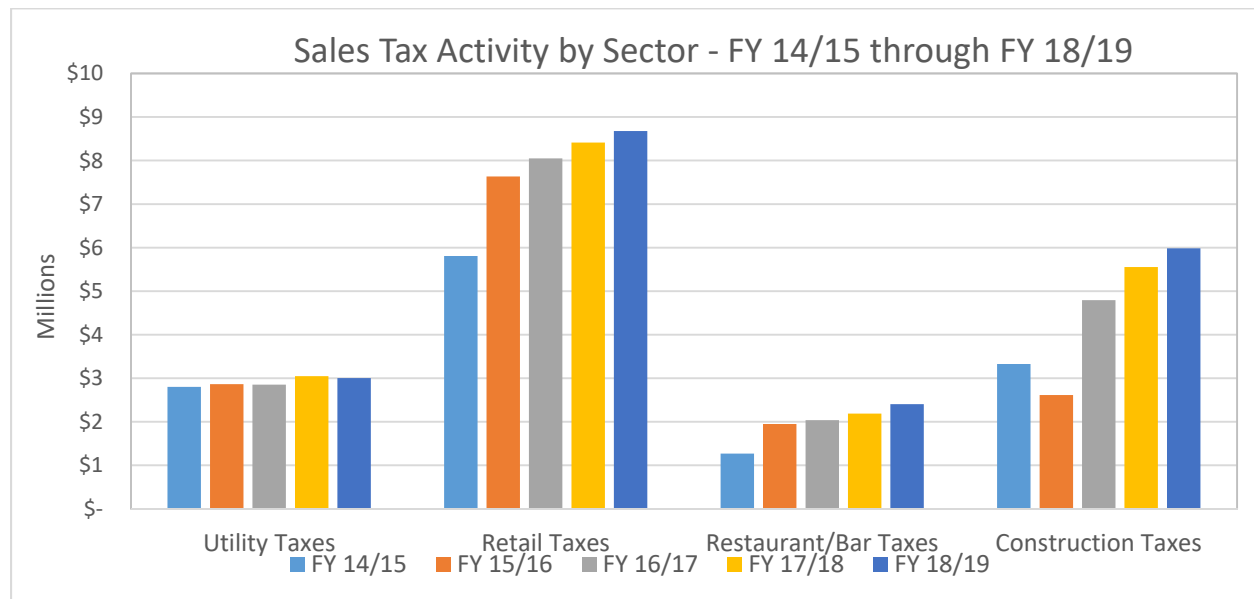
The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the Town operates.

Healthy economic growth is being observed at both the local and state levels, which has impacted the Town's revenue collections for FY 2018-19 and is expected to continue into FY 2019-20. 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 revenue for its operating and capital expenditures. These sources accounted for approximately 83% of total General Fund revenue for FY 2018-19.

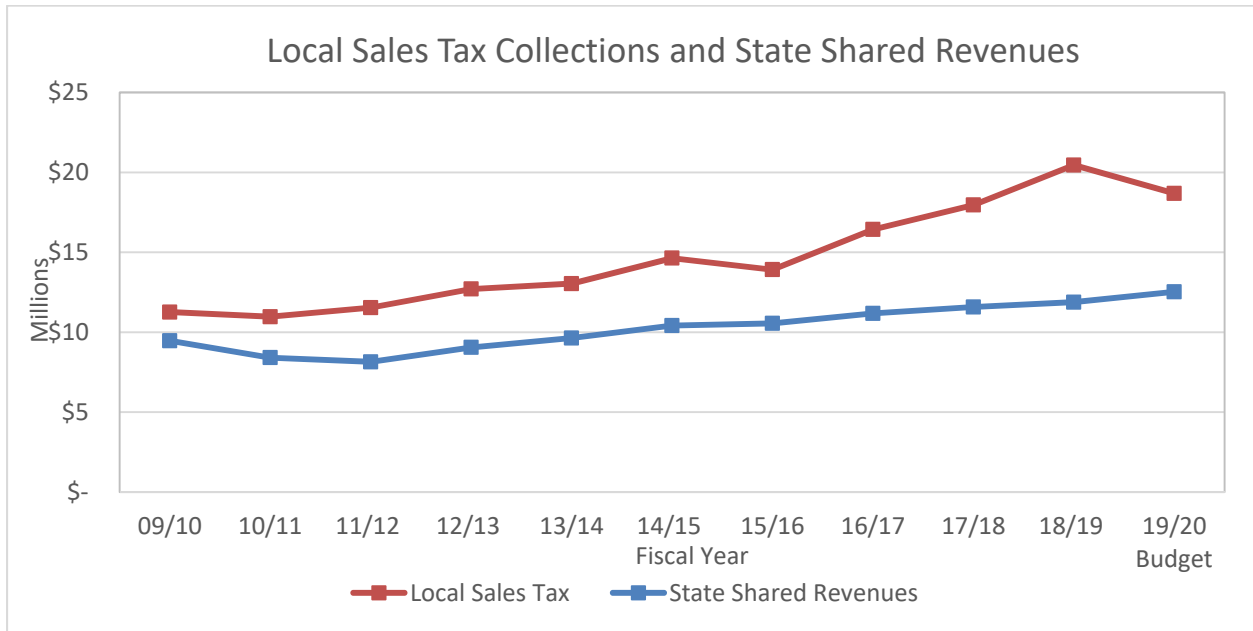
Major local sales tax categories that experienced year-over-year increases compared to amounts collected in FY 2017-18, as discussed below:

- Retail tax collections totaled \$8.7 million for FY 18-19, up 3.1%, or nearly \$260,000 over last fiscal year.
- Restaurant and bar tax collections totaled \$2.4 million for the fiscal year, up 10.0%, or \$220,000 over last fiscal year.
- Construction sales tax collections totaled \$5.9 million for the fiscal year, up 7.2% or nearly \$400,000 from last fiscal year.

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



In FY 2018-19, the Town received \$11.9 million for state shared revenues in the General Fund, up 2.6%, or \$300,000 over last fiscal year. The trend chart below depicts the performance of both of these revenue categories since FY 2009-10:



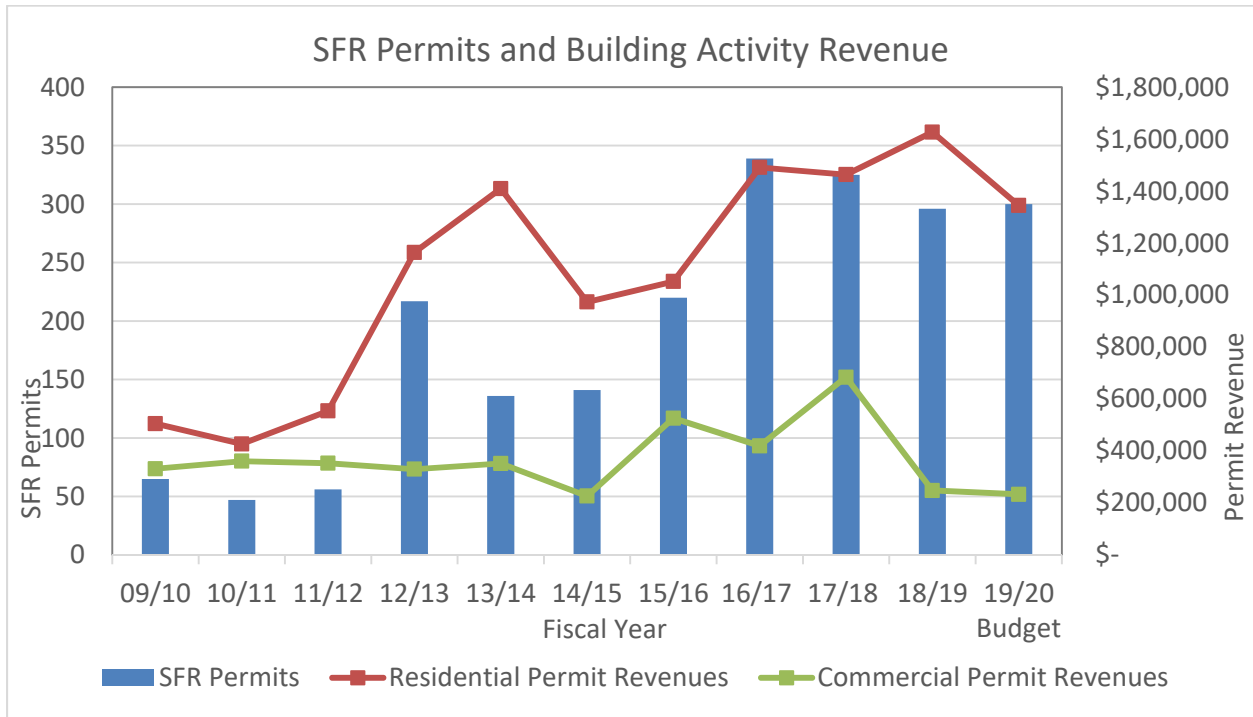
Critical to our success in this area is the preparation of realistic growth assumptions that help guide the Town’s revenue projections. There continues to be healthy economic growth in Oro Valley, the Tucson metropolitan region and State-wide. Arizona remains well-positioned to outpace the nation and most states in job, income and population. The Tucson Metropolitan Statistical Area (MSA-region) is on pace for its fastest growth since 2006. With Oro Valley’s close proximity to the Tucson metro region, 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.

April 1, 2020 will mark the day in which the U.S. takes its decennial census. The data collected in this effort is a significant foundation for Oro Valley’s state-shared revenues, as well as other economic considerations. The Town is actively participating in the regional census planning and marketing efforts led by the Pima Association of Governments (PAG). For the upcoming fiscal year, 2019-20, state-shared revenues are projected to remain relatively flat to collections in the current year.

In the near term, the projected residential development is strong over the next two to three-year period. In FY 2018-19, the Town estimated that 306 single family residential (SFR) building permits would be issued; a total of 296 were issued by year-end. The FY 2019-20 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.

Commercial development activity continues to be relatively strong in the community, supporting the continued growth in construction sales taxes and healthy growth in utility, bed tax, retail and restaurant tax collections projected in the FY 2019-20 budget.

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 2009-10 through FY 2019-20 projections.



**Future Focus**

During FY 2019-20, the Town will continue to identify and quantify both one-time revenues derived from 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 2019-20, the Town will focus its efforts on supporting the elements of the Town Council adopted Strategic Leadership 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 2019-20 to maintain fair and competitive compensation to its employees.
- The FY 2019-20 budget includes \$500,000 for payment toward the Town’s Public Safety Retirement System (PSPRS) unfunded liability.
- The FY 2019-20 budget includes \$1,450,000 for the Pavement Preservation Program in the Highway Fund, which maintains the current condition of Town streets and roads and \$12,000,000 for the widening of La Cholla Boulevard.
- The FY 2019-20 budget includes investments in Town facilities and infrastructure including funding for enhancing the overall condition of parks and recreational facilities, a new playground structure for Naranja Park, the completion of renovations at James D. Kriegh Park, and renovations in the police station and public works building.

The Town also continues to maintain strong investment grade ratings on its outstanding excise tax bonds, rated “AA+” by Standard and 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 \$19.6 million, or 46% of FY 2019-20 adopted expenditures of \$42 million. This is well above the Council-adopted policy threshold of 25% of adopted expenditures.

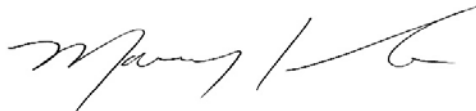
## **AWARDS AND ACKNOWLEDGMENTS**

**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, 2018. This was the twenty-fifth 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.

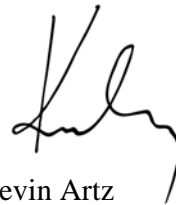
A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program’s requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

**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

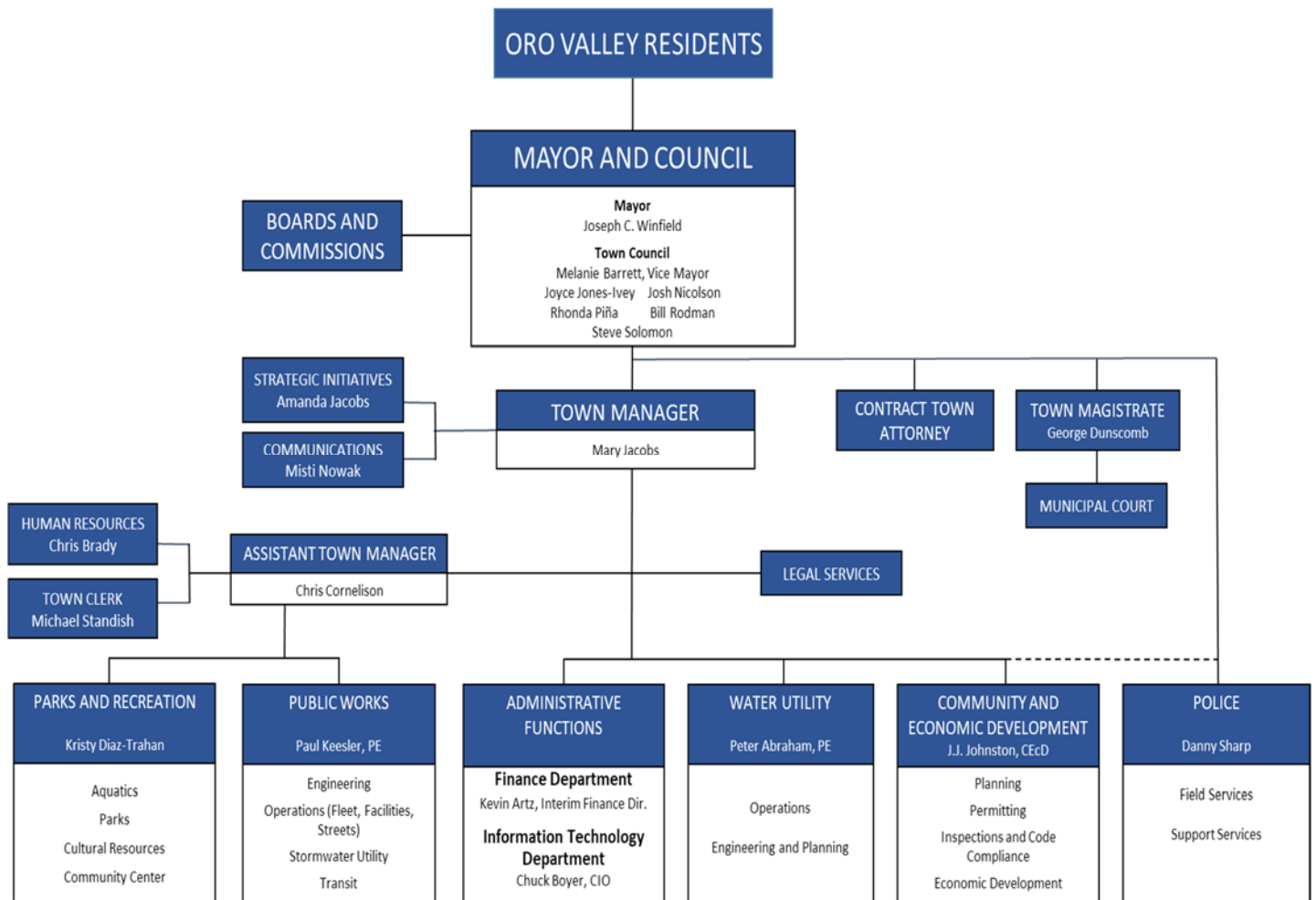


Kevin Artz  
Interim Finance Director





# Organizational Chart



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

**ELECTED OFFICIALS**

Mayor	Joe Winfield
Vice-Mayor	Ms. Melanie Barrett
Council Member	Ms. Joyce Jones-Ivey
Council Member	Mr. Josh Nicolson
Council Member	Ms. Rhonda Piña
Council Member	Mr. Bill Rodman
Council Member	Mr. Steve Solomon

**TOWN MANAGEMENT**

Town Manager	Mary Jacobs
Assistant Town Manager	Chris Cornelison
Interim Finance Director	Kevin Artz
Human Resources Director	Chris Brady
Town Clerk	Michael Standish
Magistrate	George Dunscomb
Legal Services Director	Tobin Sidles
Water Utility Director	Peter Abraham
Chief of Police	Daniel Sharp
Public Works Director/Town Engineer	Paul Keesler
Community and Economic Development Director	J.J. Johnston
Parks and Recreation Director	Kristy Diaz-Trahan
Information Technology Director	Chuck Boyer



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for the Fiscal Year Ended

**June 30, 2018**

*Christopher P. Morill*

Executive Director/CEO

## **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, 2019, 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, 2019, 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. No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, for the year ended June 30, 2019, 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, net pension liability information, and other postemployment benefit plan 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 19, 2019, 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 solely 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 effectiveness of the Town of Oro Valley, Arizona's 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. PC*

Heinfeld, Meech & Co., P.C.  
Tucson, Arizona  
December 19, 2019

**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, 2019**

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, 2019. 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 2018-19 as follows.

- The Town's total net position of governmental activities increased \$4.9 million to \$136.6 million and business-type activities increased \$6.2 million to \$96.7 million representing 59 percent and 41 percent respectively, of the total net position of \$233.3 million.
- General revenues from governmental activities accounted for \$36.6 million in revenue, or 60 percent of all current fiscal year governmental activities revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$24.0 million or 40 percent of total current fiscal year governmental activities revenues. The Town had \$21.8 million of program revenues and \$774,842 in general revenues related to business-type activities.
- The Town had \$55.7 million in expenses related to governmental activities, an increase of 12 percent from the prior fiscal year. The Town had \$16.4 million in expenses related to business-type activities, a decrease of two percent from the prior fiscal year.
- Among major funds, the General Fund had \$40.9 million in revenues, which primarily consisted of sales taxes and intergovernmental revenues. The total expenditures of the General Fund were \$35.4 million. The General Fund's fund balance increased from \$18.1 million to \$19.6 million.
- The Community Center Fund had \$6.8 million in revenues, which consisted primarily of sales taxes and charges for services. The total expenditures of the Community Center Fund were \$6.0 million.
- The General Government CIP Fund had \$1.1 million in revenues, which consisted primarily of charges for services and intergovernmental revenues. The total expenditures of the General Government CIP Fund were \$6.3 million.
- The PAG/RTA Fund had \$6.4 million in revenues, which consisted primarily of intergovernmental revenues. The total expenditures of the PAG/RTA Fund were \$6.5 million.
- The Water Fund operating revenues of \$15.7 million exceeded operating expenses of \$14.0 million.

**TOWN OF ORO VALLEY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2019**

## **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 accrual basis of accounting is used for the government-wide financial statements.

The statement of net position presents information on all of the Town's assets liabilities, and deferred inflows/outflows of resources with the difference 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, transit, 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 use the modified accrual basis of accounting and 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, 2019**

**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, Community Center, General Government CIP, and PAG/RTA Funds, all 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 an internal service fund to finance its self-insured employee health benefits. Because these services predominately benefit governmental rather than business-type functions, the internal service fund has 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 and other postemployment benefit plans. 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 and other postemployment benefit plans 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 \$233.3 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, water rights, 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, 2019**

**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. In addition, a portion of the Town's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance is unrestricted and may be used to meet the Town's ongoing obligations to its citizens and creditors.

The following table presents a summary of the Town's net position for the fiscal years ended June 30, 2019 and June 30, 2018.

	2019	2018	2019	2018	2019 Total	2018 Total
	Governmental Activities	Governmental Activities	Business-type Activities	Business-type Activities		
Current and other assets	\$ 38,879,671	\$ 32,737,844	\$ 34,783,615	\$ 29,838,278	\$ 73,663,286	\$ 62,576,122
Capital assets, net	152,100,943	147,049,468	106,448,047	103,479,996	258,548,990	250,529,464
Total assets	<u>190,980,614</u>	<u>179,787,312</u>	<u>141,231,662</u>	<u>133,318,274</u>	<u>332,212,276</u>	<u>313,105,586</u>
Deferred outflows	<u>8,583,039</u>	<u>9,274,610</u>	<u>1,772,104</u>	<u>1,948,784</u>	<u>10,355,143</u>	<u>11,223,394</u>
Current and other liabilities	7,913,936	5,974,146	4,436,971	4,350,139	12,350,907	10,324,285
Long-term liabilities	<u>52,651,566</u>	<u>51,274,385</u>	<u>41,415,050</u>	<u>40,218,414</u>	<u>94,066,616</u>	<u>91,492,799</u>
Total liabilities	<u>60,565,502</u>	<u>57,248,531</u>	<u>45,852,021</u>	<u>44,568,553</u>	<u>106,417,523</u>	<u>101,817,084</u>
Deferred inflows	<u>2,358,904</u>	<u>1,660,960</u>	<u>482,647</u>	<u>265,122</u>	<u>2,841,551</u>	<u>1,926,082</u>
Net investment in capital assets	141,506,384	137,311,856	73,170,068	69,036,006	214,676,452	206,347,862
Restricted	5,752,355	4,424,244			5,752,355	4,424,244
Unrestricted	<u>(10,619,492)</u>	<u>(11,583,669)</u>	<u>23,499,030</u>	<u>21,397,377</u>	<u>12,879,538</u>	<u>9,813,708</u>
Total net position	<u>\$ 136,639,247</u>	<u>\$ 130,152,431</u>	<u>\$ 96,669,098</u>	<u>\$ 90,433,383</u>	<u>\$ 233,308,345</u>	<u>\$ 220,585,814</u>

At the end of the current fiscal year the Town reported positive balances in all categories of net position, except unrestricted governmental activities; this was due to pension liabilities. The same situation held true for the prior fiscal year.

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.

- 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.

**TOWN OF ORO VALLEY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2019**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

- 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.

**Changes in net position.** The Town's total revenues for the current fiscal year were \$83.2 million. The total cost of all programs and services was \$72.0 million. The following table presents a summary of the changes in net position for the fiscal years ended June 30, 2019 and June 30, 2018.

	2019 Governmental Activities	2018 Governmental Activities	2019 Business-type Activities	2018 Business-type Activities	2019 Total	2018 Total
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 11,000,151	\$ 11,468,929	\$ 18,945,404	\$ 20,841,963	\$ 29,945,555	\$ 32,310,892
Operating grants and contributions	4,669,814	4,949,928			4,669,814	4,949,928
Capital grants and contributions	8,302,441	5,529,831	2,899,213	870,920	11,201,654	6,400,751
General revenues:						
Sales taxes	22,924,400	21,664,398			22,924,400	21,664,398
Franchise taxes	635,494	656,664			635,494	656,664
Unrestricted state shared revenues	11,879,950	11,577,834			11,879,950	11,577,834
Investment income:		74,542		5,916		80,458
Interest	797,754		622,073		1,419,827	
Net increase in the fair value of investments	334,461		152,769		487,230	
<b>Total revenues</b>	<u>60,544,465</u>	<u>55,922,126</u>	<u>22,619,459</u>	<u>21,718,799</u>	<u>83,163,924</u>	<u>77,640,925</u>
<b>Expenses:</b>						
General government	14,727,150	12,639,867			14,727,150	12,639,867
Public safety	18,958,436	17,683,197			18,958,436	17,683,197
Highways and streets	10,791,469	7,505,589			10,791,469	7,505,589
Transit	1,125,490	1,505,341			1,125,490	1,505,341
Culture and recreation	9,699,357	10,111,731			9,699,357	10,111,731
Interest on long-term debt	355,545	350,404			355,545	350,404
Water			15,089,673	15,568,288	15,089,673	15,568,288
Stormwater drainage			1,291,490	1,190,898	1,291,490	1,190,898
<b>Total expenses</b>	<u>55,657,447</u>	<u>49,796,129</u>	<u>16,381,163</u>	<u>16,759,186</u>	<u>72,038,610</u>	<u>66,555,315</u>
<b>Excess (deficiency) before transfers</b>	4,887,018	6,125,997	6,238,296	4,959,613	11,125,314	11,085,610
<b>Transfers</b>	2,581	2,847	(2,581)	(2,847)		
<b>Changes in net position</b>	4,889,599	6,128,844	6,235,715	4,956,766	11,125,314	11,085,610
<b>Net position, beginning, restated</b>	131,749,648	124,023,587	90,433,383	85,476,617	222,183,031	209,500,204
<b>Net position, ending</b>	<u>\$ 136,639,247</u>	<u>\$ 130,152,431</u>	<u>\$ 96,669,098</u>	<u>\$ 90,433,383</u>	<u>\$ 233,308,345</u>	<u>\$ 220,585,814</u>

The following are significant current year transactions that have had an impact on the change in net position.

- Total expenses increased \$5.5 million, or eight percent, primarily due to an increase in projects for highways and streets.
- Total revenues increased \$5.5 million, or seven percent, primarily due to additional intergovernmental revenues for road maintenance projects.

**TOWN OF ORO VALLEY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2019**

**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.

	2019		2018	
	Total Expenses	Net (Expense)/ Revenue	Total Expenses	Net (Expense)/ Revenue
<b>Governmental Activities</b>				
General government	\$ 14,727,150	\$ (9,092,911)	\$ 12,639,867	\$ (7,370,961)
Public safety	18,958,436	(18,236,602)	17,683,197	(16,620,321)
Highways and streets	10,791,469	423,912	7,505,589	1,542,310
Transit	1,125,490	235,760	1,505,341	(46,533)
Culture and recreation	9,699,357	(4,659,655)	10,111,731	(5,001,532)
Interest on long-term debt	355,545	(355,545)	350,404	(350,404)
<b>Total</b>	<b>\$ 55,657,447</b>	<b>\$ (31,685,041)</b>	<b>\$ 49,796,129</b>	<b>\$ (27,847,441)</b>
<b>Business-type Activities</b>				
Water	\$ 15,089,673	\$ 5,328,698	\$ 15,568,288	\$ 4,758,317
Stormwater drainage	1,291,490	134,756	1,190,898	195,380
<b>Total</b>	<b>\$ 16,381,163</b>	<b>\$ 5,463,454</b>	<b>\$ 16,759,186</b>	<b>\$ 4,953,697</b>

- The cost of all governmental activities this year was \$55.7 million. The increase of \$5.9 million from the prior year was due primarily to an increase in highways and streets projects.
- The cost of all business-type activities this year was \$16.4 million. The decrease of \$378,023 from the prior year was primarily due to a reduction of costs in sales and services in the water utility.
- Federal and State government grants, developer contributions, and charges for services subsidized certain governmental programs and business-type programs with revenues of \$45.8 million.
- Net cost of governmental activities of \$31.7 million was financed by general revenues, which are made up of primarily sales taxes and state shared revenues of \$34.8 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, 2019**

**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 \$29.4 million, an increase of \$2.5 million. This was primarily due to an increase in sales tax collections and intergovernmental revenues.

The General Fund comprises 66 percent of the total governmental fund balance. Approximately \$3.2 million, or 17 percent of the General's Fund fund balance is unassigned. The General Fund is the principal operating fund of the Town. The increase in fund balance of \$1.4 million to \$19.6 million as of fiscal year end was a result of increased sales tax revenues. General Fund revenues increased \$3.2 million as a result of increased sales taxes. General Fund expenditures increased \$2.5 million as primarily due to the consolidation of the operations for the Fleet and Bed Tax Funds into the General Fund.

The Community Center Fund's fund balance increased from a deficit of \$10,912 to \$495,932 as of fiscal year end due to a decrease in contracted services expenditures.

The General Government CIP Fund's fund balance increased from \$3.4 million to \$3.6 million as of fiscal year end due to the consolidation of the fleet fund capital reserves into the General Government CIP fund.

The PAG/RTA Fund's fund balance decreased from \$695,684 to \$566,136 as of fiscal year end due to a planned drawdown of fund balance to complete capital projects.

**Proprietary funds.** Net position of the Enterprise Funds at the end of the year amounted to \$96.7 million. This increased by \$6.2 million during the fiscal year to the extent that revenues exceeded expenses in the fund and from capital contributions of water systems.

Net position of the Internal Service Fund at the end of the year amounted to \$986,857. This increased by \$250,349 during the fiscal year to the extent that self-insurance premiums exceeded claim payments and administrative expenses.

**BUDGETARY HIGHLIGHTS**

There were no amendments to the Town of Oro Valley's fiscal year 2018-19 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 \$1.7 million in sales taxes was a result of an unexpected increase in construction sales tax.
- The favorable variance of \$1.0 million in general government expenditures was a result of the expiration of sales tax rebates, personnel savings from vacancies, and other operational savings throughout the year.



**TOWN OF ORO VALLEY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2019**

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** At year end, the Town had invested \$258.5 million in capital assets (net of accumulated depreciation), including buildings, facilities, vehicles, computers, equipment, and infrastructure assets. This amount represents a net increase of \$8.0 million from last year. This was primarily due to the police and evidence facility project completion, road improvement projects, and expansion of the Town's water system, as well as depreciation expense of \$13.1 million.

The following schedule presents capital asset balances for the fiscal years ended June 30, 2019 and June 30, 2018.

	As of June 30, 2019	As of June 30, 2018
<b><u>Governmental Activities</u></b>		
Land	\$ 19,518,801	\$ 19,518,801
Infrastructure	188,485,038	185,768,295
Buildings and improvements	40,261,741	34,019,586
Machinery, equipment, and vehicles	16,978,935	17,243,799
Construction in progress	9,473,241	5,426,591
Less: Accumulated depreciation	<u>(122,616,813)</u>	<u>(114,927,604)</u>
<b>Total</b>	<b><u>\$ 152,100,943</u></b>	<b><u>\$ 147,049,468</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	136,565,936	133,215,431
Stormwater system	3,230,283	2,956,995
Equipment and vehicles	5,752,158	5,752,158
Construction in progress	3,286,193	310,223
Less: Accumulated depreciation	<u>(53,331,673)</u>	<u>(49,699,961)</u>
<b>Total</b>	<b><u>\$ 106,448,047</u></b>	<b><u>\$ 103,479,996</u></b>

The estimated cost to complete current construction projects is \$44.0 million. 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, 2019**

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Debt Administration.** At year end, the Town had \$46.8 million in long-term debt outstanding, \$6.2 million due within one year. Long-term debt increased by \$2.5 million due to the issuance of \$8.1 million in revenue bonds. The following table presents a summary of the Town's outstanding long-term debt for the fiscal years ended June 30, 2019 and June 30, 2018.

<u>Governmental Activities</u>	As of June 30, 2019	As of June 30, 2018
Revenue bonds	\$ 10,049,064	\$ 8,777,836
Special assessment bonds	335,000	490,000
Capital leases	254,070	458,744
<b>Total</b>	<u>\$ 10,638,134</u>	<u>\$ 9,726,580</u>
<u>Business-type Activities</u>		
Revenue bonds	\$ 29,084,936	\$ 26,913,164
Loan payable	7,079,179	7,690,874
<b>Total</b>	<u>\$ 36,164,115</u>	<u>\$ 34,604,038</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 \$136.8 million. State statutes also currently limit the amount of general obligation debt a Town may issue to six percent of its net full cash assessed valuation for all other purposes. The current debt limitation for the Town is \$41.0 million. The Town does not have any general obligation debt.

The Town has a bond rating of "AA-" from both Standard & Poor's and Fitch Ratings on outstanding 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**

Many factors were considered by the Town's administration during the process of developing the fiscal year 2019-20 budget. Among them:

- The unemployment rate for the Town of Oro Valley is currently 4.8 percent. Pima County's and the State of Arizona's unemployment rates are 5.0 percent and 4.9 percent, respectively.
- The Town's net full cash assessed valuation for the current year is \$683,985,966.
- Single family residential (SFR) building permits issued in this fiscal year totaled 296, as compared to 325 SFR building permits issued last fiscal year. Projections for SFR building permits are 300 for fiscal year 2019-20.

**TOWN OF ORO VALLEY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2019**

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

The adopted combined operating and capital expenditure budget for fiscal year 2019-20 totals \$111.0 million, a decrease of \$31.9 million, or 22 percent over last year's budget of \$142.9 million. This decrease is primarily due to a decrease in budgeted expenditures for contingency reserves, various capital projects, and decreased utility expenses. The budget for fiscal year 2019-20 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, 2019**

	Governmental Activities	Business-type Activities	Total
<b><u>ASSETS</u></b>			
Current assets:			
Cash and cash equivalents	\$ 28,605,010	\$ 31,259,060	\$ 59,864,070
Restricted cash and investments		754,995	754,995
Taxes receivable	3,088,463		3,088,463
Accounts receivable	618,509	2,684,967	3,303,476
Intergovernmental receivable	5,800,619		5,800,619
Special assessments	335,000		335,000
Inventories	88,806		88,806
Prepaid items	146,101	74,506	220,607
Total current assets	38,682,508	34,773,528	73,456,036
Noncurrent assets:			
Capital assets, non-depreciable	28,992,042	14,231,344	43,223,386
Capital assets, depreciable (net)	123,108,901	92,216,703	215,325,604
Net other postemployment benefit assets	197,163	10,087	207,250
Total noncurrent assets	152,298,106	106,458,134	258,756,240
<b>Total assets</b>	190,980,614	141,231,662	332,212,276
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>			
Deferred charge on refunding		1,056,947	1,056,947
Pension and other postemployment benefit plan items	8,583,039	715,157	9,298,196
<b>Total deferred outflows of resources</b>	8,583,039	1,772,104	10,355,143
<b><u>LIABILITIES</u></b>			
Current liabilities:			
Accounts payable	3,716,635	941,602	4,658,237
Accrued wages and benefits	1,235,598	109,974	1,345,572
Intergovernmental payable	188,606	1,319,800	1,508,406
Interest payable		591,438	591,438
Unearned revenue	1,017,648	754,995	1,772,643
Claims payable	333,423		333,423
Customer deposits payable	601,302	719,162	1,320,464
Other accrued liabilities	820,724		820,724
Compensated absences	1,813,015	232,778	2,045,793
Capital leases payable	207,874		207,874
Loans payable		630,420	630,420
Bonds payable	1,042,352	4,348,648	5,391,000
Total current liabilities	10,977,177	9,648,817	20,625,994
Noncurrent liabilities:			
Non-current portion of long-term obligations	49,588,325	36,203,204	85,791,529
Total noncurrent liabilities	49,588,325	36,203,204	85,791,529
<b>Total liabilities</b>	60,565,502	45,852,021	106,417,523
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>			
Pension and other postemployment benefit plan items	2,358,904	482,647	2,841,551
<b><u>NET POSITION</u></b>			
Net investment in capital assets	141,506,384	73,170,068	214,676,452
Restricted	5,752,355		5,752,355
Unrestricted	(10,619,492)	23,499,030	12,879,538
<b>Total net position</b>	\$ 136,639,247	\$ 96,669,098	\$ 233,308,345

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, 2019**

<b>Functions/Programs</b>	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Primary Government</b>					
Governmental activities:					
General government	\$ 14,727,150	\$ 4,920,132	\$ 131,035	\$ 583,072	\$ (9,092,911)
Public safety	18,958,436	173,488	544,290	4,056	(18,236,602)
Highway and streets	10,791,469	754,388	2,745,680	7,715,313	423,912
Transit	1,125,490	138,125	1,223,125		235,760
Culture and recreation	9,699,357	5,014,018	25,684		(4,659,655)
Interest on long-term debt	355,545				(355,545)
Total governmental activities	<u>55,657,447</u>	<u>11,000,151</u>	<u>4,669,814</u>	<u>8,302,441</u>	<u>(31,685,041)</u>
Business-type activities:					
Water	15,089,673	17,519,158		2,899,213	
Stormwater drainage	1,291,490	1,426,246			
Total business-type activities	<u>16,381,163</u>	<u>18,945,404</u>		<u>2,899,213</u>	
<b>Total primary government</b>	<u>\$ 72,038,610</u>	<u>\$ 29,945,555</u>	<u>\$ 4,669,814</u>	<u>\$ 11,201,654</u>	<u>(31,685,041)</u>
<b>General revenues:</b>					
Taxes:					
Sales taxes					22,924,400
Franchise taxes					635,494
Unrestricted state shared revenues					11,879,950
Investment income:					
Interest					797,754
Net increase in the fair value of investments					334,461
<b>Transfers</b>					<u>2,581</u>
<b>Total general revenues and transfers</b>					<u>36,574,640</u>
<b>Changes in net position</b>					
<b>Net position, beginning of year, as restated</b>					
<b>Net position, end of year</b>					
<u>\$ 136,639,247</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
\$	\$ (9,092,911)
	(18,236,602)
	423,912
	235,760
	(4,659,655)
	(355,545)
	(31,685,041)
5,328,698	5,328,698
134,756	134,756
5,463,454	5,463,454
5,463,454	(26,221,587)
	22,924,400
	635,494
	11,879,950
622,073	1,419,827
152,769	487,230
(2,581)	
772,261	37,346,901
6,235,715	11,125,314
90,433,383	222,183,031
\$ 96,669,098	\$ 233,308,345

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**FUND FINANCIAL STATEMENTS**

**TOWN OF ORO VALLEY, ARIZONA  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2019**

	General Fund	Community Center	General Government CIP
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 16,536,681	\$ 822,778	\$ 4,337,639
Taxes receivable	2,902,495	185,968	
Accounts receivable	455,480	102,988	
Intergovernmental receivable	363,642		
Special assessments			
Due from other funds	3,213,984		
Inventories		88,806	
Prepaid items	129,504	16,597	
<b>Total assets</b>	<b>\$ 23,601,786</b>	<b>\$ 1,217,137</b>	<b>\$ 4,337,639</b>
 <b><u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u></b>			
Liabilities:			
Accounts payable	\$ 1,060,458	\$ 195,130	\$ 726,594
Accrued wages and benefits	1,170,330		
Intergovernmental payable	188,606		
Unearned revenue	410,056	304,720	
Due to other funds			
Customer deposits payable	597,430	3,872	
Other accrued liabilities	603,241	217,483	
<b>Total liabilities</b>	<b>4,030,121</b>	<b>721,205</b>	<b>726,594</b>
Deferred inflows of resources:			
Unavailable revenues - special assessments			
Fund balances:			
Nonspendable	129,504	105,403	
Restricted			
Committed	13,608,565	390,529	
Assigned	2,584,994		3,611,045
Unassigned	3,248,602		
<b>Total fund balances</b>	<b>19,571,665</b>	<b>495,932</b>	<b>3,611,045</b>
 <b>Total liabilities, deferred inflows of resources and fund balances</b>	 <b>\$ 23,601,786</b>	 <b>\$ 1,217,137</b>	 <b>\$ 4,337,639</b>

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

<u>PAG/RTA</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
\$	\$ 5,548,526	\$ 27,245,624
		3,088,463
	60,041	618,509
5,114,893	322,084	5,800,619
	335,000	335,000
		3,213,984
		88,806
		146,101
<u>\$ 5,114,893</u>	<u>\$ 6,265,651</u>	<u>\$ 40,537,106</u>
\$ 1,334,773	\$ 360,574	\$ 3,677,529
	65,268	1,235,598
		188,606
	302,872	1,017,648
3,213,984		3,213,984
		601,302
		820,724
<u>4,548,757</u>	<u>728,714</u>	<u>10,755,391</u>
	<u>335,000</u>	<u>335,000</u>
		234,907
566,136	5,186,219	5,752,355
	15,718	14,014,812
		6,196,039
		3,248,602
<u>566,136</u>	<u>5,201,937</u>	<u>29,446,715</u>
<u>\$ 5,114,893</u>	<u>\$ 6,265,651</u>	<u>\$ 40,537,106</u>

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**TOWN OF ORO VALLEY, ARIZONA**  
**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET POSITION**  
**JUNE 30, 2019**

<b>Total governmental fund balances</b>		<b>\$ 29,446,715</b>
<p>Amounts reported for <i>governmental activities</i> in the Statement of Net Position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</p>		
Governmental capital assets	\$ 274,717,756	
Less accumulated depreciation	<u>(122,616,813)</u>	152,100,943
<p>Special assessments receivable are not available to pay for current period expenditures and, therefore, are reported as unavailable revenues in the funds.</p>		
		335,000
<p>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.</p>		
		(2,803)
<p>Deferred outflows and inflows of resources related to pensions/OPEB are applicable to future periods and, therefore, are not reported in the funds.</p>		
Deferred outflows of resources related to pensions/OPEB	8,583,039	
Deferred inflows of resources related to pensions/OPEB	<u>(2,358,904)</u>	6,224,135
<p>The Net OPEB asset is not a current financial resource and, therefore, is not reported in the funds.</p>		
		197,163
<p>The Internal Service Fund is used by management to charge the cost of insurance to the individual funds. The assets and liabilities of the Internal Service Fund are included in the Statement of Net Position.</p>		
		986,857
<p>Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.</p>		
Special assessment bonds	(335,000)	
Compensated absences payable	(2,324,378)	
Obligations under capital leases	(254,070)	
Net OPEB liability	(54,017)	
Net pension liability	(39,632,234)	
Revenue bonds payable	<u>(10,049,064)</u>	<u>(52,648,763)</u>
<b>Net position of governmental activities</b>		<b>\$ <u>136,639,247</u></b>

**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, 2019**

	<u>General Fund</u>	<u>Community Center</u>	<u>General Government CIP</u>
<b>Revenues:</b>			
Sales taxes	\$ 20,454,936	\$ 2,469,464	\$
Franchise taxes	635,494		
Development impact fees			
Special assessments			
Intergovernmental	13,773,704		261,090
Licenses, fees & permits	2,356,619		
Fines, forfeitures & penalties	165,669		
Charges for services	2,519,565	4,266,744	420,396
Investment income:			
Interest	519,300	7,601	41,535
Net increase in the fair value of investments	128,946	8,580	46,902
Other	370,120		321,982
<b>Total revenues</b>	<u>40,924,353</u>	<u>6,752,389</u>	<u>1,091,905</u>
<b>Expenditures:</b>			
Current -			
General government	14,424,463		
Public safety	16,050,890		
Highway and streets			
Transit	1,150,322		
Culture and recreation	3,251,463	5,629,148	
Capital outlay	570,914	125,987	6,302,749
Debt service -			
Principal retirement		206,113	
Interest and fiscal charges		30,298	
Bond issuance costs			35,000
<b>Total expenditures</b>	<u>35,448,052</u>	<u>5,991,546</u>	<u>6,337,749</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>5,476,301</u>	<u>760,843</u>	<u>(5,245,844)</u>
<b>Other financing sources (uses):</b>			
Issuance of revenue bonds			2,035,000
Transfers in	120,000		3,403,000
Transfers out	(4,150,514)	(253,999)	
<b>Total other financing sources (uses)</b>	<u>(4,030,514)</u>	<u>(253,999)</u>	<u>5,438,000</u>
<b>Changes in fund balances</b>	<u>1,445,787</u>	<u>506,844</u>	<u>192,156</u>
<b>Fund balances (deficits), beginning of year, as restated</b>	18,125,878	(10,912)	3,418,889
<b>Fund balances (deficits), end of year</b>	<u>\$ 19,571,665</u>	<u>\$ 495,932</u>	<u>\$ 3,611,045</u>

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

<u>PAG/RTA</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
\$	\$	\$ 22,924,400
		635,494
	1,039,763	1,039,763
	174,066	174,066
6,344,349	3,996,849	24,375,992
	31,213	2,387,832
	81,614	247,283
		7,206,705
	229,318	797,754
	150,033	334,461
29,513	119,496	841,111
<u>6,373,862</u>	<u>5,822,352</u>	<u>60,964,861</u>
		14,424,463
	199,608	16,250,498
	2,999,923	2,999,923
		1,150,322
		8,880,611
6,503,410	1,790,266	15,293,326
	918,772	1,124,885
	297,123	327,421
		35,000
<u>6,503,410</u>	<u>6,205,692</u>	<u>60,486,449</u>
<u>(129,548)</u>	<u>(383,340)</u>	<u>478,412</u>
		2,035,000
	884,180	4,407,180
	(86)	(4,404,599)
	<u>884,094</u>	<u>2,037,581</u>
<u>(129,548)</u>	<u>500,754</u>	<u>2,515,993</u>
695,684	4,701,183	26,930,722
<u>\$ 566,136</u>	<u>\$ 5,201,937</u>	<u>\$ 29,446,715</u>

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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, 2019**

**Changes in fund balances - total governmental funds** **\$ 2,515,993**

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	\$ 14,518,706	
Less current year depreciation	<u>(9,421,993)</u>	5,096,713

Issuance of revenue bonds provides current financial resources to governmental funds, but the issuance increases long term liabilities in the Statement of Net Position. (2,035,000)

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. (160,000)

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	204,674	
Revenue bond principal retirement	763,772	
Special assessment bond principal retirement	<u>155,000</u>	1,123,446

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

Current year pension/OPEB contributions	3,966,746	
Pension/OPEB expense	<u>(5,676,626)</u>	(1,709,880)

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.

Loss on disposal of assets	(45,238)	
Amortization of deferred bond items	8,315	
Compensated absences	<u>(155,099)</u>	(192,022)

The Internal Service Fund is used by management to charge the cost of insurance to the individual funds. The changes in net position of the Internal Service Fund is reported with governmental activities in the Statement of Activities. 250,349

**Changes in net position in governmental activities** **\$ 4,889,599**

**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, 2019**

	Enterprise Funds		
	Water	Non-Major Enterprise Fund	Totals
<b><u>ASSETS</u></b>			
Current assets:			
Cash and cash equivalents	\$ 30,295,163	\$ 963,897	\$ 31,259,060
Restricted cash and investments	754,995		754,995
Accounts receivable	2,487,774	197,193	2,684,967
Prepaid items	74,506		74,506
<b>Total current assets</b>	<b>33,612,438</b>	<b>1,161,090</b>	<b>34,773,528</b>
Noncurrent assets:			
Capital assets, non-depreciable	14,231,344		14,231,344
Capital assets, depreciable (net)	89,064,977	3,151,726	92,216,703
Net other postemployment benefit assets	8,317	1,770	10,087
<b>Total noncurrent assets</b>	<b>103,304,638</b>	<b>3,153,496</b>	<b>106,458,134</b>
<b>Total assets</b>	<b>136,917,076</b>	<b>4,314,586</b>	<b>141,231,662</b>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>			
Deferred charge on refunding	1,056,947		1,056,947
Pension and other postemployment benefit plan items	581,153	134,004	715,157
<b>Total deferred outflows of resources</b>	<b>1,638,100</b>	<b>134,004</b>	<b>1,772,104</b>
<b><u>LIABILITIES</u></b>			
Current liabilities:			
Accounts payable	661,220	280,382	941,602
Accrued wages and benefits	89,323	20,651	109,974
Intergovernmental payable	1,319,800		1,319,800
Interest payable	591,438		591,438
Unearned revenue	754,995		754,995
Customer deposits payable	719,162		719,162
Compensated absences	219,570	13,208	232,778
Loans payable	630,420		630,420
Bonds payable	4,348,648		4,348,648
Claims payable			
<b>Total current liabilities</b>	<b>9,334,576</b>	<b>314,241</b>	<b>9,648,817</b>
Noncurrent liabilities:			
Non-current portion of long-term obligations	35,793,747	409,457	36,203,204
<b>Total noncurrent liabilities</b>	<b>35,793,747</b>	<b>409,457</b>	<b>36,203,204</b>
<b>Total liabilities</b>	<b>45,128,323</b>	<b>723,698</b>	<b>45,852,021</b>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>			
Pension and other postemployment benefit plan items	392,210	90,437	482,647
<b><u>NET POSITION</u></b>			
Net investment in capital assets	70,018,342	3,151,726	73,170,068
Unrestricted	23,016,301	482,729	23,499,030
<b>Total net position</b>	<b>\$ 93,034,643</b>	<b>\$ 3,634,455</b>	<b>\$ 96,669,098</b>

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

Governmental  
Activities:  
Internal  
Service Fund

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\$ 1,359,386

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1,359,386

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1,359,386

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39,106

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333,423

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372,529

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372,529

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986,857

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\$ 986,857

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**TOWN OF ORO VALLEY, ARIZONA**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION -**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	Enterprise Funds		
	Water	Non-Major Enterprise Fund	Totals
<b>Operating revenues:</b>			
Charges for services	\$ 15,475,961	\$ 1,426,036	\$ 16,901,997
Other	175,253	210	175,463
Self insurance premiums			
<b>Total operating revenues</b>	<u>15,651,214</u>	<u>1,426,246</u>	<u>17,077,460</u>
<b>Operating expenses:</b>			
Costs of sales and services	10,357,647	1,123,868	11,481,515
Contractual services	18,586		18,586
Depreciation and amortization	3,617,288	167,622	3,784,910
Claims payments			
Administrative			
Reinsurance premiums			
<b>Total operating expenses</b>	<u>13,993,521</u>	<u>1,291,490</u>	<u>15,285,011</u>
<b>Operating income (loss)</b>	<u>1,657,693</u>	<u>134,756</u>	<u>1,792,449</u>
<b>Nonoperating revenues (expenses):</b>			
Development impact fees	1,246,838		1,246,838
Connection fees	621,106		621,106
Investment income:			
Interest	613,728	8,345	622,073
Net increase in the fair value of investments	144,719	8,050	152,769
Interest expense	(1,096,152)		(1,096,152)
<b>Total nonoperating revenues (expenses)</b>	<u>1,530,239</u>	<u>16,395</u>	<u>1,546,634</u>
<b>Income (loss) before transfers</b>	<u>3,187,932</u>	<u>151,151</u>	<u>3,339,083</u>
<b>Capital contributions</b>	2,899,213		2,899,213
<b>Transfers out</b>	<u>(2,581)</u>		<u>(2,581)</u>
<b>Changes in net position</b>	<u>6,084,564</u>	<u>151,151</u>	<u>6,235,715</u>
<b>Total net position, beginning of year</b>	86,950,079	3,483,304	90,433,383
<b>Total net position, end of year</b>	<u>\$ 93,034,643</u>	<u>\$ 3,634,455</u>	<u>\$ 96,669,098</u>

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

Governmental  
Activities:  
Internal  
Service Fund

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\$

3,655,749

3,655,749

2,763,160

106,652

562,386

3,432,198

223,551

12,586

14,212

26,798

250,349

250,349

736,508

\$ 986,857



**TOWN OF ORO VALLEY, ARIZONA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2019**

	Enterprise Funds		
	Water	Non-Major Enterprise Fund	Total
<b><u>Increase (Decrease) in Cash and Cash Equivalents</u></b>			
Cash flows from operating activities:			
Cash received from customers	\$ 15,545,468	\$ 1,413,917	\$ 16,959,385
Cash received from premiums			
Cash payments to suppliers for goods and services	(7,159,994)	(232,537)	(7,392,531)
Cash payments to employees for services	(3,126,479)	(741,336)	(3,867,815)
Cash payments for claims			
<b>Net cash provided by (used for) operating activities</b>	<b>5,258,995</b>	<b>440,044</b>	<b>5,699,039</b>
Cash flows from noncapital and related financing activities:			
Interfund transfers	(2,581)		(2,581)
Connection fees	621,106		621,106
<b>Net cash provided by (used for) noncapital financing activities</b>	<b>618,525</b>		<b>618,525</b>
Cash flows from capital and related financing activities:			
Development impact fees	1,246,838		1,246,838
Acquisition of capital assets	(3,427,262)	(273,289)	(3,700,551)
Proceeds from sale of bonds	6,105,000		6,105,000
Principal paid on long-term debt	(4,544,923)		(4,544,923)
Interest on long-term debt	(1,068,336)		(1,068,336)
<b>Net cash provided by (used for) capital and related financing activities</b>	<b>(1,688,683)</b>	<b>(273,289)</b>	<b>(1,961,972)</b>
Cash flows from investing activities:			
Investment income	758,447	16,395	774,842
<b>Net cash provided by (used for) investing activities</b>	<b>758,447</b>	<b>16,395</b>	<b>774,842</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>4,947,284</b>	<b>183,150</b>	<b>5,130,434</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>25,347,879</b>	<b>780,747</b>	<b>26,128,626</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 30,295,163</b>	<b>\$ 963,897</b>	<b>\$ 31,259,060</b>
<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>	<b>\$ 1,657,693</b>	<b>\$ 134,756</b>	<b>\$ 1,792,449</b>
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation and amortization	3,617,288	167,622	3,784,910
Change in assets and liabilities:			
Accounts receivable	95,445	(12,329)	83,116
Prepaid items	(71,531)		(71,531)
Accounts payable	51,088	173,584	224,672
Claims payable			
Accrued wages and benefits	8,133	(53)	8,080
Unearned revenue	(169,005)		(169,005)
Customer deposits payable	(32,186)		(32,186)
Pension/OPEB items	102,070	(23,536)	78,534
<b>Total adjustments</b>	<b>3,601,302</b>	<b>305,288</b>	<b>3,906,590</b>
<b>Net cash provided by (used for) operating activities</b>	<b>\$ 5,258,995</b>	<b>\$ 440,044</b>	<b>\$ 5,699,039</b>
<b><u>Non-cash capital and financing activities</u></b>			
Contribution of assets from developers	\$ 2,899,213		\$ 2,899,213

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

Governmental  
Activities

Internal Service  
Fund

\$  
3,655,749  
(636,849)  
(2,717,066)  
301,834

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

26,798  
26,798  
328,632  
1,030,754  
\$ 1,359,386

\$ 223,551

32,189  
46,094

78,283  
\$ 301,834

**TOWN OF ORO VALLEY, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**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, 2019, the Town implemented the provisions of GASB Statement No. 88 *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. This Statement requires enhanced note disclosures and clarifies which liabilities governments should include when disclosing information related to debt.

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. 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 nonfiduciary activities of the Town. 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.

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.

**TOWN OF ORO VALLEY, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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

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.

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. 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.

**TOWN OF ORO VALLEY, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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

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 internal service fund is presented in a single column on the face of the proprietary fund statements.

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.

General Government CIP Fund – This fund accounts for governmental capital asset projects.

PAG/RTA Fund – This fund accounts for revenues dedicated to Town improvements funded through Pima Association of Governments and the Regional Transportation Authority.

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.

The Proprietary Fund financial statements are reported using the economic resources measurement focus and accrual basis of accounting. 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 is charges for health benefits. The principal operating revenues of the Town's enterprise funds 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.

**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. Cash and cash equivalents at year end were cash on hand, cash in bank, and cash and investments held by another governmental entity as the Town's fiscal agent.

**TOWN OF ORO VALLEY, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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

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.

Certain resources set aside for the purchase of capital equipment are classified as restricted cash and investments on the statement of proprietary net position because their use is limited for well projects.

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 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, 2019**

**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 land, water rights, buildings and improvements, improvements other than buildings, infrastructure, vehicles, machinery, equipment, and construction in progress, 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.

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.

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.

**TOWN OF ORO VALLEY, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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

**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 and Other Postemployment Benefits**

For purposes of measuring the net pension and other postemployment benefit (OPEB) assets and liabilities, related deferred outflows of resources and deferred inflows of resources, and related expenses, information about the pension and OPEB plans' fiduciary net position and additions to/deductions from the plans' 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 types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net position. Bond premiums and discounts are amortized over the life of the bonds using the straight-line method. Deferred amounts on refunding result from the difference between the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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.

The Town's legal debt limit for water, sewer, lights, open space preserves, parks, playgrounds, and recreational facilities is \$136.8 million, and for all other purposes is \$41.0 million. The Town does not have any related debt.



**TOWN OF ORO VALLEY, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**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.

**TOWN OF ORO VALLEY, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 2 – 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.

***Nonspendable.*** The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form, or are 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 General Fund is to be used for local economic development purposes, the payout of compensated absences, unemployment compensation claims, and contingency reserve. 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 future budget deficits. 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.

**TOWN OF ORO VALLEY, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 2 – FUND BALANCE CLASSIFICATIONS**

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.

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

	General Fund	Community Center Fund	General Government CIP Fund	PAG/RTA Fund	Non-Major Governmental Funds
Fund Balances:					
Nonspendable:					
Inventory	\$	\$ 88,806	\$	\$	\$
Prepaid items	129,504	16,597			
Restricted:					
Roadway maintenance					866,906
Debt service					192,109
Capital projects				566,136	3,897,841
Public safety					229,363
Committed:					
Contingency reserve	10,496,139				
Economic development	1,649,249				
Culture and recreation		390,529			
Park improvements					15,718
Compensated absences	1,244,470				
Unemployment claims	218,707				
Assigned:					
Budget deficit	2,584,994				
Townwide capital			3,611,045		
Unassigned	3,248,602				
Total fund balances	\$19,571,665	\$ 495,932	\$ 3,611,045	\$ 566,136	\$ 5,201,937

**TOWN OF ORO VALLEY, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 3 – RESTRICTED NET POSITION**

The table below provides detail of the major components of the Town’s restricted net position at year end.

	Governmental Activities
Restricted Net Position:	
Public safety	\$ 229,363
Roadway maintenance	866,906
Capital projects	4,463,977
Debt service	192,109
Total	\$ 5,752,355

**NOTE 4 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Excess Expenditures Over Budget** – At year end, the Town had expenditures in the Federal Seizures and Forfeitures Fund that exceeded the budget, however, this does not constitute a violation of legal provisions.

**NOTE 5 – 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.

*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 \$2,654,534 and the bank balance was \$2,349,296. At year end \$487,425 of the Town’s deposits was covered by collateral held by the pledging financial institution’s trust department or agent but not in the Town’s name and \$1,288,031 was uninsured and uncollateralized. Additionally, the Town had cash on hand of \$12,682.

*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

**TOWN OF ORO VALLEY, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 5 – CASH AND INVESTMENTS**

*Valuation Techniques.* Equity and debt securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Money markets and certificates of deposit 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.

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 are 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. Participants in the pool are not required to categorize the value of shares in accordance with the fair value hierarchy.

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.

*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.

**TOWN OF ORO VALLEY, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 5 – 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	Investment Maturities (in Years)		Moody's/ Standard & Poor's	
			Less than 1	1-5		
Money Market	Level 2	\$ 51,190	\$ 51,190	\$	N/A	AAA <sub>m</sub>
Money Market	Level 2	10,248,225	10,248,225		N/A	N/A
Certificates of Deposit	Level 2	453,129		453,129	Aa2	A+
Certificates of Deposit	Level 2	913,874		913,874	A1	A
Certificates of Deposit	Level 2	452,329		452,329	A1	A+
U.S. Treasuries	Level 1	17,358,509	1,694,422	15,664,087	Aaa	AA+
Supranational Agency Bonds	Level 1	3,187,557		3,187,557	Aaa	AAA
Collateralized Mortgage Obligation	Level 1	1,380,196	449,544	930,652	Aaa	AA+
Asset-Backed Securities	Level 1	3,766,395		3,766,395	Aaa	AAA
Asset-Backed Securities	Level 1	1,197,627		1,197,627	N/A	AAA
Asset-Backed Securities	Level 1	2,575,411		2,575,411	Aaa	N/A
U.S. Agencies:						
Fannie Mae	Level 1	2,226,120		2,226,120	Aaa	AA+
Federal Home Loan Banks	Level 1	898,307		898,307	Aaa	AA+
Federal National Mortgage Association	Level 1	1,094,509		1,094,509	Aaa	AA+
Corporate Securities	Level 1	226,869		226,869	Aaa	AA+
Corporate Securities	Level 1	228,882		228,882	Aa1	AA+
Corporate Securities	Level 1	769,778	453,014	316,764	Aa2	AA
Corporate Securities	Level 1	683,251		683,251	Aa3	AA-
Corporate Securities	Level 1	417,899		417,899	A1	AA
Corporate Securities	Level 1	254,390		254,390	A1	AA-
Corporate Securities	Level 1	1,209,655		1,209,655	A1	A+
Corporate Securities	Level 1	226,243		226,243	A1	A
Corporate Securities	Level 1	1,796,329		1,796,329	A2	A-
Corporate Securities	Level 1	2,042,532	100,700	1,941,832	A2	A
Corporate Securities	Level 1	383,815		383,815	A3	A
Corporate Securities	Level 1	1,562,423	225,430	1,336,993	A3	BBB+
			<u>\$ 13,222,525</u>	<u>\$ 42,382,919</u>		
County Treasurer’s investment pool	Not applicable	377,588	312 days average maturities		N/A	N/A
State Treasurer’s investment pool 5	Not applicable	1,968,817	37 days average maturities		N/A	AAA/S1+
Total		<u>\$ 57,951,849</u>				

**TOWN OF ORO VALLEY, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 5 – CASH AND INVESTMENTS**

*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.

*Concentration of Credit Risk.* The Town places no limit on the amount the Town may invest in any one issuer. The investments in Money Markets, Certificates of Deposit, U.S. Treasuries, Supranational Agency Bonds, Collateralized Mortgage Obligations, Asset-Back Securities, U.S. Agencies, Corporate Securities, County Treasurer’s Investment Pool, and State Treasurer's Investment Pool 5, represent 18%, 3%, 30%, 6%, 2%, 13%, 7%, 17%, 1%, and 3% of the Town's total investments, respectively.

**NOTE 6 – 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 funds and non-major governmental funds in the aggregate, were as follows:

	General Fund	PAG/RTA Fund	Non-Major Governmental Funds
Intergovernmental receivables:			
Due from federal government	\$ 118,559	\$	\$
Due from state government	245,083		322,084
Due from other governments		5,114,893	
Net intergovernmental receivables	\$ 363,642	\$ 5,114,893	\$ 322,084

**TOWN OF ORO VALLEY, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 7 – CAPITAL ASSETS**

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

<u>Governmental Activities</u>	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 19,518,801	\$	\$	\$ 19,518,801
Construction in progress	5,426,591	10,826,662	6,780,012	9,473,241
Total capital assets, not being depreciated	<u>24,945,392</u>	<u>10,826,662</u>	<u>6,780,012</u>	<u>28,992,042</u>
Capital assets, being depreciated:				
Infrastructure	185,768,295	2,716,743		188,485,038
Buildings and improvements	34,019,586	6,242,155		40,261,741
Machinery, equipment, and vehicles	17,243,799	1,513,158	1,778,022	16,978,935
Total capital assets being depreciated	<u>237,031,680</u>	<u>10,472,056</u>	<u>1,778,022</u>	<u>245,725,714</u>
Less accumulated depreciation for:				
Infrastructure	(93,714,585)	(7,139,428)		(100,854,013)
Buildings and improvements	(8,092,850)	(912,158)		(9,005,008)
Machinery, equipment, and vehicles	(13,120,169)	(1,370,407)	(1,732,784)	(12,757,792)
Total accumulated depreciation	<u>(114,927,604)</u>	<u>(9,421,993)</u>	<u>(1,732,784)</u>	<u>(122,616,813)</u>
Total capital assets, being depreciated, net	<u>122,104,076</u>	<u>1,050,063</u>	<u>45,238</u>	<u>123,108,901</u>
Governmental activities capital assets, net	<u>\$ 147,049,468</u>	<u>\$ 11,876,725</u>	<u>\$ 6,825,250</u>	<u>\$ 152,100,943</u>
<u>Business-Type Activities</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	310,223	3,360,280	384,310	3,286,193
Total capital assets, not being depreciated	<u>11,255,373</u>	<u>3,360,280</u>	<u>384,310</u>	<u>14,231,343</u>
Capital assets, being depreciated:				
Water system	133,215,431	3,350,505		136,565,936
Stormwater system	2,956,995	273,288		3,230,283
Equipment and vehicles	5,752,158			5,752,158
Total capital assets being depreciated	<u>141,924,584</u>	<u>3,623,793</u>		<u>145,548,377</u>
Less accumulated depreciation for:				
Water system	(45,147,820)	(3,238,613)		(48,386,433)
Stormwater system	(493,412)	(63,297)		(556,709)
Equipment and vehicles	(4,058,729)	(329,802)		(4,388,531)
Total accumulated depreciation	<u>(49,699,961)</u>	<u>(3,631,712)</u>		<u>(53,331,673)</u>
Total capital assets, being depreciated, net	<u>92,224,623</u>	<u>(7,919)</u>		<u>92,216,704</u>
Business-type activities capital assets, net	<u>\$ 103,479,996</u>	<u>\$ 3,352,361</u>	<u>\$ 384,310</u>	<u>\$ 106,448,047</u>



**TOWN OF ORO VALLEY, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 7 – CAPITAL ASSETS**

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 635,912
Public Safety	617,972
Highways and streets	7,303,814
Culture and recreation	<u>864,295</u>
Total depreciation expense – governmental activities	<u>\$ 9,421,993</u>
Business-type activities:	
Water	\$ 3,464,090
Stormwater	<u>167,622</u>
Total depreciation expense – business-type activities	<u>\$ 3,631,712</u>

**Construction Commitments** – As of year end, the Town had contractual commitments related to road improvements and well construction. At year end the Town had spent \$12.8 million on the projects and had estimated remaining contractual commitments of \$44.0 million.

**NOTE 8 – 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, 2019</u>	<u>Due Within One Year</u>
WIFA Loan, 2007	2.04%	7/1/19-27	\$ 2,390,918	\$ 230,255
WIFA Loan, 2009	2.75%	7/1/19-29	1,381,098	107,025
WIFA Loan, 2014	2.65%	7/1/19-25	<u>3,307,163</u>	<u>293,140</u>
Total			<u>\$ 7,079,179</u>	<u>\$ 630,420</u>

**TOWN OF ORO VALLEY, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 8 – LOANS PAYABLE**

Principal and interest payments on the business-type activities loans payable at June 30, 2019 are summarized as follows:

Year ending June 30:	Business-type Activities	
	Principal	Interest
2020	\$ 630,420	\$ 206,387
2021	649,730	186,780
2022	669,642	166,557
2023	690,175	145,705
2024	711,347	124,202
2025-29	3,583,395	279,778
2030	144,470	2,292
Total	<u>\$ 7,079,179</u>	<u>\$ 1,111,701</u>

**NOTE 9 – REVENUE 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, 2019	Due Within One Year
<b>Governmental activities:</b>					
Revenue bonds:					
Excise Tax Revenue Obligations, 2010	\$ 2,445,000	5.39-6.59%	7/1/19-27	\$ 1,370,000	\$ 140,000
Revenue Bonds, 2012	2,580,000	3.50-4.00%	7/1/19-27	1,725,000	165,000
Private placement revenue bonds:					
Refunding Excise Tax Revenue Obligations, 2015	2,529,250	1.91%	7/1/19-25	2,001,290	271,350
Excise Tax Revenue Obligations, 2016	2,000,000	2.20%	7/1/19-31	1,909,000	108,000
Refunding Excise Tax Revenue Obligations, 2017	1,115,556	2.43%	7/1/19-26	1,008,774	115,752
Excise Tax Revenue Obligations, 2018	2,035,000	3.02%	7/1/19-33	2,035,000	77,250
Total				<u>\$ 10,049,064</u>	<u>\$ 877,352</u>

**TOWN OF ORO VALLEY, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 9 – REVENUE 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			
	Revenue Bonds		Private Placement Revenue Bonds	
	Principal	Interest	Principal	Interest
2020	\$ 305,000	\$ 141,425	\$ 572,352	\$ 171,449
2021	315,000	126,972	627,090	146,382
2022	320,000	111,967	651,586	131,891
2023	335,000	96,224	670,660	116,901
2024	340,000	79,739	688,242	101,490
2025-29	1,480,000	146,812	2,449,884	296,947
2030-34			1,294,250	78,053
Total	<u>\$ 3,095,000</u>	<u>\$ 703,139</u>	<u>\$ 6,954,064</u>	<u>\$ 1,043,113</u>

Purpose	Original Amount Issued	Interest Rates	Remaining Maturities	Outstanding Principal June 30, 2019	Due Within One Year
<b>Business-type activities:</b>					
Revenue bonds:					
Refunding Revenue Bonds, 2012	\$ 16,595,000	3.00-5.00%	7/1/19-28	\$ 9,060,000	\$ 1,605,000
Private placement revenue bonds:					
Refunding Revenue Bonds, 2013	6,355,000	1.45%	7/1/19	1,010,000	1,010,000
Refunding Revenue Bonds, 2015	1,245,750	1.91%	7/1/19-25	985,710	133,650
Refunding Revenue Bonds, 2017	13,186,444	2.43%	7/1/19-26	11,924,226	1,368,248
Excise Tax Revenue Obligations, 2018	6,105,000	3.02%	7/1/19-33	6,105,000	231,750
Total				<u>\$ 29,084,936</u>	<u>\$ 4,348,648</u>

**TOWN OF ORO VALLEY, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 9 – REVENUE BONDS PAYABLE**

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

<u>Year ending June 30:</u>	Governmental Activities			
	Revenue Bonds		Private Placement Revenue Bonds	
	Principal	Interest	Principal	Interest
2020	\$ 1,605,000	\$ 325,382	\$ 2,743,648	\$ 450,156
2021	1,665,000	258,782	1,879,910	403,148
2022	1,730,000	172,282	1,926,414	354,970
2023	1,815,000	81,532	1,975,340	305,550
2024	560,000	59,132	2,025,758	254,860
2025-29	1,685,000	116,314	7,091,116	607,491
2030-34			2,382,750	148,222
<b>Total</b>	<b>\$ 9,060,000</b>	<b>\$1,013,424</b>	<b>\$20,024,936</b>	<b>\$ 2,524,397</b>

**Pledged revenues – governmental activities.** The Town has pledged future sales (excise) tax revenues to repay outstanding revenue bonds and refunding revenue bonds of \$10.0 million as of June 30, 2019. 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 2034. 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 \$11.8 million. The current total sales tax revenues were \$22.9 million and the total principal and interest paid on the bonds was \$1.0 million 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 \$29.1 million as of June 30, 2019. 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 2034. 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 \$32.6 million. The current total customer gross revenues were \$17.5 million and the total principal and interest paid on the bonds was \$4.8 million or 27 percent of gross revenues.

**TOWN OF ORO VALLEY, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 10 – 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, 2019	Due Within One Year
<b>Governmental activities:</b>					
Special assessments debt	\$3,945,000	4.65-4.75%	1/1/20-21	\$ 335,000	\$ 165,000

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
2020	\$ 165,000	\$ 11,912
2021	170,000	4,038
Total	<u>\$ 335,000</u>	<u>\$ 15,950</u>

**NOTE 11 – OBLIGATIONS UNDER LEASES**

**Capital Leases** – The governmental activities of the Town have acquired 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 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:	
Machinery, equipment, and vehicles	\$ 1,128,663
Less: Accumulated depreciation	606,378
Total	<u>\$ 522,285</u>

**TOWN OF ORO VALLEY, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 11 – OBLIGATIONS UNDER LEASES**

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

	Governmental Activities
Year Ending June 30:	
2020	\$ 213,008
2021	46,470
Total minimum lease payments	259,478
Less: amount representing interest	5,408
Present value of minimum lease payments	\$ 254,070
Due within one year	\$ 207,874

**Operating Leases** – The Town leases golf carts under the provisions of long-term lease agreements classified as operating leases for accounting purposes. Rental expenditures under the terms of the operating leases totaled \$246,010 for the current fiscal year. The operating leases have a remaining noncancelable lease terms of 2.6 years. The future minimum rental payments required under the operating leases at year end were as follows:

Year Ending June 30:	
2020	\$ 190,678
2021	156,492
2022	91,287
Total minimum payments required	\$ 438,457

**TOWN OF ORO VALLEY, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 12 – 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	\$ 3,395,000	\$	\$ 300,000	\$ 3,095,000	\$ 305,000
Private placement revenue bonds	5,382,836	2,035,000	463,772	6,954,064	572,352
Premium	11,118		8,315	2,803	
Special assessment bonds	490,000		155,000	335,000	165,000
Total bonds payable	<u>9,278,954</u>	<u>2,035,000</u>	<u>927,087</u>	<u>10,386,867</u>	<u>1,042,352</u>
Capital leases payable	458,744		204,674	254,070	207,874
Net pension liability	39,331,653	300,581		39,632,234	
Net OPEB liability	35,755	18,262		54,017	
Compensated absences payable	2,169,279	1,834,846	1,679,747	2,324,378	1,813,015
Governmental activity long-term liabilities	<u>\$ 51,274,385</u>	<u>\$ 4,188,689</u>	<u>\$ 2,811,508</u>	<u>\$ 52,651,566</u>	<u>\$ 3,063,241</u>
<b>Business-type activities:</b>					
Revenue bonds	\$ 10,605,000	\$	\$ 1,545,000	\$ 9,060,000	\$ 1,605,000
Private placement revenue bonds	16,308,164	6,105,000	2,388,228	20,024,936	2,743,648
Premium	1,166,775		116,677	1,050,098	
Total bonds payable	<u>28,079,939</u>	<u>6,105,000</u>	<u>4,049,905</u>	<u>30,135,034</u>	<u>4,348,648</u>
Loan payable	7,690,874		611,695	7,079,179	630,420
Net pension liability	4,092,953		259,241	3,833,712	
Net OPEB liability	9,631	4,800		14,431	
Compensated absences payable	345,017	245,302	237,625	352,694	232,778
Business-type activities long-term liabilities	<u>\$ 40,218,414</u>	<u>\$ 6,355,102</u>	<u>\$ 5,158,466</u>	<u>\$ 41,415,050</u>	<u>\$ 5,211,846</u>

**TOWN OF ORO VALLEY, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 13 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

At year end, interfund balances were as follows:

**Due to/from other funds:** At year end, the PAG/RTA Fund had a negative cash balance of \$3,213,984. 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	General Government CIP Fund	Non-Major Governmental and Other Funds	
<u>Transfers out</u>				
General Fund	\$	\$ 3,403,000	\$ 747,514	\$ 4,150,514
Community Center Fund	120,000		133,999	253,999
Non-Major Governmental Funds			86	86
Water Fund			2,581	2,581
Total	<u>\$ 120,000</u>	<u>\$ 3,403,000</u>	<u>\$ 884,180</u>	<u>\$ 4,407,180</u>

Transfers were made from the General, Community Center, and Water Funds to the Municipal Debt Service Fund, a non-major governmental fund, for debt service. In addition, transfers were made from the General Fund to the General Government CIP Fund to fund capital projects. Transfers were made from the Community Center Fund to the General Fund to repay loaned amounts. Finally, transfers were made from the Energy Efficiency Project Fund to the Municipal Debt Service Fund, both non-major governmental funds, to close out the fund.

**NOTE 14 – 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, 2019**

**NOTE 15 – PRIOR PERIOD ADJUSTMENT AND RECLASSIFICATION**

The July 1, 2018, government-wide net position and the fund balances of the General, Community Center, General Government CIP, Non-Major Governmental, and Internal Service Funds do not agree to the prior year financial statements due to the reclassification of certain funds, correction of sales tax revenues, and revenue recognition adjustments.

	Governmental Activities	General Fund	Community Center Fund	General Government CIP Fund	Non-Major Governmental and Other Funds
Net position/fund balance, June 30, 2018, as previously reported	\$ 130,152,431	\$ 15,967,642	\$ (71,563)	\$ 2,209,618	\$ 7,173,470
Bed tax		617,856			(617,856)
Impound fee		3,814			(3,814)
Fleet maintenance				1,209,271	(1,114,109)
Fund balance, July 1, 2018, as reclassified		16,589,312	(71,563)	<u>\$ 3,418,889</u>	<u>\$ 5,437,691</u>
Sales tax adjustment	1,716,104	1,536,566	179,538		
Revenue recognition adjustment	(118,887)		(118,887)		
Net position/fund balance, July 1, 2018, as restated	<u>\$ 131,749,648</u>	<u>\$ 18,125,878</u>	<u>\$ (10,912)</u>		

**NOTE 16 – 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.

**TOWN OF ORO VALLEY, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 16 – RISK MANAGEMENT**

The Town has established a Self Insurance Fund to account for and finance its uninsured risks of loss related to 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 \$150,000 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.

Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic and social factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. Estimated recoveries, for example from salvage or subrogation, are another component of the claims liability estimate. Changes in the balances of claims liabilities during the past two years are as follows.

	Claims Payable Beginning of Year	Current Year Claims and Changes in Estimates	Claim Payments	Claims Payable at End of Year
2018-19	\$ 287,329	\$ 2,763,160	\$ 2,717,066	\$ 333,423
2017-18	323,077	1,985,456	2,021,204	287,329

**NOTE 17 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS**

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

**Aggregate Amounts.** At June 30, 2019, the Town reported the following aggregate amounts related to pensions and other postemployment benefits (OPEB) for all plans to which it contributes.

	Governmental Activities	Business-type Activities	Total
Net OPEB assets	\$ 197,163	\$ 10,087	\$ 207,250
Net pension liability	39,632,234	3,833,712	43,465,946
Net OPEB liability	54,017	14,431	68,448
Pension deferred outflows of resources	8,403,227	674,249	9,077,476
OPEB deferred outflows of resources	179,812	40,908	220,720
Pension deferred inflows of resources	2,101,874	452,133	2,554,007
OPEB deferred inflows of resources	257,030	30,514	287,544
Pension expense	5,624,547	196,343	5,820,890
OPEB expense	52,079	15,317	67,396

**TOWN OF ORO VALLEY, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 17 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS**

The Town reported \$4.0 million of pension and OPEB contributions as expenditures in the governmental funds related to all plans to which it contributes.

**A. Arizona State Retirement System**

**Plan Description.** Town employees 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

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.

**TOWN OF ORO VALLEY, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 17 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS**

Retired and disabled members, with at least five years of credited service, are eligible to receive health insurance premium benefits. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible. For members with 10 or more years of service, benefits range from \$100 per month to \$260 per month depending on the age of the member and dependents. For members with five to nine years of service, the benefits are the same dollar amounts as above multiplied by a vesting fraction based on completed years of service.

Active members are eligible for a long-term disability benefit in the event they become unable to perform their work. The monthly benefit is equal to two-thirds of their monthly earnings. Members receiving benefits continue to earn service credit up to their normal retirement dates. Members with long-term disability commencement dates after June 30, 1999 are limited to 30 years of service or the service on record as of the effective disability date, if their service is greater than 30 years.

**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 11.80 percent (11.64 percent for retirement and 0.16 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 11.80 percent (11.18 percent for retirement, 0.46 percent for health insurance premium benefit, and 0.16 percent for long-term disability) of the active members’ annual covered payroll. The Town’s contributions for the year ended June 30, 2019 were as follows:

	Contributions
Pension	\$ 1,523,859
Health Insurance Premium	62,699
Long-Term Disability	21,809

Employers are also required to pay an Alternate Contribution Rate (ACR), for retired members who return to work in positions that would typically be filled by an employee who contributes to ASRS. The Town was required by statute to contribute at the actuarially determined rate of 10.53 percent (10.41 for retirement, 0.06 percent for health insurance premium benefit, and 0.06 percent for long-term disability). ACR contributions are included in employer contributions presented above.

**TOWN OF ORO VALLEY, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 17 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS**

The Town’s pension and OPEB contributions are paid by the same funds as the employee’s salary, with the largest component coming from the General Fund.

**Pension and OPEB Assets/Liability.** The net pension and OPEB assets/liability were measured as of June 30, 2018. The total liability used to calculate the net assets or net liability was determined using update procedures to roll forward the total liability from an actuarial valuation as of June 30, 2017, to the measurement date of June 30, 2018. The total liability as of June 30, 2018 reflects changes in actuarial assumptions based on the results of an actuarial experience study for the five-year period ended June 30, 2016, including decreasing the discount rate from 8.0 percent to 7.5 percent, changing the projected salary increases from 3-6.75 percent to 2.7-7.2 percent, decreasing the inflation rate from 3 percent to 2.3 percent, and changing the mortality rates. The Town’s proportion of the net assets/liability was based on the Town’s actual contributions to the applicable plan relative to the total of all participating employers’ contributions to the plan for the year ended June 30, 2018.

At June 30, 2019, the Town reported the following amounts for its proportionate share of the ASRS plans net assets/liability. In addition, at June 30, 2018, the Town’s percentage proportion for each plan and the related change from its proportion measured as of June 30, 2016 was:

	Net (Assets) Liability	Town % Proportion	Increase (Decrease)
Pension	\$ 18,237,813	0.131	0.006
Health Insurance Premium	(47,528)	0.132	0.006
Long-Term Disability	68,448	0.131	0.006

**Pension/OPEB Expense and Deferred Outflows/Inflows of Resources.** The Town has deferred outflows and inflows of resources related to the net pension and OPEB assets/liability. Certain changes in the net pension and OPEB assets/liability are recognized as pension and OPEB expense over a period of time rather than the year of occurrence. For the year ended June 30, 2019, the Town recognized pension and OPEB expense as follows:

	Expense
Pension	\$ 936,331
Health Insurance Premium	47,967
Long-Term Disability	25,077

**TOWN OF ORO VALLEY, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 17 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS**

The Town reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

	Deferred Outflows of Resources		
	Pension	Health Insurance Premium	Long-Term Disability
Differences between expected and actual experience	\$ 502,437	\$	\$ 1,750
Changes of assumptions or other inputs	482,606	91,659	14,826
Changes in proportion and differences between contributions and proportionate share of contributions	706,486	258	2,078
Contributions subsequent to the measurement date	1,523,859	62,699	21,809
Total	<u>\$ 3,215,388</u>	<u>\$ 154,616</u>	<u>\$ 40,463</u>

	Deferred Inflows of Resources		
	Pension	Health Insurance Premium	Long-Term Disability
Differences between expected and actual experience	\$ 100,542	\$ 43,867	\$
Changes of assumptions or other inputs	1,617,033		
Net difference between projected and actual earnings on pension investments	438,576	94,945	6,630
Changes in proportion and differences between contributions and proportionate share of contributions		65	5
Total	<u>\$ 2,156,151</u>	<u>\$ 138,877</u>	<u>\$ 6,635</u>

**TOWN OF ORO VALLEY, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 17 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS**

The amounts of deferred outflows of resources resulting from contributions subsequent to the measurement date as reported in the table above will be recognized as an adjustment of the net pension and OPEB assets/liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be recognized in pension and OPEB expense as follows:

	Pension	Health Insurance Premium	Long-Term Disability
2020	\$ 536,397	\$ (18,365)	\$ 488
2021	(139,047)	(18,364)	489
2022	(665,288)	(18,364)	489
2023	(196,684)	1,869	2,265
2024		6,234	2,590
Thereafter			5,698

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

	Pension	OPEB
Actuarial valuation date	June 30, 2017	June 30, 2017
Actuarial roll forward date	June 30, 2018	June 30, 2018
Actuarial cost method	Entry age normal	Entry age normal
Investment rate of return	7.5%	7.5%
Projected salary increases	2.7-7.2%	Not applicable
Inflation	2.3%	2.3%
Permanent base increases	Included	Not applicable
Mortality rates	2017 SRA Scale U-MP	Health Ins: 2017 SRA Scale U-MP, LTD: 2012 GLDT
Healthcare cost trend rate	Not applicable	Not applicable

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the five-year period ended June 30, 2013. 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, 2017, actuarial valuation.

**TOWN OF ORO VALLEY, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 17 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS**

The long-term expected rate of return on ASRS plan investments was determined to be 7.5 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of 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 excluding any expected inflation.

On June 29, 2018, the ASRS Board approved updated strategic asset allocation targets, to be effective July 2018. The target allocation and best estimates of geometric real rates of return for each major asset class for all ASRS plans are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity	50%	5.50%
Fixed income	30	3.83
Real estate	20	5.85
Total	100%	

**Discount Rate.** The discount rate used to measure the ASRS total pension and OPEB liability was 7.5 percent, which was a decrease of 0.5 from the discount rate used as of June 30, 2017. 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 plans’ 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 investments was applied to all periods of projected benefit payments to determine the total pension and OPEB liability.



**TOWN OF ORO VALLEY, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 17 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS**

**Sensitivity of the Proportionate Share of the Net Pension and OPEB Assets/Liability to Changes in the Discount Rate.** The following presents the Town’s proportionate share of the net pension and OPEB assets/liability calculated using the discount rate of 7.5 percent, as well as what the proportionate share of the net pension and OPEB assets/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:

	Proportionate share of the net (assets) liability		
		Current	
	1% Decrease	Discount Rate	1% Increase
Rate	6.5%	7.5%	8.5%
Pension	\$ 25,998,422	\$ 18,237,813	\$ 11,753,950
Health Insurance Premium	168,404	(47,528)	(231,460)
Long-Term Disability	77,571	68,448	59,597

**Pension and OPEB Plan Fiduciary Net Position.** Detailed information about the pension and OPEB 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).

**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) or employees who became members on or after July 1, 2017, may participate in the Public Safety Personnel Defined Contribution Retirement Plan (PSDCRP). 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) or the Public Safety Personnel Defined Contribution Retirement Plan. The CORP administers an agent multiple-employer defined benefit pension plan and an agent multiple-employer defined benefit health insurance premium benefit (OPEB) plan for dispatchers (agent plans), which were closed to new members as of July 1, 2018. Employees who were CORP members before July 1, 2018, participate in CORP. Dispatcher employees who became members on or after July 1, 2018 participate in PSDCRP. The PSPRS Board of Trustees described above and the participating local boards govern CORP according to the provisions of A.R.S. Title 38, Chapter 5, Article 6.

**TOWN OF ORO VALLEY, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 17 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS**

The PSPRS and CORP issue a publicly available financial report that includes their financial statements and required supplementary information. The report is 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, disability, and survivor benefits are calculated on the basis of age, average monthly compensation, and service credit as follows. See the publicly available PSPRS and CORP financial report for additional benefits information.

	Ranges of benefits based on initial membership date:
Years of service and age required to receive benefit	15 to 25 years of service, age 52.5 to 62
Final average salary is based on	Highest 36 to 60 consecutive months, of last 15 to 20 years
Normal retirement	% of per year credit services varies, not to exceed 80%
Accidental disability retirement	50% or normal retirement, whichever is greater
Survivor benefit:	
Retired members	80% to 100% of retired member's pension benefit
Active members	80% of accidental disability retirement benefit or 100% of average monthly compensation if death was the result of injuries received on the job

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on inflation. PSPRS also provides temporary disability benefits of 50 percent of the member's compensation for up to 12 months.

Health insurance premium benefits are available to retired or disabled members with 5 years of credited service. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible. Benefits range from \$100 per month to \$260 per month depending on the age of the member and dependents.

**TOWN OF ORO VALLEY, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 17 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS**

**Employees Covered by Benefit Terms.** At June 30, 2019, the following employees were covered by the agent plan’s benefit terms:

	PSPRS - Police		CORP - Dispatchers	
	Pension	Health Insurance	Pension	Health Insurance
Retirees and beneficiaries	37	37	5	5
Inactive, non-retired members	15	6	3	0
Active members	90	90	4	4
Total	142	133	12	9

**Contributions.** 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, 2019, are indicated below. Rates are a percentage of active members’ annual covered payroll.

	PSPRS - Police	CORP - Dispatchers
Active members – pension	7.65% to 11.65%	7.96%
<b>Town:</b>		
Pension	36.71%	61.36%
Health insurance	0.33%	

Employers are also required to pay an Alternate Contribution Rate (ACR), for retired members who return to work in positions that would typically be filled by an employee who contributes to PSPRS or CORP. The Town was required by statute to contribute at the actuarially determined rate of 22.42 percent for the PSPRS and 54.36 percent for the CORP. ACR contributions are included in employer contributions presented above.

**TOWN OF ORO VALLEY, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 17 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS**

The contributions to the pension and OPEB plans for the year ended were:

	Contributions	
	PSPRS - Police	CORP - Dispatchers
Pension	\$ 2,548,626	\$ 124,108
Health insurance	22,911	

The Town’s pension and OPEB contributions are paid by the same funds as the employee’s salary, with the largest component coming from the General Fund.

**Pension and OPEB Assets/Liability.** At June 30, 2019, the Town reported the following assets and liabilities.

	Net (Assets) Liability	
	PSPRS - Police	CORP - Dispatchers
Pension	\$ 23,592,498	\$ 1,635,635
Health insurance	(142,355)	(17,367)

The net pension and OPEB assets/liability were measured as of June 30, 2018. The total liability used to calculate the net asset or liability was determined by an actuarial valuation as of that date. The total CORP pension liabilities as of June 30, 2018, reflect statutory changes in benefit terms for automatic cost-of-living adjustments. The basis for cost-of-living adjustments was changed from excess investment earnings to the change in the consumer price index, limited to a maximum annual increase of two percent.

**TOWN OF ORO VALLEY, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 17 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS**

**Actuarial Assumptions.** The significant actuarial assumptions used to measure the total pension/OPEB liability for both the PSPRS and CORP are as follows:

	Pension	OPEB
Actuarial valuation date	June 30, 2018	June 30, 2018
Actuarial cost method	Entry age normal	Entry age normal
Investment rate of return	7.4%	7.4%
Projected salary increases	3.5%	Not applicable
Inflation	2.5%	Not applicable
Cost-of-living adjustment	Included	Not applicable
Mortality rates	RP-2014 tables using MP-2016 improvement scale with adjustments to match current experience	RP-2014 tables using MP-2016 improvement scale with adjustments to match current experience
Healthcare cost trend rate	Not applicable	Not applicable

Actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2016.

The long-term expected rate of return on PSPRS and CORP plan investments was determined to be 7.40 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Short-term investments	2%	0.25%
Risk parity	4	5.00
Fixed income	5	1.25
Real assets	9	4.52
GTS	12	3.96
Private credit	16	6.75
Real estate	10	3.75
Private equity	12	5.83
Non-U.S. equity	14	8.70
U.S. equity	16	7.60
Total	<u>100%</u>	

**TOWN OF ORO VALLEY, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 17 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS**

**Changes in Net (Assets)/Liability**

	Pension			Health Insurance		
	Increase (Decrease)			Increase (Decrease)		
	Total	Plan	Net	Total	Plan	Net
	(Assets)	Fiduciary	(Assets)	(Assets)	Fiduciary	(Assets)
	Liability	Net Position	Liability	Liability	Net Position	Liability
<b>PSPRS - Police</b>						
Balances at June 30, 2018	\$ 53,037,566	\$ 30,883,680	\$ 22,153,886	\$ 1,056,886	\$ 1,184,964	\$ (128,078)
Changes for the year:						
Service cost	1,515,028		1,515,028	22,788		22,788
Interest on the total liability	3,922,057		3,922,057	77,943		77,943
Differences between expected and actual experience in the measurement of the liability	136,020		136,020	(21,658)		(21,658)
Contributions – employer		1,278,293	(1,278,293)		12,442	(12,442)
Contributions – employee		622,233	(622,233)			
Net investment income		2,159,685	(2,159,685)		82,158	(82,158)
Benefit payments, including refunds of employee contributions	(1,588,615)	(1,588,615)		(29,984)	(29,984)	
Administrative expense		(33,570)	33,570		(1,250)	1,250
Other changes		107,852	(107,852)			
Net changes	<u>3,984,490</u>	<u>2,545,878</u>	<u>1,438,612</u>	<u>49,089</u>	<u>63,366</u>	<u>(14,277)</u>
Balances at June 30, 2019	<u>\$ 57,022,056</u>	<u>\$ 33,429,558</u>	<u>\$ 23,592,498</u>	<u>\$ 1,105,975</u>	<u>\$ 1,248,330</u>	<u>\$ (142,355)</u>
<b>CORP - Dispatchers</b>						
Balances at June 30, 2018	\$ 3,077,649	\$ 1,260,798	\$ 1,816,851	\$ 50,556	\$ 66,987	\$ (16,431)
Changes for the year:						
Service cost	34,542		34,542	254		254
Interest on the total liability	223,773		223,773	3,622		3,622
Changes of benefit terms	(175,686)		(175,686)			
Differences between expected and actual experience in the measurement of the liability	(73,061)		(73,061)	(160)		(160)
Contributions – employer		87,566	(87,566)			
Contributions – employee		15,976	(15,976)			
Net investment income		89,317	(89,317)		4,724	(4,724)
Benefit payments, including refunds of employee contributions	(141,910)	(141,910)		(3,464)	(3,464)	
Administrative expense		(2,051)	2,051		(71)	71
Other changes		(24)	24		(1)	1
Net changes	<u>(132,342)</u>	<u>48,874</u>	<u>(181,216)</u>	<u>252</u>	<u>1,188</u>	<u>(936)</u>
Balances at June 30, 2019	<u>\$ 2,945,307</u>	<u>\$ 1,309,672</u>	<u>\$ 1,635,635</u>	<u>\$ 50,808</u>	<u>\$ 68,175</u>	<u>\$ (17,367)</u>

**TOWN OF ORO VALLEY, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 17 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS**

**Discount Rate.** At June 30, 2018, the discount rate used to measure the total pension and OPEB liability was 7.4 percent, which was the same as the discount rate used as of June 30, 2017.

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 rate and the member rate. Based on those assumptions, the plans' 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 plan investments was applied to all periods of projected benefit payments for these plans to determine the total pension and OPEB liability.

**Sensitivity of the Net Pension and OPEB Assets (Liability) to Changes in the Discount Rate.** The following presents the Town's net pension and OPEB assets (liability) calculated using the discount rates noted above, as well as what the net assets (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</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
<b>PSPRS - Police:</b>			
Rate	6.40%	7.40%	8.40%
Net pension (assets) liability	\$ 32,257,499	\$ 23,592,498	\$ 16,614,957
Net OPEB (assets) liability	4,133	(142,355)	(263,531)
<b>CORP - Dispatchers</b>			
Rate	6.40%	7.40%	8.40%
Net pension (assets) liability	\$ 1,999,169	\$ 1,635,635	\$ 1,335,714
Net OPEB (assets) liability	(12,337)	(17,367)	(21,649)

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

**TOWN OF ORO VALLEY, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 17 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS**

**Expense.** For the year ended June 30, 2019, the Town recognized the following as pension and OPEB expense:

	Expense	
	PSPRS - Police	CORP - Dispatchers
Pension	\$ 4,857,320	\$ 27,241
Health insurance	(4,711)	(937)

**Deferred Outflows/Inflows of Resources.** At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

	Pension		Health Insurance	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
<b>PSPRS - Police:</b>				
Differences between expected and actual experience	\$ 731,189	\$ 346,502	\$	\$ 38,444
Changes of assumptions or other inputs	2,044,933			76,692
Net difference between projected and actual earnings on plan investments	368,494			23,399
Contributions subsequent to the measurement date	2,548,626		22,911	
Total	\$ 5,693,242	\$ 346,502	\$ 22,911	\$ 138,535
<b>CORP - Dispatchers</b>				
Differences between expected and actual experience	\$ 426	\$ 51,354	\$ 2,730	\$ 117
Changes of assumptions or other inputs	28,688			1,835
Net difference between projected and actual earnings on plan investments	15,624			1,545
Contributions subsequent to the measurement date	124,108			
Total	\$ 168,846	\$ 51,354	\$ 2,730	\$ 3,497



**TOWN OF ORO VALLEY, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 17 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS**

The amounts of deferred outflows of resources resulting from contributions subsequent to the measurement date as reported in the table above will be recognized as an adjustment of the net pension and OPEB assets/liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be recognized in pension and OPEB expense as follows:

Year Ending June 30:	PSPRS - Police		CORP - Dispatchers	
	Pension	Health Insurance	Pension	Health Insurance
2020	\$ 1,436,381	\$ (34,655)	\$ 15,525	\$ (59)
2021	928,991	(34,655)	(13,077)	(178)
2022	243,000	(34,657)	(9,562)	(552)
2023	157,477	(25,568)	498	22
2024	20,751	(5,762)		
Thereafter	11,514	(3,238)		

**PSPDCRP Plan.** Public safety employee who are not members of PSPRS or CORP participate in the PSPDCRP. The PSPDCRP is a defined contribution pension plan. The PSPRS Board of Trustees governs the PSPDCRP according to the provisions of A.R.S. Title 38, Chapter 5, Article 4.1. Benefit terms, including contribution requirements, are established by State statute.

For the year ended June 30, 2019, active PSPDCRP members were required by statute to contribute at nine percent of the members’ annual covered payroll, and the Town was required by statute to contribute nine percent of active members’ annual covered payroll to an individual employee account. Employees are immediately vested in their own contributions and the earnings on those contributions. Employees vest in a portion of the Town’s contributions each year as set forth in statute. The plan retains nonvested Town contributions when forfeited because of employment terminations. For the year ended June 30, 2019, the Town recognized pension expense of \$43,893.

**NOTE 18 – TAX ABATEMENTS**

The Town enters into sales 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.

**TOWN OF ORO VALLEY, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 18 – TAX ABATEMENTS**

For the fiscal year ended June 30, 2019, the Town abated sales taxes totaling \$379,323. Of this amount, \$379,016 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.

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**REQUIRED SUPPLEMENTARY INFORMATION**

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**TOWN OF ORO VALLEY, ARIZONA**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	<u>Original &amp; Final</u>	<u>Actual</u>	<u>(Negative)</u>
<b>Revenues:</b>			
Sales taxes	\$ 18,752,418	\$ 20,454,936	\$ 1,702,518
Franchise taxes	685,000	635,494	(49,506)
Intergovernmental	14,229,437	13,773,704	(455,733)
Licenses, fees & permits	2,136,096	2,356,619	220,523
Fines, forfeitures & penalties	120,000	165,669	45,669
Charges for services	2,408,862	2,519,565	110,703
Investment income:			
Interest	150,000	519,300	369,300
Net increase in the fair value of investments		128,946	128,946
Other	306,750	370,120	63,370
<b>Total revenues</b>	<u>38,788,563</u>	<u>40,924,353</u>	<u>2,135,790</u>
<b>Expenditures:</b>			
Current -			
General government	15,459,739	14,424,463	1,035,276
Public safety	16,404,325	16,050,890	353,435
Transit	1,185,316	1,150,322	34,994
Culture and recreation	3,480,286	3,251,463	228,823
Capital outlay	754,375	570,914	183,461
<b>Total expenditures</b>	<u>37,284,041</u>	<u>35,448,052</u>	<u>1,835,989</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>1,504,522</u>	<u>5,476,301</u>	<u>3,971,779</u>
<b>Other financing sources (uses):</b>			
Transfers in	120,000	120,000	
Transfers out	(4,700,514)	(4,150,514)	550,000
<b>Total other financing sources (uses)</b>	<u>(4,580,514)</u>	<u>(4,030,514)</u>	<u>550,000</u>
<b>Changes in fund balances</b>	<u>(3,075,992)</u>	<u>1,445,787</u>	<u>4,521,779</u>
<b>Fund balances, beginning of year, as restated</b>		18,125,878	18,125,878
<b>Fund balances (deficits), end of year</b>	<u>\$ (3,075,992)</u>	<u>\$ 19,571,665</u>	<u>\$ 22,647,657</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, 2019**

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original & Final	Actual	
<b>Revenues:</b>			
Sales taxes	\$ 2,384,558	\$ 2,469,464	\$ 84,906
Charges for services	4,253,088	4,266,744	13,656
Investment income:			
Interest		7,601	7,601
Net increase in the fair value of investments		8,580	8,580
Other	19,502		(19,502)
<b>Total revenues</b>	<u>6,657,148</u>	<u>6,752,389</u>	<u>95,241</u>
<b>Expenditures:</b>			
Current -			
Culture and recreation	6,057,701	5,629,148	428,553
Capital outlay	50,950	125,987	(75,037)
Debt service -			
Principal retirement	206,113	206,113	
Interest and fiscal charges	30,298	30,298	
<b>Total expenditures</b>	<u>6,345,062</u>	<u>5,991,546</u>	<u>353,516</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>312,086</u>	<u>760,843</u>	<u>448,757</u>
<b>Other financing sources (uses):</b>			
Transfers out	(253,999)	(253,999)	
<b>Total other financing sources (uses)</b>	<u>(253,999)</u>	<u>(253,999)</u>	
<b>Changes in fund balances</b>	<u>58,087</u>	<u>506,844</u>	<u>448,757</u>
<b>Fund balances (deficits), beginning of year, as restated</b>		(10,912)	(10,912)
<b>Fund balances, end of year</b>	<u>\$ 58,087</u>	<u>\$ 495,932</u>	<u>\$ 437,845</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 FIVE FISCAL YEARS**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Measurement date	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Town's proportion of the net pension (assets) liability	0.13%	0.12%	0.12%	0.12%	0.11%
Town's proportionate share of the net pension (assets) liability	\$ 18,237,813	\$ 19,453,870	\$ 20,050,356	\$ 18,575,537	\$ 16,642,712
Town's covered payroll	\$ 13,018,275	\$ 12,193,145	\$ 11,857,622	\$ 11,826,486	\$ 11,086,887
Town's proportionate share of the net pension (assets) liability as a percentage of its covered payroll	140.09%	159.55%	169.09%	157.07%	150.11%
Plan fiduciary net position as a percentage of the total pension liability	73.40%	69.92%	67.06%	68.35%	69.49%

NOTE: The pension and OPEB 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 FIVE FISCAL YEARS**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Measurement date	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
<b>Total pension liability</b>				
Service cost	\$ 1,515,028	\$ 1,638,736	\$ 1,363,768	\$ 1,224,807
Interest	3,922,057	3,615,210	3,185,633	2,842,514
Changes of benefit terms		435,327	3,164,555	
Differences between expected and actual experience	136,020	247,905	(548,533)	1,312,293
Changes of assumptions or other inputs		747,786	1,902,904	
Benefit payments, including refunds of employee contributions	(1,588,615)	(2,061,668)	(1,106,968)	(1,049,346)
<b>Net change in total pension liability</b>	<u>3,984,490</u>	<u>4,623,296</u>	<u>7,961,359</u>	<u>4,330,268</u>
<b>Total pension liability—beginning</b>	<u>53,037,566</u>	<u>48,414,270</u>	<u>40,452,911</u>	<u>36,122,643</u>
<b>Total pension liability—ending</b>	<u>\$ 57,022,056</u>	<u>\$ 53,037,566</u>	<u>\$ 48,414,270</u>	<u>\$ 40,452,911</u>
<b>Plan fiduciary net position</b>				
Contributions—employer	\$ 1,278,293	\$ 1,811,735	\$ 1,505,274	\$ 1,669,125
Contributions—employee	622,233	905,024	840,020	794,478
Net investment income	2,159,685	3,228,386	154,181	874,562
Benefit payments, including refunds of employee contributions	(1,588,615)	(2,061,668)	(1,106,968)	(1,049,346)
Administrative expense	(33,570)	(28,966)	(22,586)	(21,722)
Other	107,852	19,066	38,225	93,803
<b>Net change in plan fiduciary net position</b>	<u>2,545,878</u>	<u>3,873,577</u>	<u>1,408,146</u>	<u>2,360,900</u>
<b>Plan fiduciary net position—beginning</b>	<u>30,883,680</u>	<u>27,010,103</u>	<u>25,601,957</u>	<u>23,241,057</u>
<b>Plan fiduciary net position—ending</b>	<u>\$ 33,429,558</u>	<u>\$ 30,883,680</u>	<u>\$ 27,010,103</u>	<u>\$ 25,601,957</u>
<b>Net pension (assets) liability—ending</b>	<u>\$ 23,592,498</u>	<u>\$ 22,153,886</u>	<u>\$ 21,404,167</u>	<u>\$ 14,850,954</u>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	58.63%	58.23%	55.79%	63.29%
<b>Covered payroll</b>	\$ 7,209,721	\$ 7,199,177	\$ 7,355,092	\$ 7,004,292
<b>Net pension (assets) liability as a percentage of covered payroll</b>	327.23%	307.73%	291.01%	212.03%

NOTE: The pension and OPEB 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.

**2015**

June 30, 2014

\$ 1,157,832  
2,408,825  
444,387

(356,776)  
3,014,125

(1,304,993)  
5,363,400  
30,759,243  
\$ 36,122,643

\$ 1,211,218  
698,036  
2,774,126

(1,304,993)  
(22,342)  
(93,142)

3,262,903  
19,978,154  
\$ 23,241,057

\$ 12,881,586

64.34%

\$ 6,021,786

213.92%

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Measurement date	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
<b>Total pension liability</b>				
Service cost	\$ 34,542	\$ 32,541	\$ 32,257	\$ 52,754
Interest	223,773	185,568	182,053	174,403
Changes of benefit terms	(175,686)	395,457	14,504	
Differences between expected and actual experience	(73,061)	(12,524)	(12,392)	14,554
Changes of assumptions or other inputs		85,035	64,514	
Benefit payments, including refunds of employee contributions	(141,910)	(132,788)	(119,180)	(148,851)
<b>Net change in total pension liability</b>	<u>(132,342)</u>	<u>553,289</u>	<u>161,756</u>	<u>92,860</u>
<b>Total pension liability—beginning</b>	<u>3,077,649</u>	<u>2,524,360</u>	<u>2,362,604</u>	<u>2,269,744</u>
<b>Total pension liability—ending</b>	<u>\$ 2,945,307</u>	<u>\$ 3,077,649</u>	<u>\$ 2,524,360</u>	<u>\$ 2,362,604</u>
<b>Plan fiduciary net position</b>				
Contributions—employer	\$ 87,566	\$ 77,331	\$ 52,583	\$ 64,005
Contributions—employee	15,976	18,502	18,982	30,272
Net investment income	89,317	136,094	7,237	45,101
Benefit payments, including refunds of employee contributions	(141,910)	(132,788)	(119,180)	(148,851)
Administrative expense	(2,051)	(1,591)	(1,423)	(1,490)
Other	(24)	(8)	(8)	(926)
<b>Net change in plan fiduciary net position</b>	<u>48,874</u>	<u>97,540</u>	<u>(41,809)</u>	<u>(11,889)</u>
<b>Plan fiduciary net position—beginning</b>	<u>1,260,798</u>	<u>1,163,258</u>	<u>1,205,067</u>	<u>1,216,956</u>
<b>Plan fiduciary net position—ending</b>	<u>\$ 1,309,672</u>	<u>\$ 1,260,798</u>	<u>\$ 1,163,258</u>	<u>\$ 1,205,067</u>
<b>Net pension (assets) liability—ending</b>	<u>\$ 1,635,635</u>	<u>\$ 1,816,851</u>	<u>\$ 1,361,102</u>	<u>\$ 1,157,537</u>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	44.47%	40.97%	46.08%	51.01%
<b>Covered payroll</b>	\$ 201,687	\$ 233,934	\$ 245,274	\$ 380,303
<b>Net pension (assets) liability as a percentage of covered payroll</b>	810.98%	776.65%	554.93%	304.37%

NOTE: The pension and OPEB 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.

**2015**

June 30, 2014

\$	53,985
	154,443
	29,545
	(48,767)
	174,536
	<u>(68,874)</u>
	294,868
	1,974,876
\$	<u><u>2,269,744</u></u>

\$	63,179
	32,699
	146,441
	(68,874)
	(1,151)
	<u>172,294</u>
	1,044,662
\$	<u><u>1,216,956</u></u>

\$ 1,052,788

53.62%

\$ 387,839

271.45%

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
<b>Arizona State Retirement System:</b>				
Actuarially determined contribution	\$ 1,523,859	\$ 1,418,992	\$ 1,314,421	\$ 1,286,552
Contributions in relation to the actuarially determined contribution	<u>1,523,859</u>	<u>1,418,992</u>	<u>1,314,421</u>	<u>1,286,552</u>
Contribution deficiency (excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Town's covered payroll	\$ 13,630,224	\$ 13,018,275	\$ 12,193,145	\$ 11,857,622
Contributions as a percentage of covered payroll	11.18%	10.90%	10.78%	10.85%
 <b>Public Safety Personnel Retirement System - Police:</b>				
Actuarially determined contribution	\$ 2,548,626	\$ 2,485,191	\$ 1,679,568	\$ 1,554,131
Contributions in relation to the actuarially determined contribution	<u>2,548,626</u>	<u>2,485,191</u>	<u>1,679,568</u>	<u>1,554,131</u>
Contribution deficiency (excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Town's covered payroll	\$ 6,942,593	\$ 7,209,721	\$ 7,199,177	\$ 7,355,092
Contributions as a percentage of covered payroll	36.71%	34.47%	23.33%	21.13%
 <b>Public Safety Personnel Retirement System - Dispatchers:</b>				
Actuarially determined contribution	\$ 124,108	\$ 87,996	\$ 77,830	\$ 54,083
Contributions in relation to the actuarially determined contribution	<u>124,108</u>	<u>87,996</u>	<u>77,830</u>	<u>54,083</u>
Contribution deficiency (excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Town's covered payroll	\$ 202,262	\$ 201,687	\$ 233,934	\$ 245,274
Contributions as a percentage of covered payroll	61.36%	43.63%	33.27%	22.05%

NOTE: The pension and OPEB 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.**

**2015**

\$ 1,207,362

1,207,362

\$

\$ 11,086,887

10.89%

\$ 1,354,630

1,354,630

\$

\$ 7,004,292

19.34%

\$ 64,005

64,005

\$

\$ 380,303

16.83%

**TOWN OF ORO VALLEY, ARIZONA**  
**SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET OPEB LIABILITY**  
**ARIZONA STATE RETIREMENT SYSTEM - HEALTH INSURANCE PREMIUM**  
**LAST TWO FISCAL YEARS**

	<u>2019</u>	<u>2018</u>
Measurement date	June 30, 2018	June 30, 2017
Town's proportion of the net OPEB (assets) liability	0.13%	0.13%
Town's proportionate share of the net OPEB (assets) liability	\$ (47,528)	\$ (68,769)
Town's covered payroll	\$ 13,018,275	\$ 12,193,145
Town's proportionate share of the net OPEB (assets) liability as a percentage of its covered payroll	(0.37)%	(0.56)%
Plan fiduciary net position as a percentage of the total OPEB liability	102.20%	103.57%

NOTE: The pension and OPEB 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 THE PROPORTIONATE SHARE OF THE NET OPEB LIABILITY**  
**ARIZONA STATE RETIREMENT SYSTEM - LONG-TERM DISABILITY**  
**LAST TWO FISCAL YEARS**

	<u>2019</u>	<u>2018</u>
Measurement date	June 30, 2018	June 30, 2017
Town's proportion of the net OPEB (assets) liability	0.13%	0.13%
Town's proportionate share of the net OPEB (assets) liability	\$ 68,448	\$ 45,386
Town's covered payroll	\$ 13,018,275	\$ 12,193,145
Town's proportionate share of the net OPEB (assets) liability as a percentage of its covered payroll	0.53%	0.37%
Plan fiduciary net position as a percentage of the total OPEB liability	77.83%	84.44%

NOTE: The pension and OPEB 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 OPEB LIABILITY AND RELATED RATIOS**  
**PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM - POLICE - HEALTH INSURANCE PREMIUM**  
**LAST TWO FISCAL YEARS**

	<u>2019</u>	<u>2018</u>
Measurement date	June 30, 2018	June 30, 2017
<b>Total OPEB liability</b>		
Service cost	\$ 22,788	\$ 26,772
Interest	77,943	83,347
Changes of benefit terms		3,280
Differences between expected and actual experience	(21,658)	(29,508)
Changes of assumptions or other inputs		(113,968)
Benefit payments	(29,984)	(21,892)
<b>Net change in total OPEB liability</b>	<u>49,089</u>	<u>(51,969)</u>
<b>Total OPEB liability—beginning</b>	<u>1,056,886</u>	<u>1,108,855</u>
<b>Total OPEB liability—ending</b>	<u>\$ 1,105,975</u>	<u>\$ 1,056,886</u>
 <b>Plan fiduciary net position</b>		
Contributions—employer	\$ 12,442	\$ 25,271
Contributions—employee		
Net investment income	82,158	124,864
Benefit payments	(29,984)	(21,892)
Administrative expense	(1,250)	(1,105)
Other		
<b>Net change in plan fiduciary net position</b>	<u>63,366</u>	<u>127,138</u>
<b>Plan fiduciary net position—beginning</b>	<u>1,184,964</u>	<u>1,057,826</u>
<b>Plan fiduciary net position—ending</b>	<u>\$ 1,248,330</u>	<u>\$ 1,184,964</u>
 <b>Net OPEB (assets) liability—ending</b>	<u>\$ (142,355)</u>	<u>\$ (128,078)</u>
 <b>Plan fiduciary net position as a percentage of the total OPEB liability</b>	112.87%	112.12%
 <b>Covered payroll</b>	\$ 7,209,721	\$ 7,199,177
 <b>Net OPEB (assets) liability as a percentage of covered payroll</b>	(1.97)%	(1.78)%

NOTE: The pension and OPEB 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 OPEB LIABILITY AND RELATED RATIOS**  
**PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM - DISPATCHERS - HEALTH INSURANCE PREMIUM**  
**LAST TWO FISCAL YEARS**

	<u>2019</u>	<u>2018</u>
Measurement date	June 30, 2018	June 30, 2017
<b>Total OPEB liability</b>		
Service cost	\$ 254	\$ 372
Interest	3,622	3,505
Changes of benefit terms		
Differences between expected and actual experience	(160)	5,830
Changes of assumptions or other inputs		(3,921)
Benefit payments	(3,464)	(3,567)
<b>Net change in total OPEB liability</b>	<u>252</u>	<u>2,219</u>
<b>Total OPEB liability—beginning</b>	<u>50,556</u>	<u>48,337</u>
<b>Total OPEB liability—ending</b>	<u>\$ 50,808</u>	<u>\$ 50,556</u>
<b>Plan fiduciary net position</b>		
Contributions—employer	\$	\$
Contributions—employee		
Net investment income	4,724	7,324
Benefit payments	(3,464)	(3,567)
Administrative expense	(71)	(64)
Other	(1)	
<b>Net change in plan fiduciary net position</b>	<u>1,188</u>	<u>3,693</u>
<b>Plan fiduciary net position—beginning</b>	<u>66,987</u>	<u>63,294</u>
<b>Plan fiduciary net position—ending</b>	<u>\$ 68,175</u>	<u>\$ 66,987</u>
<b>Net OPEB (assets) liability—ending</b>	<u>\$ (17,367)</u>	<u>\$ (16,431)</u>
<b>Plan fiduciary net position as a percentage of the total OPEB liability</b>	134.18%	132.50%
<b>Covered payroll</b>	\$ 201,687	\$ 233,934
<b>Net OPEB (assets) liability as a percentage of covered payroll</b>	(8.61)%	(7.02)%

NOTE: The pension and OPEB 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 OPEB CONTRIBUTIONS  
ALL OPEB PLANS  
LAST TWO FISCAL YEARS**

	<u>2019</u>	<u>2018</u>
<b>Arizona State Retirement System - Health Insurance Premium:</b>		
Actuarially determined contribution	\$ 62,699	\$ 57,280
Contributions in relation to the actuarially determined contribution	<u>62,699</u>	<u>57,280</u>
Contribution deficiency (excess)	<u>\$</u>	<u>\$</u>
Town's covered payroll	\$ 13,630,224	\$ 13,018,275
Contributions as a percentage of covered payroll	0.46%	0.44%
<b>Arizona State Retirement System - Long-Term Disability:</b>		
Actuarially determined contribution	\$ 21,809	\$ 20,829
Contributions in relation to the actuarially determined contribution	<u>21,809</u>	<u>20,829</u>
Contribution deficiency (excess)	<u>\$</u>	<u>\$</u>
Town's covered payroll	\$ 13,630,224	\$ 13,018,275
Contributions as a percentage of covered payroll	0.16%	0.16%
<b>Public Safety Personnel Retirement System - Police - Health Insurance Premium:</b>		
Actuarially determined contribution	\$ 22,911	\$ 27,397
Contributions in relation to the actuarially determined contribution	<u>22,911</u>	<u>27,397</u>
Contribution deficiency (excess)	<u>\$</u>	<u>\$</u>
Town's covered payroll	\$ 6,942,593	\$ 7,209,721
Contributions as a percentage of covered payroll	0.33%	0.38%
<b>Public Safety Personnel Retirement System - Dispatchers - Health Insurance Premium:</b>		
Actuarially determined contribution	\$	\$
Contributions in relation to the actuarially determined contribution	<u></u>	<u></u>
Contribution deficiency (excess)	<u>\$</u>	<u>\$</u>
Town's covered payroll	\$ 202,262	\$ 201,687
Contributions as a percentage of covered payroll	0.00%	0.00%

NOTE: The pension and OPEB 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**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2019**

**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 AND OPEB PLAN SCHEDULES**

**Actuarial Assumptions for Valuations Performed.** The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated, which is the most recent actuarial valuation. The actuarial assumptions used are disclosed in the notes to the financial statements.

**Factors that Affect Trends.** The actuarial assumptions used in the June 30, 2017, valuation for ASRS were based on the results of an actuarial experience study for the five-year period ended June 30, 2016. 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, 2017, actuarial valuation.

The actuarial assumptions used in the June 30, 2018, valuation for PSPRS were based on the results of an actuarial experience study for the 5-year period ended June 30, 2016. Several actuarial assumptions were adjusted as a result of the study, including decreasing wage inflation from 4.0% to 3.5%.

Arizona courts have ruled that provisions of a 2011 law that changed the mechanism for funding permanent pension benefit increases and increased employee pension contribution rates were unconstitutional. As a result, the PSPRS changed benefit terms to reflect the prior mechanism for funding permanent benefit increases for those members and revised actuarial assumptions to explicitly value future permanent benefit increases. These changes increased the PSPRS-required contributions beginning in fiscal year 2019 for members who retired or will retire after the law's effective date.

In addition, the Town refunded excess employee contributions to PSPRS members. PSPRS allowed the Town to reduce its actual employer contributions for the refund amounts. As a result, the Town's pension contributions were less than the actuarially or statutorily determined contributions for 2018.

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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, 2019**

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 1,107,475	\$ 193,359	\$ 4,247,692
Accounts receivable	60,041		
Intergovernmental receivable	322,084		
Special assessments		335,000	
<b>Total assets</b>	<u>\$ 1,489,600</u>	<u>\$ 528,359</u>	<u>\$ 4,247,692</u>
<b><u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES</u></b>			
<b><u>AND FUND BALANCES</u></b>			
Liabilities:			
Accounts payable	\$ 328,063	\$ 1,250	\$ 31,261
Accrued wages and benefits	65,268		
Unearned revenue			302,872
<b>Total liabilities</b>	<u>393,331</u>	<u>1,250</u>	<u>334,133</u>
Deferred inflows of resources:			
Unavailable revenues - special assessments		<u>335,000</u>	
Fund balances:			
Restricted	1,096,269	192,109	3,897,841
Committed			15,718
<b>Total fund balances</b>	<u>1,096,269</u>	<u>192,109</u>	<u>3,913,559</u>
<b>Total liabilities, deferred inflows of resources</b>			
<b>and fund balances</b>	<u>\$ 1,489,600</u>	<u>\$ 528,359</u>	<u>\$ 4,247,692</u>

Total Non-Major  
Governmental  
Funds

\$ 5,548,526  
60,041  
322,084  
335,000  
\$ 6,265,651

\$ 360,574  
65,268  
302,872  
728,714

335,000

5,186,219  
15,718  
5,201,937

\$ 6,265,651

**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, 2019**

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
<b>Revenues:</b>			
Development impact fees	\$	\$	\$ 1,039,763
Special assessments		174,066	
Intergovernmental	3,690,836	56,013	250,000
Licenses, fees & permits	31,213		
Fines, forfeitures & penalties	81,614		
Investment income:			
Interest	107,584	85,152	36,582
Net increase in the fair value of investments	23,619		126,414
Other	7,115	112,381	
<b>Total revenues</b>	<u>3,941,981</u>	<u>427,612</u>	<u>1,452,759</u>
<b>Expenditures:</b>			
Current -			
Public safety	199,608		
Highway and streets	2,999,923		
Capital outlay	1,009,190		781,076
Debt service -			
Principal retirement		918,772	
Interest and fiscal charges		297,123	
<b>Total expenditures</b>	<u>4,208,721</u>	<u>1,215,895</u>	<u>781,076</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(266,740)</u>	<u>(788,283)</u>	<u>671,683</u>
<b>Other financing sources (uses):</b>			
Transfers in		884,180	
Transfers out			(86)
<b>Total other financing sources (uses)</b>		<u>884,180</u>	<u>(86)</u>
<b>Changes in fund balances</b>	<u>(266,740)</u>	<u>95,897</u>	<u>671,597</u>
<b>Fund balances, beginning of year</b>	1,363,009	96,212	3,241,962
<b>Fund balances, end of year</b>	<u>\$ 1,096,269</u>	<u>\$ 192,109</u>	<u>\$ 3,913,559</u>

Total Non-Major  
Governmental  
Funds

\$ 1,039,763  
174,066  
3,996,849  
31,213  
81,614  
  
229,318  
150,033  
119,496  
5,822,352

199,608  
2,999,923  
1,790,266

918,772  
297,123  
6,205,692

(383,340)

884,180  
(86)  
884,094

500,754

4,701,183

\$ 5,201,937

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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.

**TOWN OF ORO VALLEY, ARIZONA**  
**COMBINING BALANCE SHEET - NON-MAJOR SPECIAL REVENUE FUNDS**  
**JUNE 30, 2019**

	HURF	State Seizures and Forfeitures	Federal Seizures and Forfeitures
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 876,416	\$ 193,778	\$ 37,281
Accounts receivable	60,041		
Intergovernmental receivable	322,084		
<b>Total assets</b>	\$ 1,258,541	\$ 193,778	\$ 37,281
 <b><u>LIABILITIES AND FUND BALANCES</u></b>			
Liabilities:			
Accounts payable	\$ 326,367	\$ 984	\$ 712
Accrued wages and benefits	65,268		
<b>Total liabilities</b>	391,635	984	712
Fund balances:			
Restricted	866,906	192,794	36,569
<b>Total fund balances</b>	866,906	192,794	36,569
 <b>Total liabilities and fund balances</b>	 \$ 1,258,541	 \$ 193,778	 \$ 37,281

Totals

\$	1,107,475
	60,041
	<u>322,084</u>
\$	<u><u>1,489,600</u></u>

\$	328,063
	65,268
	<u>393,331</u>

	<u>1,096,269</u>
	<u>1,096,269</u>

\$	<u><u>1,489,600</u></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, 2019**

	HURF	State Seizures and Forfeitures	Federal Seizures and Forfeitures
<b>Revenues:</b>			
Intergovernmental	\$ 3,690,836	\$	\$
Licenses, fees & permits	31,213		
Fines, forfeitures & penalties		58,825	22,789
Investment income:			
Interest	98,483	5,320	3,781
Net increase in the fair value of investments	23,619		
Other	7,115		
<b>Total revenues</b>	3,851,266	64,145	26,570
<b>Expenditures:</b>			
Current -			
Public safety		96,523	103,085
Highway and streets	2,999,923		
Capital outlay	945,156	4,056	59,978
<b>Total expenditures</b>	3,945,079	100,579	163,063
<b>Changes in fund balances</b>	(93,813)	(36,434)	(136,493)
<b>Fund balances, beginning of year</b>	960,719	229,228	173,062
<b>Fund balances, end of year</b>	\$ 866,906	\$ 192,794	\$ 36,569

Totals

\$	3,690,836
	31,213
	81,614
	107,584
	23,619
	7,115
	<u>3,941,981</u>

	199,608
	2,999,923
	<u>1,009,190</u>
	<u>4,208,721</u>

(266,740)

1,363,009

\$	<u><u>1,096,269</u></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, 2019**

	HURF		Variance - Positive (Negative)
	Budget	Actual	
<b>Revenues:</b>			
Intergovernmental	\$ 3,456,659	\$ 3,690,836	\$ 234,177
Licenses, fees & permits	48,700	31,213	(17,487)
Fines, forfeitures & penalties			
Investment income:			
Interest	50,000	98,483	48,483
Net increase in the fair value of investments		23,619	23,619
Other	3,000	7,115	4,115
<b>Total revenues</b>	<u>3,558,359</u>	<u>3,851,266</u>	<u>292,907</u>
<b>Expenditures:</b>			
Current -			
Public safety			
Highway and streets	3,417,395	2,999,923	417,472
Capital outlay	1,495,500	945,156	550,344
<b>Total expenditures</b>	<u>4,912,895</u>	<u>3,945,079</u>	<u>967,816</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(1,354,536)</u>	<u>(93,813)</u>	<u>1,260,723</u>
<b>Other financing sources (uses):</b>			
Transfers in	550,000		(550,000)
<b>Total other financing sources (uses)</b>	<u>550,000</u>		<u>(550,000)</u>
<b>Changes in fund balances</b>	<u>(804,536)</u>	<u>(93,813)</u>	<u>710,723</u>
<b>Fund balances, beginning of year</b>		960,719	960,719
<b>Fund balances (deficits), end of year</b>	<u>\$ (804,536)</u>	<u>\$ 866,906</u>	<u>\$ 1,671,442</u>

State Seizures and Forfeitures			Federal Seizures and Forfeitures		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$	\$	\$	\$	\$	\$
325,000	58,825	(266,175)		22,789	22,789
	5,320	5,320		3,781	3,781
<u>325,000</u>	<u>64,145</u>	<u>(260,855)</u>	<u></u>	<u>26,570</u>	<u>26,570</u>
604,393	96,523	507,870		103,085	(103,085)
	4,056	(4,056)		59,978	(59,978)
<u>604,393</u>	<u>100,579</u>	<u>503,814</u>	<u></u>	<u>163,063</u>	<u>(163,063)</u>
<u>(279,393)</u>	<u>(36,434)</u>	<u>242,959</u>	<u></u>	<u>(136,493)</u>	<u>(136,493)</u>
<u>(279,393)</u>	<u>(36,434)</u>	<u>242,959</u>	<u></u>	<u>(136,493)</u>	<u>(136,493)</u>
	229,228	229,228		173,062	173,062
<u>\$ (279,393)</u>	<u>\$ 192,794</u>	<u>\$ 472,187</u>	<u>\$</u>	<u>\$ 36,569</u>	<u>\$ 36,569</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, 2019**

	Totals		Variance - Positive (Negative)
	Budget	Actual	
<b>Revenues:</b>			
Intergovernmental	\$ 3,456,659	\$ 3,690,836	\$ 234,177
Licenses, fees & permits	48,700	31,213	(17,487)
Fines, forfeitures & penalties	325,000	81,614	(243,386)
Investment income:			
Interest	50,000	107,584	57,584
Net increase in the fair value of investments		23,619	23,619
Other	3,000	7,115	4,115
<b>Total revenues</b>	<u>3,883,359</u>	<u>3,941,981</u>	<u>58,622</u>
<b>Expenditures:</b>			
Current -			
Public safety	604,393	199,608	404,785
Highway and streets	3,417,395	2,999,923	417,472
Capital outlay	1,495,500	1,009,190	486,310
<b>Total expenditures</b>	<u>5,517,288</u>	<u>4,208,721</u>	<u>1,308,567</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(1,633,929)</u>	<u>(266,740)</u>	<u>1,367,189</u>
<b>Other financing sources (uses):</b>			
Transfers in	550,000		(550,000)
<b>Total other financing sources (uses)</b>	<u>550,000</u>		<u>(550,000)</u>
<b>Changes in fund balances</b>	<u>(1,083,929)</u>	<u>(266,740)</u>	<u>817,189</u>
<b>Fund balances, beginning of year</b>		1,363,009	1,363,009
<b>Fund balances (deficits), end of year</b>	<u>\$ (1,083,929)</u>	<u>\$ 1,096,269</u>	<u>\$ 2,180,198</u>

## MUNICIPAL DEBT SERVICE FUNDS

**Municipal Debt Service** - to account for the payments of debt service on the Series 2010 Excise Tax Revenue Obligations, the Series 2012 Excise Tax Revenue Obligations, the Series 2015 Excise Tax Revenue Refunding Obligations, the Series 2016 Excise Tax Revenue Obligations, the Series 2017 Refunding Excise Tax Revenue Obligations, and the Series 2018 Excise Tax Revenue 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, 2019**

	<u>Municipal Debt Service</u>	<u>Oracle Road Debt Service</u>	<u>Totals</u>
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 183,187	\$ 10,172	\$ 193,359
Special assessments		335,000	335,000
<b>Total assets</b>	<u>\$ 183,187</u>	<u>\$ 345,172</u>	<u>\$ 528,359</u>
<b><u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u></b>			
Liabilities:			
Accounts payable	\$ 1,000	\$ 250	\$ 1,250
<b>Total liabilities</b>	<u>1,000</u>	<u>250</u>	<u>1,250</u>
Deferred inflows of resources:			
Unavailable revenues - special assessments		335,000	335,000
Fund balances:			
Restricted	182,187	9,922	192,109
<b>Total fund balances</b>	<u>182,187</u>	<u>9,922</u>	<u>192,109</u>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<u>\$ 183,187</u>	<u>\$ 345,172</u>	<u>\$ 528,359</u>

**TOWN OF ORO VALLEY, ARIZONA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**NON-MAJOR DEBT SERVICE FUNDS**  
**YEAR ENDED JUNE 30, 2019**

	<u>Municipal Debt Service</u>	<u>Oracle Road Debt Service</u>	<u>Totals</u>
<b>Revenues:</b>			
Special assessments	\$	\$ 174,066	\$ 174,066
Intergovernmental	56,013		56,013
Investment income:			
Interest	85,152		85,152
Other	110,639	1,742	112,381
<b>Total revenues</b>	<u>251,804</u>	<u>175,808</u>	<u>427,612</u>
<b>Expenditures:</b>			
Debt service -			
Principal retirement	763,772	155,000	918,772
Interest and fiscal charges	275,760	21,363	297,123
<b>Total expenditures</b>	<u>1,039,532</u>	<u>176,363</u>	<u>1,215,895</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(787,728)</u>	<u>(555)</u>	<u>(788,283)</u>
<b>Other financing sources (uses):</b>			
Transfers in	881,180	3,000	884,180
<b>Total other financing sources (uses)</b>	<u>881,180</u>	<u>3,000</u>	<u>884,180</u>
<b>Changes in fund balances</b>	<u>93,452</u>	<u>2,445</u>	<u>95,897</u>
<b>Fund balances, beginning of year</b>	88,735	7,477	96,212
<b>Fund balances, end of year</b>	<u>\$ 182,187</u>	<u>\$ 9,922</u>	<u>\$ 192,109</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, 2019**

	Municipal Debt Service		
	Budget	Actual	Variance - Positive (Negative)
<b>Revenues:</b>			
Special assessments	\$	\$	\$
Intergovernmental	47,578	56,013	8,435
Investment income:			
Interest		85,152	85,152
Other	100,000	110,639	10,639
<b>Total revenues</b>	<u>147,578</u>	<u>251,804</u>	<u>104,226</u>
<b>Expenditures:</b>			
Debt service -			
Principal retirement	763,772	763,772	
Interest and fiscal charges	357,727	275,760	81,967
<b>Total expenditures</b>	<u>1,121,499</u>	<u>1,039,532</u>	<u>81,967</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(973,921)</u>	<u>(787,728)</u>	<u>186,193</u>
<b>Other financing sources (uses):</b>			
Transfers in	881,094	881,180	86
<b>Total other financing sources (uses)</b>	<u>881,094</u>	<u>881,180</u>	<u>86</u>
<b>Changes in fund balances</b>	<u>(92,827)</u>	<u>93,452</u>	<u>186,279</u>
<b>Fund balances, beginning of year</b>		88,735	88,735
<b>Fund balances (deficits), end of year</b>	<u>\$ (92,827)</u>	<u>\$ 182,187</u>	<u>\$ 275,014</u>

Oracle Road Debt Service			Totals		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$ 184,428	\$ 174,066	\$ (10,362)	\$ 184,428	\$ 174,066	\$ (10,362)
			47,578	56,013	8,435
	1,742	1,742	100,000	85,152	85,152
<u>184,428</u>	<u>175,808</u>	<u>(8,620)</u>	<u>332,006</u>	<u>427,612</u>	<u>95,606</u>
155,000	155,000		918,772	918,772	
39,165	21,363	17,802	396,892	297,123	99,769
<u>194,165</u>	<u>176,363</u>	<u>17,802</u>	<u>1,315,664</u>	<u>1,215,895</u>	<u>99,769</u>
<u>(9,737)</u>	<u>(555)</u>	<u>9,182</u>	<u>(983,658)</u>	<u>(788,283)</u>	<u>195,375</u>
3,000	3,000		884,094	884,180	86
<u>3,000</u>	<u>3,000</u>		<u>884,094</u>	<u>884,180</u>	<u>86</u>
<u>(6,737)</u>	<u>2,445</u>	<u>9,182</u>	<u>(99,564)</u>	<u>95,897</u>	<u>195,461</u>
	7,477	7,477		96,212	96,212
<u>\$ (6,737)</u>	<u>\$ 9,922</u>	<u>\$ 16,659</u>	<u>\$ (99,564)</u>	<u>\$ 192,109</u>	<u>\$ 291,673</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, 2019**

	<u>Townwide Roadway Development Impact Fees</u>	<u>General Impact Fees</u>	<u>Townwide Facilities Projects</u>
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 3,588,151	\$ 643,823	\$ 15,718
<b>Total assets</b>	<u>\$ 3,588,151</u>	<u>\$ 643,823</u>	<u>\$ 15,718</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>			
Liabilities:			
Accounts payable	\$ 27,335	\$ 3,926	\$
Unearned revenue	302,872		
<b>Total liabilities</b>	<u>330,207</u>	<u>3,926</u>	<u></u>
Fund balances:			
Restricted	3,257,944	639,897	
Committed			15,718
<b>Total fund balances</b>	<u>3,257,944</u>	<u>639,897</u>	<u>15,718</u>
<b>Total liabilities and fund balances</b>	<u>\$ 3,588,151</u>	<u>\$ 643,823</u>	<u>\$ 15,718</u>

Totals

\$ 4,247,692  
\$ 4,247,692

\$ 31,261  
302,872  
334,133

3,897,841  
15,718  
3,913,559

\$ 4,247,692

**TOWN OF ORO VALLEY, ARIZONA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**NON-MAJOR CAPITAL PROJECTS FUNDS**  
**YEAR ENDED JUNE 30, 2019**

	Townwide Roadway Development Impact Fees	General Impact Fees	Townwide Facilities Projects
<b>Revenues:</b>			
Development impact fees	\$ 686,547	\$ 353,216	\$
Intergovernmental	250,000		
Investment income:			
Interest	28,838	7,744	
Net increase in the fair value of investments	119,296	7,118	
<b>Total revenues</b>	<u>1,084,681</u>	<u>368,078</u>	<u></u>
<b>Expenditures:</b>			
Current -			
Capital outlay	123,271	657,805	
<b>Total expenditures</b>	<u>123,271</u>	<u>657,805</u>	<u></u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>961,410</u>	<u>(289,727)</u>	<u></u>
<b>Other financing sources (uses):</b>			
Transfers out	<u></u>	<u></u>	<u></u>
<b>Total other financing sources (uses)</b>	<u></u>	<u></u>	<u></u>
<b>Changes in fund balances</b>	<u>961,410</u>	<u>(289,727)</u>	<u></u>
<b>Fund balances, beginning of year</b>	2,296,534	929,624	15,718
<b>Fund balances, end of year</b>	<u>\$ 3,257,944</u>	<u>\$ 639,897</u>	<u>\$ 15,718</u>

Energy Efficiency Project	Totals
\$	\$ 1,039,763
	250,000
	36,582
	126,414
	<u>1,452,759</u>
	781,076
	<u>781,076</u>
	671,683
<u>(86)</u>	<u>(86)</u>
<u>(86)</u>	<u>(86)</u>
<u>(86)</u>	<u>671,597</u>
86	3,241,962
<u>\$</u>	<u>\$ 3,913,559</u>



**TOWN OF ORO VALLEY, ARIZONA**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL**  
**ALL CAPITAL PROJECTS FUNDS**  
**YEAR ENDED JUNE 30, 2019**

	Townwide Roadway Development Impact Fees		
	Budget	Actual	Variance - Positive (Negative)
<b>Revenues:</b>			
Development impact fees	\$ 510,964	\$ 686,547	\$ 175,583
Intergovernmental	250,000	250,000	
Charges for services			
Investment income:			
Interest	10,000	28,838	18,838
Net increase in the fair value of investments		119,296	119,296
Other			
<b>Total revenues</b>	770,964	1,084,681	313,717
<b>Expenditures:</b>			
Current -			
Capital outlay	3,152,090	123,271	3,028,819
Debt service -			
Bond issuance costs			
<b>Total expenditures</b>	3,152,090	123,271	3,028,819
<b>Excess (deficiency) of revenues over expenditures</b>	(2,381,126)	961,410	3,342,536
<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>	(2,381,126)	961,410	3,342,536
<b>Fund balances, beginning of year, as restated</b>		2,296,534	2,296,534
<b>Fund balances (deficits), end of year</b>	\$ (2,381,126)	\$ 3,257,944	\$ 5,639,070

General Impact Fees			Townwide Facilities Projects		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$ 373,614	\$ 353,216	\$ (20,398)	\$	\$	\$
2,000	7,744	5,744			
	7,118	7,118			
<u>375,614</u>	<u>368,078</u>	<u>(7,536)</u>			
1,266,170	657,805	608,365	15,718		15,718
<u>1,266,170</u>	<u>657,805</u>	<u>608,365</u>	<u>15,718</u>		<u>15,718</u>
<u>(890,556)</u>	<u>(289,727)</u>	<u>600,829</u>	<u>(15,718)</u>		<u>15,718</u>
<u>(890,556)</u>	<u>(289,727)</u>	<u>600,829</u>	<u>(15,718)</u>		<u>15,718</u>
	929,624	929,624		15,718	15,718
<u>\$ (890,556)</u>	<u>\$ 639,897</u>	<u>\$ 1,530,453</u>	<u>\$ (15,718)</u>	<u>\$ 15,718</u>	<u>\$ 31,436</u>

(Continued)

**TOWN OF ORO VALLEY, ARIZONA**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL**  
**ALL CAPITAL PROJECTS FUNDS**  
**YEAR ENDED JUNE 30, 2019**

	General Government CIP		Variance - Positive (Negative)
	Budget	Actual	
<b>Revenues:</b>			
Development impact fees	\$	\$	\$
Intergovernmental		261,090	261,090
Charges for services		420,396	420,396
Investment income:			
Interest		41,535	41,535
Net increase in the fair value of investments		46,902	46,902
Other	420,400	321,982	(98,418)
<b>Total revenues</b>	<u>420,400</u>	<u>1,091,905</u>	<u>671,505</u>
<b>Expenditures:</b>			
Current -			
Capital outlay	10,253,256	6,302,749	3,950,507
Debt service -			
Bond issuance costs		35,000	(35,000)
<b>Total expenditures</b>	<u>10,253,256</u>	<u>6,337,749</u>	<u>3,915,507</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(9,832,856)</u>	<u>(5,245,844)</u>	<u>4,587,012</u>
<b>Other financing sources (uses):</b>			
Issuance of revenue bonds	3,000,000	2,035,000	(965,000)
Transfers in	3,403,000	3,403,000	
Transfers out			
<b>Total other financing sources (uses)</b>	<u>6,403,000</u>	<u>5,438,000</u>	<u>(965,000)</u>
<b>Changes in fund balances</b>	<u>(3,429,856)</u>	<u>192,156</u>	<u>3,622,012</u>
<b>Fund balances, beginning of year, as restated</b>		3,418,889	3,418,889
<b>Fund balances (deficits), end of year</b>	<u>\$ (3,429,856)</u>	<u>\$ 3,611,045</u>	<u>\$ 7,040,901</u>

PAG/RTA			Energy Efficiency Project		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$ 11,964,000	\$ 6,344,349	\$ (5,619,651)	\$	\$	\$
22,500	29,513	7,013			
<u>11,986,500</u>	<u>6,373,862</u>	<u>(5,612,638)</u>			
12,867,634	6,503,410	6,364,224			
<u>12,867,634</u>	<u>6,503,410</u>	<u>6,364,224</u>			
<u>(881,134)</u>	<u>(129,548)</u>	<u>751,586</u>			
				(86)	(86)
				(86)	(86)
<u>(881,134)</u>	<u>(129,548)</u>	<u>751,586</u>		<u>(86)</u>	<u>(86)</u>
	695,684	695,684		86	86
<u>\$ (881,134)</u>	<u>\$ 566,136</u>	<u>\$ 1,447,270</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

(Continued)

**TOWN OF ORO VALLEY, ARIZONA**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL**  
**ALL CAPITAL PROJECTS FUNDS**  
**YEAR ENDED JUNE 30, 2019**

	Totals		Variance - Positive (Negative)
	Budget	Actual	
<b>Revenues:</b>			
Development impact fees	\$ 884,578	\$ 1,039,763	\$ 155,185
Intergovernmental	12,214,000	6,855,439	(5,358,561)
Charges for services		420,396	420,396
Investment income:			
Interest	12,000	78,117	66,117
Net increase in the fair value of investments		173,316	173,316
Other	442,900	351,495	(91,405)
<b>Total revenues</b>	<u>13,553,478</u>	<u>8,918,526</u>	<u>(4,634,952)</u>
<b>Expenditures:</b>			
Current -			
Capital outlay	27,554,868	13,587,235	13,967,633
Debt service -			
Bond issuance costs		35,000	(35,000)
<b>Total expenditures</b>	<u>27,554,868</u>	<u>13,622,235</u>	<u>13,932,633</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(14,001,390)</u>	<u>(4,703,709)</u>	<u>9,297,681</u>
<b>Other financing sources (uses):</b>			
Issuance of revenue bonds	3,000,000	2,035,000	(965,000)
Transfers in	3,403,000	3,403,000	
Transfers out		(86)	(86)
<b>Total other financing sources (uses)</b>	<u>6,403,000</u>	<u>5,437,914</u>	<u>(965,086)</u>
<b>Changes in fund balances</b>	<u>(7,598,390)</u>	<u>734,205</u>	<u>8,332,595</u>
<b>Fund balances, beginning of year, as restated</b>		7,356,535	7,356,535
<b>Fund balances (deficits), end of year</b>	<u>\$ (7,598,390)</u>	<u>\$ 8,090,740</u>	<u>\$ 15,689,130</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)

	2015	2016	2017	2018	2019
Governmental activities					
Net investment in capital assets	\$ 133,800,218	\$ 132,419,826	\$ 133,414,691	\$ 137,311,856	\$ 141,506,384
Restricted	3,599,966	4,653,905	6,006,584	4,424,244	5,752,355
Unrestricted	<u>(9,493,907)</u>	<u>(10,883,206)</u>	<u>(15,397,688)</u>	<u>(11,583,669)</u>	<u>(10,619,492)</u>
Total governmental activities net position	<u>\$ 127,906,277</u>	<u>\$ 126,190,525</u>	<u>\$ 124,023,587</u>	<u>\$ 130,152,431</u>	<u>\$ 136,639,247</u>
Business-type activities					
Net investment in capital assets	\$ 54,858,448	\$ 61,261,271	\$ 66,755,370	\$ 69,036,006	\$ 73,170,068
Unrestricted	<u>20,092,694</u>	<u>19,504,748</u>	<u>18,721,247</u>	<u>21,397,377</u>	<u>23,499,030</u>
Total business-type activities net position	<u>\$ 74,951,142</u>	<u>\$ 80,766,019</u>	<u>\$ 85,476,617</u>	<u>\$ 90,433,383</u>	<u>\$ 96,669,098</u>
Primary government					
Net investment in capital assets	\$ 188,658,666	\$ 193,681,097	\$ 200,170,061	\$ 206,347,862	\$ 214,676,452
Restricted	3,599,966	4,653,905	6,006,584	4,424,244	5,752,355
Unrestricted	<u>10,598,787</u>	<u>8,621,542</u>	<u>3,323,559</u>	<u>9,813,708</u>	<u>12,879,538</u>
Total primary government net position	<u>\$ 202,857,419</u>	<u>\$ 206,956,544</u>	<u>\$ 209,500,204</u>	<u>\$ 220,585,814</u>	<u>\$ 233,308,345</u>
	2010	2011	2012	2013	2014
Governmental activities					
Net investment in capital assets	\$ 127,712,057	\$ 132,956,156	\$ 135,336,862	\$ 134,512,094	\$ 133,714,821
Restricted	9,580,610	9,048,505	11,454,390	3,730,312	4,555,138
Unrestricted	<u>15,979,093</u>	<u>10,588,160</u>	<u>10,808,596</u>	<u>18,901,112</u>	<u>18,430,146</u>
Total governmental activities net position	<u>\$ 153,271,760</u>	<u>\$ 152,592,821</u>	<u>\$ 157,599,848</u>	<u>\$ 157,143,518</u>	<u>\$ 156,700,105</u>
Business-type activities					
Net investment in capital assets	\$ 31,383,715	\$ 40,005,568	\$ 45,669,488	\$ 48,802,267	\$ 52,775,561
Unrestricted	<u>24,404,427</u>	<u>20,371,225</u>	<u>19,067,780</u>	<u>19,501,676</u>	<u>21,541,202</u>
Total business-type activities net position	<u>\$ 55,788,142</u>	<u>\$ 60,376,793</u>	<u>\$ 64,737,268</u>	<u>\$ 68,303,943</u>	<u>\$ 74,316,763</u>
Primary government					
Net investment in capital assets	\$ 159,095,772	\$ 172,961,724	\$ 181,006,350	\$ 183,314,361	\$ 186,490,382
Restricted	9,580,610	9,048,505	11,454,390	3,730,312	4,555,138
Unrestricted	<u>40,383,520</u>	<u>30,959,385</u>	<u>29,876,376</u>	<u>38,402,788</u>	<u>39,971,348</u>
Total primary government net position	<u>\$ 209,059,902</u>	<u>\$ 212,969,614</u>	<u>\$ 222,337,116</u>	<u>\$ 225,447,461</u>	<u>\$ 231,016,868</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)

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Expenses</b>										
Governmental activities:										
General government	\$ 9,950,053	\$ 9,887,523	\$ 9,961,376	\$ 9,861,131	\$ 10,990,007	\$ 11,533,702	\$ 11,888,794	\$ 12,130,905	\$ 12,639,867	\$ 14,727,150
Public safety	13,730,593	12,509,201	12,349,948	12,770,224	13,814,914	16,587,168	16,123,500	22,251,172	17,683,197	18,958,436
Highways and streets	9,353,689	8,895,987	9,339,062	9,255,004	8,754,110	9,400,140	9,089,318	9,417,459	7,505,589	10,791,469
Transit					1,275,093	1,404,646	1,432,910	1,533,258	1,505,341	1,125,490
Culture and recreation	3,527,949	3,375,281	3,227,895	2,783,633	3,399,623	4,572,490	9,695,639	10,204,276	10,111,731	9,699,357
Interest on long-term debt	1,767,155	430,570	654,262	522,917	656,260	439,027	494,732	511,502	350,404	355,545
Total governmental activities/expenses	<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>	<u>49,796,129</u>	<u>55,657,447</u>
Business-type activities:										
Water	12,830,137	12,527,851	11,984,829	13,047,373	13,572,677	13,608,931	14,406,074	14,753,418	15,568,288	15,089,673
Stormwater drainage	486,994	586,006	636,966	983,975	749,038	854,510	917,898	1,115,494	1,190,898	1,291,490
Total business-type activities expenses	<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>	<u>16,759,186</u>	<u>16,381,163</u>
Total primary government expenses	<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>	<u>\$ 66,555,315</u>	<u>\$ 72,038,610</u>
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
General government	\$ 2,261,815	\$ 2,455,182	\$ 3,079,526	\$ 3,740,046	\$ 3,978,117	\$ 3,516,359	\$ 4,096,927	\$ 4,901,504	\$ 5,084,396	\$ 4,920,132
Public safety	28,785	33,976	33,109	45,346	35,976	29,097	168,808	138,075	128,651	173,488
Highways and streets	137,436	400,977	329,420	1,052,581	546,066	496,098	764,397	1,052,167	1,039,542	754,388
Transit					71,078	72,783	88,684	100,052	119,536	138,125
Culture and recreation	119,273	126,290	82,832	169,965	435,354	1,108,734	4,373,693	4,611,576	5,096,804	5,014,018
Operating grants and contributions	4,728,050	4,887,283	5,247,844	5,318,097	4,706,844	5,070,396	5,503,530	4,664,197	4,949,928	4,669,814
Capital grants and contributions	6,514,602	8,980,239	7,107,063	2,920,335	2,919,641	2,456,727	3,602,656	6,749,407	5,529,831	8,302,441
Total governmental activities program revenues	<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>	<u>21,948,688</u>	<u>23,972,406</u>
Business-type activities:										
Charges for services:										
Water	15,136,784	15,119,065	15,817,345	16,732,600	19,286,794	16,088,681	16,739,580	18,158,385	19,455,685	17,519,158
Stormwater Utility	927,238	888,391	752,212	813,400	759,428	771,594	828,258	1,314,787	1,386,278	1,426,246
Operating grants and contributions							35,000			
Capital grants and contributions	362,273	1,655,307	245,607	48,871	179,675	1,979,037	3,334,372	1,097,285	870,920	2,899,213
Total business-type activities program revenues	<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>	<u>21,712,883</u>	<u>21,844,617</u>
Total primary government program revenues	<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>	<u>\$ 43,661,571</u>	<u>\$ 45,817,023</u>

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Net (Expense)/Revenues</b>										
Governmental activities	\$ (24,539,478)	\$ (18,214,615)	\$ (19,652,749)	\$ (21,946,539)	\$ (26,196,931) 0	\$ (31,186,979)	\$ (30,126,198)	\$ (33,831,594)	\$ (27,847,441)	\$ (31,685,041)
Business-type activities	3,109,164	4,548,906	4,193,369	3,563,523	5,904,182 0	4,375,871	5,613,238	4,701,545	4,953,697	5,463,454
Total primary government net expenses	<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>	<u>\$ (22,893,744)</u>	<u>\$ (26,221,587)</u>
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities:										
Taxes:										
Sales taxes	\$ 12,970,865	\$ 11,572,148	\$ 12,799,678	\$ 14,241,065	\$ 15,286,001	\$ 16,132,159	\$ 16,998,464	\$ 19,767,720	\$ 21,664,398	\$ 22,924,400
Franchise taxes	509,285	514,814	525,427	539,477	571,731	582,064	621,546	647,830	656,664	635,494
Impact fees*	584,113									
Unrestricted state revenue sharing	5,086,953	4,520,935	3,461,359	9,048,365	9,636,906	10,413,464	10,549,196	11,177,729	11,577,834	11,879,950
Unrestricted state sales tax revenue sharing	2,891,386	2,569,666	3,204,612							
Unrestricted auto lieu tax revenue sharing	1,484,125	1,318,989	1,479,094							
Investment income	95,625	39,124	189,606	265,787	255,702	216,175	238,210	68,435	74,542	1,132,215
Special item - Capital asset conveyance				(2,606,804)						
Transfers				2,319	3,178	3,119	3,030	2,942	2,847	2,581
Total governmental activities	<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>	<u>33,976,285</u>	<u>36,574,640</u>
Business-type activities:										
Investment income	72,244	39,745	167,106	5,471	111,816	124,887	204,669	11,995	5,916	774,842
Transfers				(2,319)	(3,178)	(3,119)	(3,030)	(2,942)	(2,847)	(2,581)
Total business-type activities	<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>	<u>3,069</u>	<u>772,261</u>
Total primary government	<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>	<u>\$ 33,979,354</u>	<u>\$ 37,346,901</u>
<b>Change in Net Position</b>										
Governmental activities	\$ (917,126)	\$ 2,321,061	\$ 2,007,027	\$ (456,330)	\$ (443,413)	\$ (3,839,998)	\$ (1,715,752)	\$ (2,166,938)	\$ 6,128,844	\$ 4,889,599
Business-type activities	3,181,408	4,588,651	4,360,475	3,566,675	6,012,820	4,497,639	5,814,877	4,710,598	4,956,766	6,235,715
Total primary government	<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>	<u>\$ 11,085,610</u>	<u>\$ 11,125,314</u>

Source: Town of Oro Valley Finance Department

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

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

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Fund										
Nonspendable	\$	\$	\$	\$	\$	\$ 31,278	\$ 97,269	\$ 130,030	\$ 141,676	\$ 129,504
Committed										13,608,565
Assigned		1,769,333	1,608,035	1,608,035	1,608,035	1,553,999	1,441,862	1,441,862	1,441,862	2,584,994
Unassigned		9,237,805	9,793,614	11,529,070	9,925,988	8,566,598	8,985,422	11,831,322	14,384,104	3,248,602
Unreserved	11,904,429									
Total general fund	<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>	<u>\$ 15,967,642</u>	<u>\$ 19,571,665</u>
All Other Governmental Funds										
Nonspendable	\$	\$	\$	\$	\$	\$ 149,348	\$ 127,600	\$ 132,538	\$ 130,202	\$ 105,403
Restricted		9,128,505	11,454,390	3,730,312	4,555,138	3,599,966	4,031,923	6,006,584	4,424,244	5,752,355
Committed		840,704	622,919	4,166,818	5,343,506	4,637,773	2,617,856	1,829,232	1,594,293	406,247
Assigned					1,500,000	1,421,593	1,340,991	1,716,361	2,209,618	3,611,045
Unassigned							(29,198)	(237,769)	(201,765)	
Unreserved, reported in:										
Special revenue funds	5,868,523									
Capital projects funds	3,933,044									
Debt service funds	1,929,635									
Total all other governmental funds	<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>	<u>\$ 8,156,592</u>	<u>\$ 9,875,050</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									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Revenues</b>										
Taxes	\$ 13,480,150	\$ 12,086,962	\$ 13,325,105	\$ 14,780,542	\$ 15,857,732	\$ 16,714,223	\$ 17,620,010	\$ 20,415,550	\$ 22,321,062	\$ 23,559,894
Intergovernmental	17,940,749	18,040,619	19,723,086	16,817,756	16,732,631	17,714,991	19,488,066	22,118,633	21,634,143	24,375,992
Fines, forfeitures, & penalties	612,031	560,941	895,820	551,962	673,336	221,571	283,470	558,692	529,687	247,283
Licenses, fees, & permits	1,108,411	1,059,309	1,185,862	1,813,947	2,116,700	1,605,937	1,915,992	2,388,951	2,679,690	2,387,832
Charges for services	965,455	926,135	1,209,814	1,630,238	1,850,181	2,991,826	5,956,058	6,226,578	6,599,847	7,206,705
Contributions and donations	59	15,000	995	27,229			149,513	150,000	133,928	
Special assessments	368,152	365,811	366,028	365,935	1,462,307	178,078	189,525	175,539	175,854	174,066
Development impact fees	584,113	481,619	417,742	988,342	569,338	439,637	795,471	1,348,528	1,346,402	1,039,763
Investment income	95,625	39,124	189,606	265,787	255,702	216,175	238,210	68,435	74,542	1,132,215
Other revenues	216,030	297,109	460,512	349,326	305,489	141,618	504,796	572,886	576,970	841,111
<b>Total revenues</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>\$ 56,072,125</b>	<b>\$ 60,964,861</b>
<b>Expenditures</b>										
General government	\$ 9,452,778	\$ 9,848,393	\$ 9,212,866	\$ 9,289,771	\$ 10,610,673	\$ 10,862,553	\$ 11,426,687	\$ 11,098,844	\$ 11,998,586	\$ 14,424,463
Public safety	12,979,291	11,928,567	11,993,864	12,342,349	13,539,322	15,071,396	15,494,532	15,725,029	16,731,963	16,250,498
Highways and streets	3,475,556	3,288,349	3,191,654	3,513,479	3,710,577	2,602,321	2,754,413	2,993,402	3,092,143	2,999,923
Transit						1,404,646	1,432,910	1,528,654	1,536,294	1,150,322
Culture and recreation	3,157,369	3,031,520	2,954,549	2,468,129	2,445,131	4,078,817	9,097,752	9,433,339	9,399,598	8,880,611
Capital outlay	3,189,765	7,014,659	6,929,834	11,053,739	5,495,185	8,093,704	7,995,340	9,196,801	10,081,427	15,293,326
Debt service										
Principal retirement	3,400,877	3,459,970	3,052,953	571,910	1,867,901	649,840	897,637	1,075,466	1,304,226	1,124,885
Interest and fiscal charges	831,580	470,578	554,274	498,729	472,268	436,010	336,510	314,914	356,661	327,421
Payment to bond escrow agent	6,279,112									
Bond Issuance costs	26,550		75,800				104,533	67,959		35,000
<b>Total expenditures</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>	<b>\$ 54,500,898</b>	<b>\$ 60,486,449</b>
Excess of revenues over (under) expenditures	\$ (7,422,103)	\$ (5,169,407)	\$ (191,224)	\$ (2,147,042)	\$ 1,682,359	\$ (2,975,231)	\$ (2,399,203)	\$ 2,589,384	\$ 1,571,227	\$ 478,412
<b>Other Financing Sources (Uses)</b>										
Premium on bonds issued	\$	\$	\$ 113,835	\$	\$	\$	\$	\$	\$	\$
Proceeds from capital lease agreements					212,895		1,043,214			
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		2,035,000
Transfers in	10,012,679	860,143	1,003,666	1,704,272	4,115,152	4,326,627	1,872,026	2,953,072	3,342,890	4,407,180
Transfers out	(10,012,679)	(795,020)	(1,003,666)	(2,001,953)	(4,111,974)	(4,323,508)	(1,868,996)	(3,250,130)	(3,640,043)	(4,404,599)
<b>Total other financing sources (uses)</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>\$ (297,153)</b>	<b>\$ 2,037,581</b>
<b>Net change in fund balances</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>	<b>\$ 1,274,074</b>	<b>\$ 2,515,993</b>
Debt service as a percentage of noncapital expenditures	10.60%	12.36%	11.55%	3.76%	7.30%	3.17%	3.00%	3.32%	3.66%	3.16%

Source: Town of Oro Valley Finance Department

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

Taxpayer	Fiscal Year 2019			Fiscal Year 2010		
	Sales Tax Payments	Rank	Percentage of Total Sales Tax Payments	Sales Tax Payments	Rank	Percentage of Total Sales Tax Payments
Taxpayer A	1,991,484	1	8.79%	920,820	2	7.56%
Taxpayer B	1,570,409	2	6.93%	\$ 1,046,296	1	8.59%
Taxpayer C	1,184,842	3	5.23%	742,217	3	6.09%
Taxpayer D	1,077,631	4	4.76%			
Taxpayer E	986,913	5	4.36%	517,781	5	4.25%
Taxpayer F	914,626	6	4.04%			
Taxpayer G	774,926	7	3.42%			
Taxpayer H	566,633	8	2.50%			
Taxpayer I	487,515	9	2.15%	282,149	7	2.32%
Taxpayer J	483,740	10	2.14%	432,374	6	3.55%
Taxpayer K				531,528	4	4.36%
Taxpayer L				263,176	8	2.16%
Taxpayer M				246,060	9	2.02%
Taxpayer N				243,979	10	2.00%
Total	\$ 10,038,719		44.32%	\$ 5,226,380		42.91%

Source: Arizona Department of Revenue

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

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Construction	\$ 2,110	\$ 1,707	\$ 1,738	\$ 2,842	\$ 3,338	\$ 3,199	\$ 2,131	\$ 4,295	\$ 4,653	\$ 4,191
Manufacturing	230	266	258	258	257	141	156	137	140	173
Transportation, Warehousing, Communications & Utilities	1,554	1,534	2,450	2,785	2,959	3,068	3,133	3,171	3,384	3,335
Wholesale Trade	75	93	106	110	103	125	131	136	154	183
Retail Trade	4,544	4,720	4,925	5,153	5,243	5,808	6,844	7,086	7,733	8,430
Restaurants, Bars & Lodging	2,283	2,314	2,314	2,164	2,761	2,803	3,295	3,473	3,907	4,299
Finance, Insurance & Real Estate	381	324	333	335	75	270	443	562	646	1,114
Services	378	417	456	456	529	599	672	702	840	963
All Other	627	102	103	75	60	115	190	202	206	237
Cable Franchise	509	515	525	540	572	582	622	648	657	635
<b>Total</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>\$ 20,412</b>	<b>\$ 22,321</b>	<b>\$ 23,560</b>
Town sales tax rate*	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.50%	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
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%
2018	2.50%	6.00%	4.00%	4.00%	6.10%
2019	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  
NET LIMITED & FULL CASH ASSESSED VALUE OF PROPERTY  
LAST TEN FISCAL YEARS  
(UNAUDITED)

<u>Year</u>	<u>Net Limited Assessed Valuation</u>	<u>Net Full Cash Assessed Valuation</u>	<u>Estimated Full Cash Value</u>	<u>Total Outstanding General Obligation Bond Debt</u>
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
2018	612,684,205	633,479,221	6,058,189,523	0
2019	645,311,769	683,985,966	6,456,152,108	0

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

Note: On November 6, 2012, voters approved Proposition 117, an amendment to the Arizona Constitution. Beginning with Tax Year 2015 (Fiscal Year 2016), both primary and secondary taxes are levied against the net limited assessed value. The net full cash assessed value is used for determining the Town's bonding capacity and as the ceiling for net limited assessed value.



TOWN OF ORO VALLEY, ARIZONA  
HISTORICAL AND PROJECTED EXCISE TAX COLLECTIONS  
JUNE 30, 2019  
(UNAUDITED)

Revenue Source	Actual								Projected	
	Fiscal Year 2012	Fiscal Year 2013	Fiscal Year 2014	Fiscal Year 2015	Fiscal Year 2016	Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2020	Fiscal Year 2021
Town Sales and Franchise Taxes	\$ 13,325,106	\$ 14,780,543	\$ 15,857,732	\$ 16,714,223	\$ 17,620,010	\$ 20,415,550	\$ 22,321,148	\$ 23,559,894	\$ 21,789,758	\$ 21,468,548
Licenses and Permits	1,185,862	1,813,947	2,116,700	1,605,937	1,915,992	2,313,504	2,679,690	2,387,832	1,984,118	1,852,864
Fines	200,672	180,875	172,232	148,050	159,154	131,637	131,393	165,669	120,000	123,600
State-Shared Sales Tax	3,204,612	3,356,826	3,569,711	3,747,944	3,887,673	3,989,179	4,210,168	4,469,774	4,660,650	4,814,451
State-Shared Income Tax	3,461,359	4,189,186	4,571,196	4,964,635	4,937,719	5,329,864	5,422,693	5,370,779	5,870,065	6,310,320
<b>Total</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>\$ 34,765,092</b>	<b>\$ 35,953,948</b>	<b>\$ 34,424,591</b>	<b>\$ 34,569,783</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			
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
2018	458,744			8,788,954	490,000	28,079,939		7,690,874	45,508,511	2.35%	1,022
2019	204,674			10,051,867	335,000	30,135,034		7,079,179	47,805,754	2.37%	1,058

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, 2019  
(UNAUDITED)

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Pima County	\$ 275,990,000	7.57%	\$ 20,892,443
Amphitheater Unified School District No. 10	82,070,000	41.38%	<u>33,960,566</u>
Total Overlapping			54,853,009
Town of Oro Valley	10,591,541	100%	<u>10,591,541</u>
Total Direct			10,591,541
Total direct and overlapping debt			<u><u>\$ 65,444,550</u></u>

Source: Pima County, Pima County Community College District and Amphitheater Unified School District No. 10.

- (1) Estimated percentage of debt outstanding applicable to the Town is calculated based on a portion of the Town's net limited assessed valuation as a percentage of the net limited assessed valuation of the overlapping jurisdiction.
- (2) Outstanding debt as of June 30, 2018 is presented for the overlapping governments as this is the most recent available information.

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

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Debt Limit	\$ 180,420,396	\$ 174,800,436	\$ 163,628,543	\$ 154,118,112	\$ 144,627,563	\$ 145,824,512	\$ 154,257,798	\$ 160,216,343	\$ 164,704,598	\$ 177,836,351
Total net debt applicable to limit										
Legal debt margin	<u>\$ 180,420,396</u>	<u>\$ 174,800,436</u>	<u>\$ 163,628,543</u>	<u>\$ 154,118,112</u>	<u>\$ 144,627,563</u>	<u>\$ 145,824,512</u>	<u>\$ 154,257,798</u>	<u>\$ 160,216,343</u>	<u>\$ 164,704,598</u>	<u>\$ 177,836,351</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  
CALCULATION OF LEGAL DEBT MARGIN  
JUNE 30, 2019  
(UNAUDITED)

Net full cash assessed valuation		\$	683,985,966
Water, Sewer, Light, Parks, Open Space and Recreational Facility Bonds			
Debt limit - 20% of net full cash assessed valuation		\$	136,797,193
Debt applicable to limit			
General obligation bonds outstanding	\$		
Less amount set aside for repayment of debt		\$	
Net debt applicable to limit			136,797,193
20% legal debt margin		\$	136,797,193
All other general obligation bonds			
Debt Limit - 6% of net full cash assessed valuation		\$	41,039,158
Debt applicable to limit			
General obligation bonds outstanding	\$		
Less amount set aside for repayment of debt		\$	
Net debt applicable to limit			41,039,158
All other general obligation bonds debt margin		\$	41,039,158
Total legal debt margin		\$	177,836,351

Source: Pima County Assessor's Office

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	
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
2018	19,455,685	2,607,710	897,871	3,505,581	5.55
2019	17,519,158	3,933,228	839,823	4,773,051	3.67

**Governmental Revenue Bonds**

Fiscal Year	Gross Revenues	Debt Service			Coverage
		Principal	Interest	Total	
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
2018	34,262,128	544,290	280,170	824,460	41.56
2019	36,414,803	763,772	284,213	1,047,985	34.75

**Special Assessment**

Fiscal Year	Gross Revenues	Debt Service			Coverage
		Principal	Interest	Total	
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
2018	175,854	150,000	26,290	176,290	1.00
2019	174,066	155,000	21,363	176,363	0.99

Source: Town of Oro Valley Finance Department

TOWN OF ORO VALLEY, ARIZONA  
HISTORICAL AND PROJECTED WATER SYSTEM REVENUES, EXPENSES, DEBT SERVICE AND COVERAGE  
LAST TEN FISCAL YEARS  
(UNAUDITED)

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Revenues:</b>										
Water revenues	\$ 12,071,031	\$ 12,038,482	\$ 11,578,981	\$ 11,585,181	\$ 12,169,375	\$ 11,280,269	\$ 12,018,429	\$ 12,493,557	\$ 13,586,667	\$ 12,413,502
Water connection fees	293,607	244,376	462,762	706,159	1,413,047	591,045	544,852	816,353	816,045	621,106
Alternative water connection fees	475,973	400,988	759,958	1,253,055	2,376,682	1,172,170	1,094,460	1,638,792	1,638,175	1,246,838
Groundwater preservation fees	1,769,142	2,096,093	2,315,277	2,527,524	2,599,718	2,330,231	2,371,100	2,440,045	2,611,075	2,213,303
Other revenues	527,031	541,299	557,222	660,681	727,972	714,965	710,740	769,638	803,723	1,024,407
Interest income	70,329	38,445	166,654		110,615	124,593	203,857	11,020		758,457
<b>Total revenues</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>19,455,685</b>	<b>18,277,613</b>
<b>Expenses:</b>										
Personnel	2,514,595	2,418,118	2,497,865	2,537,150	2,659,895	2,767,143	2,952,249	3,021,915	3,155,109	3,236,682
Operations & maintenance	4,505,751	3,721,167	3,559,807	4,564,894	4,303,230	4,530,436	5,059,998	4,719,579	3,838,409	3,445,511
CAP water costs	154,575	903,855	636,519	1,093,105	1,499,594	1,570,793	1,952,117	2,892,392	3,523,052	3,393,317
<b>Total expenses</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>	<b>10,516,570</b>	<b>10,075,510</b>
Net water system revenues	8,032,192	8,316,544	9,146,662	8,537,452	10,934,690	7,344,901	6,979,074	7,535,519	8,939,114	8,202,103
<b>Water supported debt service:</b>										
2007 WIFA Loan	369,627	316,983	316,875	316,763	311,494	311,377	311,256	311,130	311,000	310,866
2009 WIFA Loan		161,554	182,268	186,817	150,471	149,367	149,322	149,275	149,226	149,175
2014 WIFA Loan						296,972	361,059	395,534	377,158	377,060
2003 Revenue Bonds	2,544,973	2,545,935	2,545,435	980,000						
2003 Refunding Revenue Bonds	647,374	1,152,546	1,238,996	1,243,058						
2005 Excise Tax Bonds	152,672	151,744	152,099	151,245	152,565	152,516				
2007 Excise Tax Bonds	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	1,963,731	1,996,381
2013 Refunding Bonds					1,513,427	1,046,558	1,022,420	1,033,428	1,024,073	1,024,645
2015 Refunding Revenue Obligations							17,116	25,101	150,259	152,339
2017 Refunding Revenue Obligations									235,873	1,658,306
<b>Total water supported debt service</b>	<b>\$ 5,231,139</b>	<b>\$ 5,119,861</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>\$ 5,140,652</b>	<b>\$ 3,975,446</b>	<b>\$ 5,668,772</b>
<b>Debt service coverage</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>	<b>2.25</b>	<b>1.45</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
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%
2018	44,517	1,932,614,654	43,413	4.8%
2019	45,184	2,014,980,480	44,595	4.9%

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



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

<u>Employer</u>	2019			2010		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Town Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Town Employment</u>
Roche Tissue Diagnostics	1,300	1	6.78%	803	1	5.26%
Honeywell Aerospace	650	2	3.39%			
Oro Valley Hospital	605	3	3.15%	549	3	3.60%
Amphitheater Public Schools	502	4	2.62%	577	2	3.78%
Town of Oro Valley	302	5	1.57%	367	5	2.40%
Casa de la Luz Hospice	272	6	1.42%			
El Conquistador Tucson, A Hilton Resort	250	7	1.30%	400	4	2.62%
Simpleview	213	8	1.11%			
Splendido at Rancho Vistoso	204	9	1.06%			
Meggitt Securaplane	157	10	0.82%			
Wal-Mart Supercenter				321	6	2.10%
Fry's Food & Drug Store				279	7	1.83%
Home Depot				140	8	0.92%
Long Realty				126	9	0.83%
Target				121	10	0.79%
<b>Total</b>	<b>4,455</b>		<b>23.22%</b>	<b>3,683</b>		<b>24.13%</b>

Source: Town of Oro Valley Department of Economic Development. 2010 Information is from the Principal Employers Arizona Workforce Informer

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>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
<b>Administration</b>										
Town Clerk	4.73	4.69	4.54	4.56	4.56	4.90	4.54	4.44	4.60	4.00
Town Manager	10.38	7.38	7.38	7.38	8.00	7.00	7.00	7.10	7.10	8.10
Human Resources	4.00	3.48	3.48	3.50	3.50	2.00	5.00	5.00	5.00	4.00
Economic Development	1.00	3.00	3.00	3.00	2.00	2.00	3.00	1.00	1.00	1.40
Finance	8.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00
Information Systems	9.00	8.00	7.00	7.00	7.00	7.30	6.50	6.50	8.00	8.00
Legal	6.00	6.00	6.00	6.00	6.00	6.00	6.00	8.00	8.00	7.00
<b>Community Development</b>										
Building Safety	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	13.00
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	0.00	0.00	13.00
<b>Development &amp; Infrastructure Services</b>										
	27.38	26.88	103.63	83.76	81.45	78.84	77.22	73.38	73.10	0.00
<b>Parks and Recreation</b>										
	63.10	60.78	48.02	49.36	36.20	37.61	27.26	20.62	22.70	27.50
<b>Cultural Resources</b>										
	0.00	0.00	0.00	0.20	0.00	0.00	1.35	1.30	1.30	0.00
<b>Library</b>										
	0.00	0.00	0.00	0.00	0.00	0.00	0.00	18.55	18.40	18.50
<b>Police</b>										
Civilians	31.25	30.25	31.25	30.25	30.25	25.93	30.25	30.25	29.70	30.70
Officers	101.88	104.88	101.88	102.88	102.88	101.91	101.44	97.96	95.00	97.90
<b>Magistrate Court</b>										
	8.00	8.00	8.00	8.00	8.00	8.70	8.00	8.00	9.00	9.00
<b>Public Works</b>										
	70.29	65.79	0.00	0.00	0.00	0.00	0.00	0.00	0.00	47.70
<b>Water Utility</b>										
	39.48	39.48	39.48	38.48	37.48	37.00	36.00	36.00	34.00	35.00
<b>Total</b>	<b>384.49</b>	<b>375.61</b>	<b>370.66</b>	<b>351.37</b>	<b>334.32</b>	<b>326.19</b>	<b>320.56</b>	<b>325.10</b>	<b>323.90</b>	<b>331.80</b>

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>
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
2018	8,990,121	860,124	1,371,555	61,504	520,324	13,735	103,126	1,666,178	13,586,667
2019	8,849,732	856,941	1,087,648	69,363	302,780	9,627	69,091	1,168,322	12,413,504

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>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
<b>Police</b>										
Burglaries	120	100	134	105	75	77	85	71	77	50
Citations (traffic)	6,736	5,244	5,084	5,456	4,668	4,486	3,890	3,446	2,992	3,117
Investigations	732	746	711	681	765	832	824	818	915	963
Total Arrests	2,176	1,932	1,716	1,564	1,679	1,721	1,598	1,458	1,786	1,488
Thefts	567	656	571	563	561	500	586	493	567	504
<b>Development &amp; Infrastructure Services</b>										
Street resurfacing (miles)	14.8	13.9	22.4	30.5	73.4	101.0	92.0	89.0	44.0	88.0
<b>Parks and Recreation</b>										
Recreation Programs Held Annually	40	47	37	35	30	38	52	55	73	96
Months of Public Pool Operations	12	12	12	10	12	12	12	12	12	12
Parks Maintenance Man-Hours Worked	16,120	18,680	16,016	17,000	20,000	16,255	15,083	15,463	17,842	18,311
<b>Library</b>										
Collection volume	100,142	100,652	97,364	0	0	0	0	0	0	0
<b>Water</b>										
New connections	68	61	97	213	165	202	176	340	331	267
Total connections	18,441	18,502	18,599	18,812	18,977	19,179	19,355	19,588	19,924	20,217
<b>Transit</b>										
Total route miles	138,752	138,333	200,058	353,936	439,512	392,071	529,170	568,657	468,346	454,277
Passengers	15,573	14,873	20,119	32,442	39,196	39,102	45,202	51,131	49,474	47,847

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)

Year	Potable Water						Reclaimed Water
	Base Rate monthly	Tier 1 per 1,000	Tier 2 per 1,000	Tier 3 per 1,000	Tier 4 per 1,000	GPF per 1,000	Base Rate monthly
2010	\$ 14.19	\$ 2.20	\$ 2.99	\$ 4.03	\$ 5.38	\$ 0.75	\$ 14.19
2011	14.19	2.20	2.99	4.03	5.38	0.75	14.19
2012	14.19	2.20	2.99	4.03	5.38	0.95	14.19
2013	14.19	2.20	2.99	4.03	5.38	0.95	14.19
2014	14.19	2.23	3.01	4.07	5.49	0.95	14.19
2015	14.19	2.27	3.10	4.23	5.76	0.90	14.19
2016	14.19	2.32	3.19	4.40	6.05	0.90	14.19
2017	14.62	2.34	3.25	4.53	6.29	0.90	14.62
2018	16.45	2.34	3.25	4.53	6.29	0.90	14.62
2019	18.26	2.34	3.25	4.53	6.29	0.90	14.62

Source: Town of Oro Valley Water Utility

Note: The rate for all reclaimed water is \$2.27 per 1,000 gallons.

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

	<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>2018</u>	<u>2019</u>
<u>Function/Program</u>										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Substations	3	3	3	3	3	3	3	3	3	3
Patrol units	108	53	67	66	64	74	77	72	78	78
Other fleet	0	55	42	43	42	45	44	67	65	46
Development & Infrastructure Services										
Streets (miles)	214.0	203.8	203.8	205.1	421.0	421.0	421.0	421.0	421.0	421.0
Streetlights	93	93	93	95	95	95	95	95	95	95
Traffic signals	18	16	17	19	19	19	19	19	22	22
Parks and recreation										
Acreage	374	374	436	436	457	448	448	448	449	449
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	1	1	1	1	1
Golf course holes	0	0	0	0	0	45	45	45	45	45
Tennis courts	1	1	1	1	1	32	32	32	32	32
Swimming pools	1	1	2	2	2	4	4	4	4	3
Water										
Wells	18	22	22	22	18	20	20	20	19	18
Storage capacity (MG)	19	20	20	20	13	12	12	12	10	12
Booster capacity	26	25	25	25	26	27	27	27	46	33
Transit										
Transit vans	9	5	5	5	9	7	4	4	7	7
Transit mini buses	0	5	10	12	17	19	22	22	21	21

Source: Town of Oro Valley Finance Department

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