

**TOWN OF ORO VALLEY, ARIZONA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**TOWN OF ORO VALLEY, ARIZONA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Prepared by:

Finance Department

Stacey Lemos, CPA
Finance Director

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INTRODUCTORY SECTION

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TOWN OF ORO VALLEY
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Administrative Offices (520) 229-4700 Fax (520) 297-0428
www.townoforovalley.com

November 18, 2008

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, 2008.

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 from 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, 2008, 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 auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the Town's financial statements for the fiscal year ended June 30, 2008, are fairly presented in conformity with accounting principles generally accepted in the United States of America. The independent auditors' report is presented as the first component of the financial section of this report.

PROFILE OF THE TOWN

The Town of Oro Valley was incorporated in 1974. It is located in northeastern Pima County, six miles north of the Tucson city limits, and has a land area of 34.85 square miles. The Town's current population is estimated at 43,651.

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 Council Members. Council Members 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 and the hiring of the Town Manager. The Town Manager is responsible for implementation of the policies of the Town Council. The Town Manager appoints all department heads except the Chief of Police, Town Attorney and Magistrate.

The Town of Oro Valley provides a full range of services including police protection; the construction and maintenance of streets and related infrastructure; the provision of water services; public transportation services; recreational activities, a public library and cultural events. In addition to general government activities, the governing body is financially accountable for the Municipal Property Corporation; therefore, this activity is included in the reporting entity. Additional information regarding the Municipal Property Corporation can be found in Note 1 in the notes to the basic financial statements.

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 2006.

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 January and tentatively approved in June or July. 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. The Town Manager, subject to Town Council approval, may at any time transfer various unencumbered appropriation balances or portions thereof between a department or activity. The adopted budget cannot be amended in any way without Town Council approval.

A schedule of revenues, expenditures and changes in fund balances – budget and actual are provided in this report for the General and Highway User Funds. These schedules are presented as required supplementary information. For other Governmental Funds, this schedule is presented in the Combining and Individual Fund Statements and Schedules section of this report.

MAJOR INITIATIVES AND ACCOMPLISHMENTS FOR THE YEAR

During fiscal year 2007-08, the Town continued to invest in programs and amenities that keep Oro Valley the Community of Excellence it strives to be. During this time, the Mayor and Town Council was guided by the Town's adopted strategic plan which identified the following focus areas:

- Financial Sustainability
- Quality of Life
- Economic Development
- Protection of Environment and Cultural Assets
- Leadership and Communication

The following are some of the highlights and accomplishments of the Town during the fiscal year:

Town Council

- Conducted a Town-wide community survey to determine resident's satisfaction with Oro Valley's quality of life and services
- Participated in the conceptual planning process with the Arizona State Land Department for the potential annexation of State land north of Town
- Voted to place the ballot question requesting authorization for the Town to issue \$48.6 million in general obligation bonds for development of the Naranja Town Site on the November, 2008 election ballot
- Enacted a new Stormwater Utility Fee for all residential and commercial customers in Town to improve stormwater management and quality

Town Clerk

- Improved citizen access to public information by providing on-line full text search capability of the Oro Valley Town Code and implemented live voice and video streaming capability of regular Town Council meetings

Town Manager

- Launched the *Oro Valley Vista* as a full-color informational publication mailed to Town residents each month
- Hired a new Communications Administrator, Communications Specialist and Constituent Services Coordinator to enhance public outreach and communication

Police

- Implemented license plate reader program to detect stolen vehicles
- Applied for and received grant funding for safety equipment to be used at night time accident scenes
- Created an Adopt-A-Business program to address public safety concerns related to retail and restaurant sectors in Town
- Increased volunteer staffing from 80 to 100 volunteers
- Expanded Neighborhood Watch program with six new groups organized this year

Planning and Zoning

- Developed Leadership in Energy and Environmental Design (LEED) policy for adoption by the Town Council
- Conducted Household Hazardous Waste program and neighborhood cleanups for Oro Valley residents
- Completed Steam Pump Ranch Master Plan process
- Coordinated successful Citizens Planning Institute classes resulting in 24 graduates

Parks and Recreation

- Implemented RecTrac software system to allow for on-line registration of recreation programs
- Installed new pool deck surface at the James D. Kriegh pool
- Added 1.4 miles of shared use paths and 1.77 miles of paved shoulders to Town inventory
- Installed new irrigation system at James D. Kriegh Park

Public Works

- Continued implementation of Pavement Preservation Program to assess the overall condition of Town streets
- Crack sealed 80 lane miles of the Town's paved streets
- Completed safety improvements at the La Cholla and Lambert Lane intersection
- Completed safety improvements at the La Cholla and Glover Road intersection
- Hired a Stormwater Manager to manage all aspects of the utility

Water Utility

- Took 5,998 water quality samples with all results meeting federal, state and local water quality regulations
- Increased customer base in calendar year 2007 by 383 new connections for a total of 18,035 connections as of 12/31/07
- Delivered 501 million gallons of reclaimed water to area golf courses
- Began construction of Phase 2 of the reclaimed water system designed to deliver over 300 million more gallons of reclaimed water to area golf courses in the southern half of Town
- Performed 205 residential water use audits
- Analyzed and updated Alternative Water Resource Development Impact Fees to pay for future delivery of Central Arizona Project (CAP) water to Oro Valley

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.

Local Economy. The local economic outlook for the Town of Oro Valley saw a continued slowdown in residential construction activity during fiscal year 2007-08. This was offset, however, by a marked increase in commercial construction activity during the year. Sales tax collections from construction, retail trade and restaurants and bars and hotel/motel lodging are the major industries which accounted for 83% of all sales tax receipts for fiscal year 2007-08. The Town currently does not have a property tax in place, therefore the budget is very dependent on sales taxes and state shared revenues to fund ongoing programs and services. As the Town transitions from “growth” mode to “maintenance” mode over the next five to ten years, efforts continue to be made to diversify our revenues, explore the feasibility of additional revenue sources and cost control efforts.

Construction sales tax collections for fiscal year 2007-08 increased by only \$142,724 or 2% as compared to fiscal year 2006-07. Demonstrating the decline in residential development, single family residential building permits issued during fiscal year 2007-08 totaled 285, down from 335 permits issued in fiscal year 2006-07.

Sales tax collections from retail trade totaled \$4,017,101 for this fiscal year. This is an increase of \$352,601 or 10% over last fiscal year. Two new shopping centers, Oracle Crossings and Steam Pump Village, were open for a full fiscal year in 2007-08 and the construction of another major retail center began with an expected opening in the fall of 2008. This major retail center will include a Walmart Supercenter, a 12-screen movie theater complex, a Best Buy electronics store, and a selection of many other smaller shops and restaurants. When all of the expected commercial construction activity is completed, it is anticipated that there will be over two (2) million square feet of commercial retail and office space added to the Town. As such, the Town can expect to see one-time commercial building-related revenues sustained at higher levels over the next two years, as well as an increase in related retail sales taxes as those commercial centers open for business. Once this growth in commercial construction subsides, however, it is anticipated that those one-time construction-related revenues will significantly decrease as well.

The Town of Oro Valley also saw further expansion of its flourishing biotechnology sector during FY 2007-08 with the leading global pharmaceutical company, Sanofi-aventis, constructing a \$60 million research and development facility in Town. The new 110,350 square foot research and development facility has the capacity to almost double its current workforce over the next few years. Another leading biotech firm in Oro Valley, Ventana Medical Systems, was purchased by the Swiss pharmaceutical company, Roche, during FY 2007-08. Ventana has purchased an additional 17-acre site next to its existing campus and has announced a major expansion of its tissue diagnostics business over the next five to ten years.

Finally, the Town is currently assessing the annexation potential of 14 square miles of undeveloped land north of the Town that is owned by the Arizona State Land Department. Proposed land use designations target the development in this area to

consist of just less than 16,000 dwelling units, along with commercial, resort and employment center development.

The continued growth in the retail, service, tourism and biotechnology sectors in Oro Valley provide further evidence of the Town's growing, diversified economy where local residents can live, work and shop within the Town boundaries.

Long-term financial planning. On an annual basis, the Town performs a comprehensive update to its 10-Year Financial Sustainability Plan. This plan encompasses a 10-year projection of the costs of existing Town service levels, the incremental costs of increased service levels, identification of gaps in funding levels, expected revenue shortfalls and/or surpluses, and recommended service level changes or additional revenue solutions to meet the Town's needs over the long term. The scope of this analysis focuses primarily on the General Fund and the Highway User Revenue Fund. During FY 2007-08, this plan forecasted that the Town could sustain its existing service and program levels into the future with current revenue sources, but should the Town or residents desire increases in programs or service levels requiring additional staff or resources, then additional, stable revenue sources would need to be implemented to pay for them. The Town continues to maintain healthy cash reserves in its major operating funds, with the General Fund's ending fund balance of \$16.7 million equaling 57% of that fund's adopted expenditure budget of \$28.1 million (excluding the contingency reserve budget).

The Town completed its migration from a traditional line-item budget to a program-based budgeting approach during fiscal year 2007-08. By doing so, the Town will be able to measure the specific costs of providing programs and services to its residents, as well as measure the efficiency with which those programs are provided. To facilitate this change in approach, the Town implemented a new enterprise resource planning (ERP) system during fiscal year 2007-08. This is an integrated financial reporting system designed to more accurately capture costs by program area.

The Town Council continues to analyze and study all available revenue sources available to the Town in an effort to further diversify its revenue base and provide financial sustainability into the future.

Cash Management. The Town uses a system of consolidated cash management. Cash from all funds is pooled in a central disbursement fund. Cash to be used for payment of current expenditures is maintained in a checking account; the balance of cash is maintained on deposit with the Arizona State Treasurer's Local Government Investment Pool. Cash in the Local Government Investment Pool (LGIP) is available upon 24 hours notice. The LGIP invests in U.S. Treasury Notes, U.S. Treasury Bills and federally guaranteed insurance contracts. The average interest rate for the fiscal year 2006-07 was 5.200% and 4.096% in fiscal year 2007-08. Investments held in the LGIP earned \$2,067,080 in interest revenue for the year ended June 30, 2008. The account at LGIP for the construction of the reclaimed water system improvement project and potable water system improvements and expansion earned \$99,809 in interest revenue.

Trust accounts are held with Wells Fargo Bank for annual debt service payments. Funds on deposit in the trust accounts are invested solely in obligations that are issued or guaranteed by the U.S. Treasury, such as U.S. Treasury bills, bonds and notes (“U.S. Treasury Securities”). Interest on investments held with the trustee earned \$58,009 for fiscal year 2007-08.

A debt service reserve fund was established in 2005 for the construction of the Municipal Operations Center land and building construction. These funds are maintained in trust accounts with the Bank of New York Trust Co. N.A. Funds on deposit in the trust accounts are invested solely in obligations that are issued or guaranteed by the U.S. Treasury, such as U.S. Treasury bills, bonds and notes (“U.S. Treasury Securities”). Interest on investments held with the trustee earned \$35,870 for fiscal year 2007-08.

Risk Management. The Town of Oro Valley participates in the Arizona Municipal Risk Retention Pool. Risk coverage includes general liability, errors and omissions, property and automobile insurance. The policy insures up to \$2,000,000 per incident occurrence plus any excess liability of up to a \$10,000,000 limit per occurrence per year. Coverage is provided on a claims-made basis.

The Town participates in the Arizona Municipal Workers Compensation Pool for workers compensation insurance coverage.

The Town of Oro Valley is self-insured for unemployment compensation. Unemployment reserves totaled \$228,593 as of June 30, 2008 for the Town’s 448 full-time, part-time and seasonal employees. The Town did not make an unemployment contribution in fiscal year 2007-08.

AWARDS AND ACKNOWLEDGMENTS

Awards. The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town for its Comprehensive Annual Financial Report for the year ended June 30, 2007. This report satisfied both accounting principles generally accepted in the United States of America and applicable legal requirements. This was the thirteenth year the Town received this prestigious award.

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,



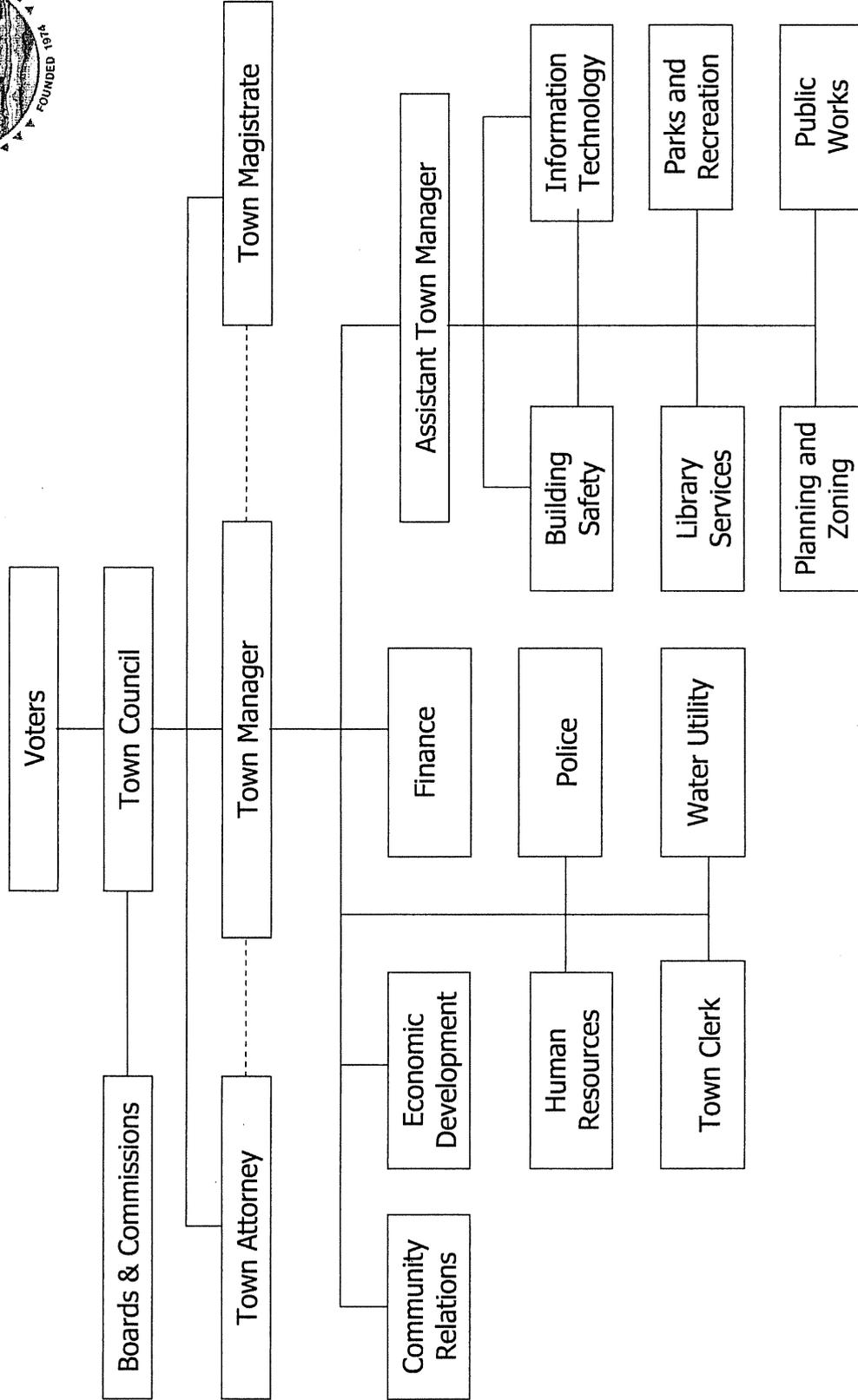
David L. Andrews
Town Manager



Stacey Lemos, CPA
Finance Director

Town of Oro Valley Organization Chart

FY 2007 - 2008



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

ELECTED OFFICIALS

Mayor	Mr. Paul Loomis
Vice-Mayor	Mr. Alfred Kunisch
Council Member	Ms. Paula Abbott
Council Member	Mr. Kenneth "K.C." Carter
Council Member	Mr. William Garner
Council Member	Mr. Barry Gillaspie
Council Member	Ms. Salette Latas

DEPARTMENT HEADS

Town Manager	David L. Andrews
Assistant Town Manager	Jerene Watson
Finance Director	Stacey Lemos, CPA
Human Resources Director	Sandra Abbey
Town Engineer	Craig Civalier
Town Clerk	Kathryn E. Cuvelier
Magistrate	George Dunscomb
Town Attorney	Tobin Rosen
Water Utility Director	Philip Saletta
Chief of Police	Daniel G. Sharp
Planning and Zoning Director	Sarah More
Building Safety Director	Suzanne Smith
Parks and Recreation Director	Ainsley A. Legner
Information Technology Director	Kevin Verville

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Town of Oro Valley
Arizona

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2007

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employce retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Oliver S. Cox

President

Jeffrey R. Emer

Executive Director

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FINANCIAL SECTION

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HEINFELD, MEECH & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS

10120 N. Oracle Road
Tucson, Arizona 85704
Tel (520) 742-2611
Fax (520) 742-2718

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund (General, Highway User Revenue, Oracle Road Debt Service, Townwide Roadway Development Impact Fees and Municipal Building Funds), and the aggregate remaining fund information of the Town of Oro Valley, Arizona (Town), as of and for the year ended June 30, 2008, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund listed above, and the aggregate remaining fund information of the Town of Oro Valley, Arizona, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2008, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 5 through 15 and budgetary comparison information on pages 60 through 62 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Town's basic financial statements. The accompanying supplementary information such as 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 have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken 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 express no opinion on them.

Heinfeld, Meech & Co., P.C.

HEINFELD, MEECH & CO., P.C.
Certified Public Accountants

November 18, 2008

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, 2008**

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, 2008. 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 2007-08 as follows.

- The Town's total net assets of governmental activities increased \$17.4 million to \$155.9 million and business-type activities increased \$7.1 million to \$45.9 million representing 77 percent and 23 percent respectively, of the total net assets of \$201.9 million.
- General revenues from governmental activities accounted for \$31.1 million in revenue, or 61 percent of all revenues from governmental activities. Program specific revenues in the form of charges for services and grants and contributions accounted for \$20.1 million or 39 percent of total governmental activities revenues. The Town had \$20.7 million of program revenues and \$864,484 in general revenues related to business-type activities.
- The Town had \$35.4 million in expenses related to governmental activities, an increase of 10 percent from the prior fiscal year. The Town had \$12.9 million in expenses related to business-type activities an increase of 12 percent from the prior fiscal year.
- Among major funds, the General Fund had \$30.6 million in revenues, which primarily consisted of sales taxes and intergovernmental revenues. The total expenditures of the General Fund were \$26.5 million. The General Fund's fund balance decreased from \$18.5 million to \$16.7 million, primarily due to a transfer of \$3.7 million to the Municipal Operations Fund for construction of a new town complex.
- The Highway User Revenue Fund, had \$6.6 million in revenues which primarily consisted of sales taxes and intergovernmental revenues. The total expenditures of the Highway User Revenue Fund were \$5.6 million.
- The Townwide Roadway Development Impact Fee Fund had \$6.6 million in revenues which primarily consisted of intergovernmental revenues. The total expenditures of the Townwide Roadway Development Impact Fee Fund were \$9.7 million. The Townwide Roadway Development Impact Fee Fund's fund balance increased from \$3.7 million to \$8.6 million, due primarily to current year loan proceeds of \$8.0 million through a HELP loan from the Arizona Department of Transportation (ADOT).
- The Water Fund operating revenues of \$14.2 million exceeded operating expenses of \$9.8 million. The change in net assets of \$6.2 million was due to an increase of \$3.4 million in capital assets due to the construction in progress on the Town's reclaimed water delivery system and \$2.8 million in capital contributions from line extension agreements.

**TOWN OF ORO VALLEY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2008**

OVERVIEW OF FINANCIAL STATEMENTS

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

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

The statement of net assets presents information on all of the Town's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

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

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

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

**TOWN OF ORO VALLEY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2008**

OVERVIEW OF FINANCIAL STATEMENTS (Concl'd)

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

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, Highway User Revenue, Oracle Road Debt Service, and the Townwide Roadway Development Impact Fees, and the Municipal Building 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 of Oro Valley maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Oro Valley uses enterprise funds to account for its Oro Valley Water Utility and Stormwater Utility.

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. 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 major Special Revenue Fund as required supplementary information.

**TOWN OF ORO VALLEY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2008**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets exceeded liabilities by \$201.9 million as of June 30, 2008.

The largest portion of the Town's net assets (68 percent) reflects its investment in capital assets (e.g., land, buildings and improvements, improvements other than buildings, infrastructure, vehicles, machinery and equipment and construction in progress), less any related debt used to acquire those assets that is still outstanding. 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 debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The 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 table presents a summary of the Town's net assets for the fiscal years ended June 30, 2008 and June 30, 2007.

	2008	2007	2008	2007		
	Governmental	Governmental	Business-type	Business-type	2008 Total	2007 Total
	Activities	Activities	Activities	Activities		
Current and other assets	\$ 46,391,734	\$ 36,399,408	\$ 29,530,278	\$ 28,631,927	\$ 75,922,012	\$ 65,031,335
Capital assets, net	138,925,390	125,795,995	86,592,743	77,102,895	225,518,133	202,898,890
Total assets, net	<u>185,317,124</u>	<u>162,195,403</u>	<u>116,123,021</u>	<u>105,734,822</u>	<u>301,440,145</u>	<u>267,930,225</u>
Current and other liabilities	6,241,535	7,778,755	6,430,049	6,170,121	12,671,584	13,948,876
Long-term liabilities	23,126,853	15,873,961	63,767,001	60,777,911	86,893,854	76,651,872
Total liabilities	<u>29,368,388</u>	<u>23,652,716</u>	<u>70,197,050</u>	<u>66,948,032</u>	<u>99,565,438</u>	<u>90,600,748</u>
Invested in capital assets, net of related debt	115,177,344	106,644,847	21,274,023	15,534,043	136,451,367	122,178,890
Restricted	14,072,781	8,326,731			14,072,781	8,326,731
Unrestricted	26,698,611	23,571,109	24,651,948	23,252,747	51,350,559	46,823,856
Total net assets	<u>\$ 155,948,736</u>	<u>\$ 138,542,687</u>	<u>\$ 45,925,971</u>	<u>\$ 38,786,790</u>	<u>\$ 201,874,707</u>	<u>\$ 177,329,477</u>

The following are significant current year transactions that have had an impact on the Statement of Net Assets.

- The addition of \$11.9 million in business-type activities capital assets through improvements to the potable water system and expansion of the reclaimed water system.
- The addition of \$17.5 million in governmental activities capital assets, including \$1.7 million for vehicles and equipment, and \$16.9 million for infrastructure. Infrastructure assets consisted of First Avenue Widening, Lambert Lane and La Cholla roadway improvement projects and several subdivision improvements.

**TOWN OF ORO VALLEY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2008**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Cont'd)

Changes in net assets. The Town's total revenues for the fiscal year ended June 30, 2008, were \$72.8 million. The total cost of all programs and services was \$48.2 million. The following table presents a summary of the changes in net assets for the fiscal years ended June 30, 2008 and June 30, 2007.

	2008 Governmental Activities	2007 Governmental Activities	2008 Business-type Activities	2007 Business-type Activities	2008 Total	2007 Total
Revenues:						
Program revenues:						
Charges for services	\$ 4,183,553	\$ 3,765,011	\$17,161,552	\$13,617,461	\$ 21,345,105	\$17,382,472
Operating grants and contributions	5,619,003	4,893,869			5,619,003	4,893,869
Capital grants and contributions	10,264,829	8,321,691	3,567,083	3,066,170	13,831,912	11,387,861
General revenues:						
Sales taxes	17,168,998	16,873,630			17,168,998	16,873,630
Franchise taxes	516,652	478,175			516,652	478,175
Impact fees	910,741	1,038,217			910,741	1,038,217
Unrestricted state shared revenues	10,904,654	9,944,318			10,904,654	9,944,318
Investment earnings	1,590,654	1,471,641	864,494	1,163,837	2,455,148	2,635,478
Total revenues	<u>51,159,084</u>	<u>46,786,552</u>	<u>21,593,129</u>	<u>17,847,468</u>	<u>72,752,213</u>	<u>64,634,020</u>
Expenses:						
General government	9,080,766	7,529,245			9,080,766	7,529,245
Public Safety	14,347,250	12,352,671			14,347,250	12,352,671
Highways and streets	7,292,972	7,757,276			7,292,972	7,757,276
Culture and recreation	3,644,973	3,375,314			3,644,973	3,375,314
Interest on long-term debt	987,074	996,336			987,074	996,336
Water			12,676,275	11,446,958	12,676,275	11,446,958
Stormwater drainage			177,673	74,235	177,673	74,235
Total expenses	<u>35,353,035</u>	<u>32,010,842</u>	<u>12,853,948</u>	<u>11,521,193</u>	<u>48,206,983</u>	<u>43,532,035</u>
Transfers	<u>1,600,000</u>	<u>69,813</u>	<u>(1,600,000)</u>	<u>(69,813)</u>		
Increase in net assets	<u>\$ 17,406,049</u>	<u>\$ 14,845,523</u>	<u>\$ 7,139,181</u>	<u>\$ 6,256,462</u>	<u>\$ 24,545,230</u>	<u>\$21,101,985</u>

Total revenues increased \$8.1 million or 13 percent primarily due to an increase in charges for services in the water utility which was from an increase of \$1.5 million from water connection fees and groundwater preservation fees. In addition, the stormwater utility had revenues totaling \$1 million from the newly enacted user fees and a state grant used for a drainage project. Sales tax revenue increased by \$1.2 million primarily due to a full year of collections from the 2% utility sales tax. State/county shared revenues increased by \$1 million due to increased distributions based on the Town's current population numbers. A HELP loan in the amount of \$8 million was received from the Arizona Department of Transportation for improvements and widening of La Canada Drive.

Expenses increased \$4.7 million primarily due to increased salary and benefit costs, the addition of 10 new positions and operational costs across all departments.

**TOWN OF ORO VALLEY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2008**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Concl'd)

Governmental and Business-type activities. The following table presents the cost of the 7 major Town 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.

	2008		2007	
	Total Expenses	Net (Expense)/ Revenue	Total Expenses	Net (Expense)/ Revenue
Governmental Activities				
General government	\$ 9,080,766	\$ (251,600)	\$ 7,529,245	\$ 337,963
Public Safety	14,347,250	(12,843,190)	12,352,671	(10,923,779)
Highways and streets	7,292,972	1,969,833	7,757,276	(816,932)
Culture and recreation	3,644,973	(3,173,619)	3,375,314	(2,631,187)
Interest on long-term debt	987,074	(987,074)	996,336	(996,336)
Total	<u>\$35,353,035</u>	<u>\$(15,285,650)</u>	<u>\$ 32,010,842</u>	<u>\$(15,030,271)</u>
Business-type Activities				
Water	12,676,275	6,973,578	11,446,958	4,873,510
Stormwater drainage	177,673	901,109	74,235	288,928
Total	<u>\$12,853,948</u>	<u>\$ 7,874,687</u>	<u>\$ 11,521,193</u>	<u>\$ 5,162,438</u>

- The cost of all governmental activities this year was \$35.4 million. The increase of \$3.3 million from the prior year was due primarily to increased personnel and operating and maintenance costs.
- The cost of all business-type activities this year was \$12.9 million. The increase of \$1.3 million from the prior year was primarily due to an increase in personnel and operating costs associated with the water and stormwater utility funds.
- Federal and State governments, developer contributions, and charges for services subsidized certain governmental programs and business-type programs with revenues of \$40.8 million.
- Net cost of governmental activities of \$15.3 million was financed by general revenues, which are made up of primarily sales taxes and state shared revenues of \$28.1 million.

**TOWN OF ORO VALLEY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2008**

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, unreserved fund balance may serve as a useful measure of the Town's net resources available for spending at the end of the fiscal year.

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 \$37.9 million, an increase of \$9.7 million due primarily from loan proceeds of \$8 million from the Arizona Department of Transportation and a contribution of \$1.6 million from the water utility for construction of the municipal operations complex.

The General Fund is the principal operating fund of the Town. The decrease in fund balance of \$1.8 million in the General Fund for the fiscal year to \$16.7 million, was due primarily to a transfer of \$3.7 million to the Municipal Operation Fund for construction of new town facilities. In addition, revenues exceeded budget by \$1.2 million from sales tax collections and commercial building permit fees.

The fund balance of the Highway User Revenue Fund showed an increase of \$369,759 primarily due to lower than anticipated costs related to street improvement projects.

The Townwide Roadway Fund showed an increase of \$4.9 million due primarily to receiving a loan proceeds of \$8 million for improvements and widening of La Canada Drive.

The fund balance of the Municipal Building Fund showed an increase of \$5.1 million primarily due to transfers from the General Fund, Highway Fund and Water Utility Fund for construction of new town facilities.

Proprietary funds. Net assets of the Enterprise Funds at the end of the year amounted to \$45.9 million. The increase of \$7.1 million from fiscal year 2006-07 was primarily due to the addition of improvements to the potable water system with capital contributions of \$2.8 million and construction of the reclaimed water system.

**TOWN OF ORO VALLEY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2008**

BUDGETARY HIGHLIGHTS

There were no amendments to the Town of Oro Valley's fiscal year 2007-08 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 \$1.2 million in revenues was a result of sales tax collections of \$13.8 million exceeding budget by \$760K and commercial building permit fees of \$1.3 million exceeding budget by \$700K.
- The favorable variance of \$11.7 million (includes contingency reserves of \$9.7 million) in expenditures was a result of departmental savings in personnel vacancies and operation and maintenance costs.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2008, the Town had invested \$285.9 million in capital assets, including buildings, facilities, vehicles, computers, equipment, and infrastructure assets. This amount represents a net increase prior to depreciation of \$28.5 million from last year, primarily due to the completion of First Avenue widening project (\$10 million), several roadway improvements in the governmental activities and expansion of the potable water system and stormwater system in the business-type activities. Total depreciation expense for the year was \$6.6 million.

The following schedule presents capital asset balances for the fiscal years ended June 30, 2008 and June 30, 2007.

Governmental Activities	As of June 30, 2008	As of June 30, 2007
Land	\$ 18,038,076	\$ 17,694,622
Infrastructure	126,949,031	110,082,926
Buildings and improvements	19,832,560	18,956,247
Vehicles, machinery and equipment	8,036,706	7,186,005
Construction in progress	7,359,025	9,708,610
Less: Accumulated depreciation	(41,290,008)	(37,832,415)
Total	<u>\$ 138,925,390</u>	<u>\$125,795,995</u>

**TOWN OF ORO VALLEY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2008**

CAPITAL ASSETS AND DEBT ADMINISTRATION (Concl'd)

<u>Business-type Activities</u>	As of June 30, 2008	As of June 30, 2007
Land	\$ 2,410,660	\$ 2,410,660
Water rights	8,534,490	6,172,361
Water system	84,555,171	79,048,639
Stormwater system	1,028,602	
Equipment and vehicles	2,766,095	2,539,885
Construction in progress	6,423,996	3,626,425
Less: Accumulated depreciation	(19,126,269)	(16,695,075)
Total	<u>\$ 86,592,745</u>	<u>\$ 77,102,895</u>

Additional information on the Town's capital assets can be found in Note 5.

Debt Administration. At year-end, the Town had \$89.1 million in long-term debt outstanding, \$3.6 million due within one year. The following table presents a summary of the Town's outstanding long-term debt for the fiscal years ended June 30, 2008 and June 30, 2007.

	<u>Governmental Activities</u>	
	2008	2007
Revenue bonds	\$ 12,183,046	\$12,891,148
Special assessment bonds	3,565,000	3,760,000
Loan payable	8,000,000	2,500,000
Total	<u>\$ 23,748,046</u>	<u>\$19,151,148</u>

	<u>Business-type Activities</u>	
	2008	2007
Revenue bonds	\$ 59,586,954	\$61,568,852
Loan payable	5,731,766	
	<u>\$ 65,318,720</u>	<u>\$61,568,852</u>

State statutes currently limit the amount of general obligation debt a Town may issue to 20 percent of its total assessed valuation for water, sewer, lights, open space preserves, parks, playgrounds and recreational facilities. The current debt limitation for the Town is \$137.3 million.

The Town of Oro Valley received an upgraded bond rating during FY 2006/07 and now maintains a "AA-" rating from Standard & Poor's and an "A+" rating from Fitch on the outstanding revenue bonds.

Additional information on the Town's long-term debt can be found in Notes 6 through 9.

**TOWN OF ORO VALLEY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2008**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- The unemployment rate for the Town of Oro Valley is currently 3%. Pima County's and the State of Arizona's unemployment rates are 5.6% and 5.9%, respectively.
- The Town's secondary assessed valuation for the current year is \$686,707,506, an increase of 18% over last fiscal year.
- Single family residential (SFR) building permits issued in this fiscal year totaled 285, which is down from 335 issued last year. Projections for SFR building permits are 250 for fiscal year 2008-09 based on the slow down in the housing market.
- Two new shopping centers, Oracle Crossings and Steam Pump Village, were open for a full fiscal year in 2007-08 and the construction of another major retail center began with an expected opening in fall of 2008.

The adopted combined operating and capital expenditure budget for fiscal year 2008-09 totals \$203.1 million, an increase of 71% over last year's budget of \$118.8 million. This increase is attributed to the following factors:

- Anticipated construction of a municipal operations center to accommodate Police, Public Works and Water Utility staff. The estimated cost of the complex is \$33 million.
- Included the capacity to issue \$48.6 million in general obligation (GO) bonds to pay for future development of Phase I of the Naranja Town Site park. This item is placed on the November 4, 2008 election ballot for voter consideration.
- Included funding from Regional Transportation Authority in the amount of \$675K for construction of a Park N' Ride facility.

**TOWN OF ORO VALLEY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2008**

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.

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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TOWN OF ORO VALLEY, ARIZONA
STATEMENT OF NET ASSETS
JUNE 30, 2008

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Current assets:			
Cash and cash equivalents	\$ 36,908,789	\$ 23,676,233	\$ 60,585,022
Taxes receivable	1,501,734		1,501,734
Accounts receivable	2,724,660	2,640,544	5,365,204
Intergovernmental receivable	779,340		779,340
Special assessments	3,565,000		3,565,000
Interest receivable	73,227	41,425	114,652
Prepaid items	26,734		26,734
Total current assets	45,579,484	26,358,202	71,937,686
Noncurrent assets:			
Deferred bond charges	812,250	3,172,076	3,984,326
Capital assets, non-depreciable	25,397,101	17,369,145	42,766,246
Capital assets, depreciable (net)	113,528,289	69,223,598	182,751,887
Total noncurrent assets	139,737,640	89,764,819	229,502,459
Total assets	185,317,124	116,123,021	301,440,145
<u>LIABILITIES</u>			
Current liabilities:			
Accounts payable	2,266,113	1,436,123	3,702,236
Accrued wages and benefits	561,789	51,543	613,332
Intergovernmental payable	68,327	620,642	688,969
Interest payable	222,369	1,411,099	1,633,468
Unearned revenue	235,075		235,075
Customer deposits payable	800,729	159,778	960,507
Compensated absences	1,148,233	102,600	1,250,833
Loans payable		637,164	637,164
Special assessment bonds	205,000		205,000
Revenue bonds	733,900	2,011,100	2,745,000
Total current liabilities	6,241,535	6,430,049	12,671,584
Noncurrent liabilities:			
Compensated absences	208,103	43,287	251,390
Loans payable	8,000,000	5,094,602	13,094,602
Special assessment bonds	3,360,000		3,360,000
Deferred bond premium	109,604	1,053,258	1,162,862
Revenue bonds	11,449,146	57,575,854	69,025,000
Total non-current liabilities	23,126,853	63,767,001	86,893,854
Total liabilities	29,368,388	70,197,050	99,565,438
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	115,177,344	21,274,023	136,451,367
Restricted for:			
Public safety	354,462		354,462
Highways and streets	4,131,971		4,131,971
Capital outlay	9,089,229		9,089,229
Debt service	263,478		263,478
Other	233,641		233,641
Unrestricted	26,698,611	24,651,948	51,350,559
Total net assets	\$ 155,948,736	\$ 45,925,971	\$ 201,874,707

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

**TOWN OF ORO VALLEY, ARIZONA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Primary Government					
Governmental activities:					
General government	\$ 9,080,766	\$ 3,830,060	\$ 87,702	\$ 4,911,404	\$ (251,600)
Public safety	14,347,250	69,256	1,434,804		(12,843,190)
Highway and streets	7,292,972	211,088	3,698,292	5,353,425	1,969,833
Culture and recreation	3,644,973	73,149	398,205		(3,173,619)
Interest on long-term debt	987,074				(987,074)
Total governmental activities	35,353,035	4,183,553	5,619,003	10,264,829	(15,285,650)
Business-type activities:					
Water	12,676,275	16,803,950		2,845,903	
Stormwater drainage	177,673	357,602		721,180	
Total business-type activities	12,853,948	17,161,552		3,567,083	
Total primary government	\$ 48,206,983	\$ 21,345,105	\$ 5,619,003	\$ 13,831,912	(15,285,650)
General revenues:					
Taxes:					
Sales taxes					
					17,168,998
Franchise taxes					
					516,652
Impact fees					
					910,741
Unrestricted state shared revenues					
					10,904,654
Investment earnings					
					1,590,654
Transfers					
					1,600,000
Total general revenues and transfers					32,691,699
Changes in net assets					17,406,049
Net assets, beginning of year					138,542,687
Net assets, end of year					\$155,948,736

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

Net (Expense) Revenue
and Changes in Net Assets

Business-type Activities	Totals
\$	\$ (251,600)
	(12,843,190)
	1,969,833
	(3,173,619)
	(987,074)
	(15,285,650)
6,973,578	6,973,578
901,109	901,109
7,874,687	7,874,687
7,874,687	(7,410,963)
	17,168,998
	516,652
	910,741
	10,904,654
864,494	2,455,148
(1,600,000)	
(735,506)	31,956,193
7,139,181	24,545,230
38,786,790	177,329,477
\$ 45,925,971	\$201,874,707

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FUND FINANCIAL STATEMENTS

TOWN OF ORO VALLEY, ARIZONA
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2008

	<u>General</u>	<u>HURF</u>	<u>Oracle Road Debt Service</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 15,945,022	\$ 3,431,023	\$ 98,759
Taxes receivable	1,501,734		
Accounts receivable	371,923	695,464	
Intergovernmental receivable	536,207	243,133	
Special assessments			3,565,000
Interest receivable	37,015	12,884	
Prepaid items	26,734		
Total assets	<u>\$ 18,418,635</u>	<u>\$ 4,382,504</u>	<u>\$ 3,663,759</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ 893,017	\$ 317,864	\$ 1,800
Accrued wages and benefits	505,849	47,665	
Intergovernmental payable	68,255		
Interest payable			
Deferred revenue	235,075		3,565,000
Customer deposits payable	50,051	202	
Total liabilities	<u>1,752,247</u>	<u>365,731</u>	<u>3,566,800</u>
Fund balances:			
Unreserved:			
Undesignated	16,666,388	4,016,773	96,959
Unreserved reported in:			
Special revenue funds			
Debt service funds			
Capital projects funds			
Total fund balances	<u>16,666,388</u>	<u>4,016,773</u>	<u>96,959</u>
Total liabilities and fund balances	<u>\$ 18,418,635</u>	<u>\$ 4,382,504</u>	<u>\$ 3,663,759</u>

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

Townwide Roadway Development Impact Fees	Municipal Building	Non-Major Governmental Funds	Total Governmental Funds
\$ 8,042,863	\$ 5,912,584	\$ 3,478,538	\$ 36,908,789
			1,501,734
1,577,985		79,288	2,724,660
			779,340
			3,565,000
18,487		4,841	73,227
			26,734
<u>\$ 9,639,335</u>	<u>\$ 5,912,584</u>	<u>\$ 3,562,667</u>	<u>\$ 45,579,484</u>
\$ 827,737	\$ 14,351	\$ 211,344	\$ 2,266,113
		8,275	561,789
		72	68,327
222,369			222,369
			3,800,075
		750,476	800,729
<u>1,050,106</u>	<u>14,351</u>	<u>970,167</u>	<u>7,719,402</u>
8,589,229	5,898,233		35,267,582
		1,517,419	1,517,419
		166,519	166,519
		908,562	908,562
<u>8,589,229</u>	<u>5,898,233</u>	<u>2,592,500</u>	<u>37,860,082</u>
<u>\$ 9,639,335</u>	<u>\$ 5,912,584</u>	<u>\$ 3,562,667</u>	<u>\$ 45,579,484</u>

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**TOWN OF ORO VALLEY, ARIZONA
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2008**

Total governmental fund balances **\$ 37,860,082**

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

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

Governmental capital assets	\$ 180,215,398	
Less accumulated depreciation	<u>(41,290,008)</u>	138,925,390

Special assessments receivable are not available to pay for current period expenditures and therefore are not reported in the funds.		3,565,000
--	--	-----------

Deferred items related to the issuance of bonds are amortized over the life of the associated issuance in the government-wide statements but not reported in the funds.

Deferred bond charges	812,250	
Deferred bond premium	<u>(109,604)</u>	702,646

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

Special assessment bonds	(3,565,000)	
Revenue bonds	(12,183,046)	
Loans payable	(8,000,000)	
Compensated absences	<u>(1,356,336)</u>	<u>(25,104,382)</u>

Net assets of governmental activities **\$ 155,948,736**

The notes to the financial statements are 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, 2008

	General Fund	HURF	Oracle Road Debt Service
Revenues:			
Sales taxes	\$ 13,278,681	\$ 2,639,189	\$
Franchise taxes	516,652		
Impact fees			
Special assessments			193,023
Intergovernmental	11,773,977	3,698,292	
Licenses, fees & permits	2,761,145	31,539	
Fines, forfeitures & penalties	294,577		
Charges for services	983,094		
Contributions and donations			
Investment earnings	744,393	187,687	172,787
Other	276,611	78,889	
Total revenues	30,629,130	6,635,596	365,810
Expenditures:			
Current -			
General government	7,992,477		
Public safety	13,511,713		
Highway and streets		3,549,525	
Culture and recreation	3,291,775		
Capital outlay	1,684,902	2,037,942	
Debt service -			
Principal retirement			195,000
Interest and fiscal charges			180,439
Total expenditures	26,480,867	5,587,467	375,439
Excess (deficiency) of revenues over expenditures	4,148,263	1,048,129	(9,629)
Other financing sources (uses):			
Loan proceeds			
Transfers in			
Transfers out	(5,959,581)	(678,370)	
Total other financing sources (uses)	(5,959,581)	(678,370)	
Changes in fund balances	(1,811,318)	369,759	(9,629)
Fund balances, beginning of year	18,477,706	3,647,014	106,588
Fund balances, end of year	\$ 16,666,388	\$ 4,016,773	\$ 96,959

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

Townwide Roadway Development Impact Fees	Municipal Building	Non-Major Governmental Funds	Total Governmental Funds
\$	\$	\$ 1,251,128	\$ 17,168,998
			516,652
910,741			910,741
			193,023
5,198,172		1,193,434	21,863,875
			2,792,684
		97,344	391,921
		57,600	1,040,694
		249,999	249,999
339,628	31,773	114,386	1,590,654
172,191		28,099	555,790
<u>6,620,732</u>	<u>31,773</u>	<u>2,991,990</u>	<u>47,275,031</u>
		775,019	8,767,496
		37,457	13,549,170
6,925		551,421	4,107,871
		32,291	3,324,066
7,014,301	672,370	1,680,798	13,090,313
2,500,000		708,102	3,403,102
224,994		502,225	907,658
<u>9,746,220</u>	<u>672,370</u>	<u>4,287,313</u>	<u>47,149,676</u>
<u>(3,125,488)</u>	<u>(640,597)</u>	<u>(1,295,323)</u>	<u>125,355</u>
8,000,000			8,000,000
	5,752,000	2,695,951	8,447,951
		(210,000)	(6,847,951)
<u>8,000,000</u>	<u>5,752,000</u>	<u>2,485,951</u>	<u>9,600,000</u>
<u>4,874,512</u>	<u>5,111,403</u>	<u>1,190,628</u>	<u>9,725,355</u>
3,714,717	786,830	1,401,872	28,134,727
<u>\$ 8,589,229</u>	<u>\$ 5,898,233</u>	<u>\$ 2,592,500</u>	<u>\$ 37,860,082</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, 2008**

Net changes in fund balances - total governmental funds **\$ 9,725,355**

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Expenditures for capital assets	\$ 12,682,664	
Less current year depreciation	<u>(4,186,143)</u>	8,496,521

Capital assets contributed by developers to the Town are not recorded in the governmental funds as they do not provide current financial resources but are recognized in the Statement of Activities as program revenues. 4,422,015

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. (195,000)

The issuance of long-term debt provides current financial resources to governmental funds, but the issuance increases long-term liabilities in the Statement of Net Assets. (8,000,000)

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

Loan principal retirement	2,500,000	
Bond principal retirement	<u>903,102</u>	3,403,102

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.

Amortization of deferred charges	(79,416)	
Compensated absences	(234,425)	
Loss on disposal of capital assets	<u>(132,103)</u>	<u>(445,944)</u>

Change in net assets in governmental activities **\$ 17,406,049**

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

**TOWN OF ORO VALLEY, ARIZONA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2008**

	Enterprise Funds		
	Water	Non-Major Enterprise Fund	Total
<u>ASSETS</u>			
Current assets:			
Cash and cash equivalents	\$ 23,570,940	\$ 105,293	\$ 23,676,233
Accounts receivable	2,501,974	138,570	2,640,544
Interest receivable	41,215	210	41,425
Total current assets	26,114,129	244,073	26,358,202
Noncurrent assets:			
Deferred bond charges	3,172,076		3,172,076
Capital assets, non-depreciable	17,287,679	81,466	17,369,145
Capital assets, depreciable (net)	68,184,581	1,039,017	69,223,598
Total noncurrent assets	88,644,336	1,120,483	89,764,819
Total assets	114,758,465	1,364,556	116,123,021
<u>LIABILITIES</u>			
Current liabilities:			
Accounts payable	1,428,929	7,194	1,436,123
Accrued wages and benefits	49,286	2,257	51,543
Intergovernmental payable	620,642		620,642
Interest payable	1,411,099		1,411,099
Customer deposits payable	159,778		159,778
Compensated absences	101,034	1,566	102,600
Loans payable	637,164		637,164
Revenue bonds	2,011,100		2,011,100
Total current liabilities	6,419,032	11,017	6,430,049
Noncurrent liabilities:			
Compensated absences	42,577	710	43,287
Loans payable	5,094,602		5,094,602
Deferred bond premium	1,053,258		1,053,258
Revenue bonds	57,575,854		57,575,854
Total non-current liabilities	63,766,291	710	63,767,001
Total liabilities	70,185,323	11,727	70,197,050
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	20,153,540	1,120,483	21,274,023
Unrestricted	24,419,602	232,346	24,651,948
Total net assets	\$ 44,573,142	\$ 1,352,829	\$ 45,925,971

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

TOWN OF ORO VALLEY, ARIZONA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	Enterprise Funds		
	Water	Non-Major Enterprise Fund	Total
Operating revenues:			
Charges for services	\$ 14,175,476	\$ 357,602	\$ 14,533,078
Total operating revenues	<u>14,175,476</u>	<u>357,602</u>	<u>14,533,078</u>
Operating expenses:			
Costs of sales and services	7,164,301	165,217	7,329,518
Depreciation and amortization	2,601,673	12,456	2,614,129
Total operating expenses	<u>9,765,974</u>	<u>177,673</u>	<u>9,943,647</u>
Operating income	<u>4,409,502</u>	<u>179,929</u>	<u>4,589,431</u>
Nonoperating revenues (expenses):			
Impact fees	512,543		512,543
Connection fees	1,925,656		1,925,656
Investment earnings	864,262	232	864,494
Other	190,275		190,275
Interest expense	(2,910,301)		(2,910,301)
Total nonoperating revenues (expenses)	<u>582,435</u>	<u>232</u>	<u>582,667</u>
Income before capital contributions and transfers	<u>4,991,937</u>	<u>180,161</u>	<u>5,172,098</u>
Capital contributions	2,845,903	721,180	3,567,083
Transfers out	<u>(1,600,000)</u>		<u>(1,600,000)</u>
Changes in net assets	<u>6,237,840</u>	<u>901,341</u>	<u>7,139,181</u>
Total net assets, beginning of year	38,335,302	451,488	38,786,790
Total net assets, end of year	<u>\$ 44,573,142</u>	<u>\$ 1,352,829</u>	<u>\$ 45,925,971</u>

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

**TOWN OF ORO VALLEY, ARIZONA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2008**

	Enterprise Funds		
	Water	Non-Major Enterprise Fund	Total
<u>Increase (Decrease) in Cash and Cash Equivalents</u>			
Cash flows from operating activities:			
Cash received from customers	\$ 13,525,094	\$ 582,070	\$ 14,107,164
Cash payments to suppliers for goods and services	(4,518,028)	(350,830)	(4,868,858)
Cash payments to employees for services	(2,284,272)	(82,304)	(2,366,576)
Net cash provided by operating activities	6,722,794	148,936	6,871,730
Cash flows from noncapital and related financing activities:			
Connection fees	1,925,656		1,925,656
Other revenue	190,275		190,275
Interfund borrowing	(1,600,000)		(1,600,000)
Net cash provided by noncapital financing activities	515,931		515,931
Cash flows from capital and related financing activities:			
Development impact fees	512,543		512,543
Acquisition of capital assets	(8,305,549)	(48,411)	(8,353,960)
Proceeds from loans	6,253,260		6,253,260
Principal paid on long-term debt	(2,503,392)		(2,503,392)
Interest on long-term debt	(3,238,557)		(3,238,557)
Net cash used for capital and related financing activities	(7,281,695)	(48,411)	(7,330,106)
Cash flows from investing activities:			
Investment income	919,551	47	919,598
Net cash provided by investing activities	919,551	47	919,598
Net increase in cash and cash equivalents	876,581	100,572	977,153
Cash and cash equivalents, beginning of year	22,694,359	4,721	22,699,080
Cash and cash equivalents, end of year	\$ 23,570,940	\$ 105,293	\$ 23,676,233
<u>Reconciliation of Operating Income to</u>			
<u>Net Cash Provided by Operating Activities</u>			
Operating income	\$ 4,409,502	\$ 179,929	\$ 4,589,431
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	2,601,673	12,456	2,614,129
Change in assets and liabilities:			
(Increase) decrease in accounts receivable	(671,990)	224,468	(447,522)
Increase (decrease) in accounts payable	321,352	(269,462)	51,890
Increase in accrued payroll and employee benefits	12,140	1,344	13,484
Increase in compensated absences payable	28,509	201	28,710
Increase in deposits held for others	21,608		21,608
Total adjustments	2,313,292	(30,993)	2,282,299
Net cash provided by operating activities	\$ 6,722,794	\$ 148,936	\$ 6,871,730

TOWN OF ORO VALLEY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Oro Valley, Arizona 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.

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

A. Reporting Entity

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

The financial reporting entity consists of a primary government and its component units. A component unit is a legally separate entity that must be included in the reporting entity in conformity with generally accepted accounting principles. The Town is a primary government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. Furthermore, component units combined with the Town for financial statement presentation purposes, and the Town, are 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.

Blended Component Unit – The financial reporting entity presented in these financial statements consists of the Town and one blended component unit. This component unit, discussed below, is included in the Town's reporting entity because of the significance of its operational relationship or financial relationship with the Town. The component unit is governed by a board, substantially or wholly, comprised of the Town's elected council. Separate financial statements are not prepared for the component unit on a stand-alone basis.

The Town of Oro Valley Municipal Property Corporation's (MPC) Board of Directors consists of the three members which are appointed by the Town of Oro Valley Town Council. The MPC, which a non-profit corporation incorporated under the laws of the State of Arizona, was originally formed for the purpose of assisting the Town in obtaining financing for acquiring the Cañada Hills and Rancho Vistoso water companies. The Town has a contractual obligation for the repayment of the Municipal Property Corporation's Municipal Facilities Revenue Bonds, Series 1996, 1999, 2001, 2003, 2005, and 2007. The activity of the 1996 MPC is reported in the applicable water enterprise fund and the activity of the Series 1999, 2001, 2003, 2005, and 2007 MPC is reported in the applicable water enterprise and governmental funds. All related receivables and payables between the Town and the MPC have been eliminated.

TOWN OF ORO VALLEY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

B. Government-Wide and Fund Financial Statements

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

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, unrestricted state shared revenues, investment income and other items not included among program revenues are reported instead as general revenues.

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

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

Government-wide Financial Statements – The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. 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.

TOWN OF ORO VALLEY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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. Grants and similar awards are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met. Miscellaneous revenue is not susceptible to accrual because generally they are not measurable until received in cash. Grants and similar awards are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met. Deferred revenue arise 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 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.

Highway User Revenue Fund – This fund is used to account for the Town's share of motor fuel tax revenues.

Oracle Road Debt Service Fund – This fund accounts for the special assessment collections and payment of the outstanding Oracle Road bond issue.

TOWN OF ORO VALLEY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Townwide Roadway Development Impact Fees Fund – This fund accounts for the collection and capital expenditures of the Townwide Roadway Development Impact Fees.

Municipal Building Fund – This fund accounts for the bond proceeds issued to acquire land and construct the public works facility.

The Town reports the following major proprietary fund.

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

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 enterprise fund are charges to customers for water and stormwater drainage services. Operating expenses for these funds include the cost of sales and services, depreciation, and amortization. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

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.

D. Investments

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.

TOWN OF ORO VALLEY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

E. Investment Income

Investment income is composed of interest 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.”

All trade receivables are shown net of an allowance for uncollectibles. Trade accounts receivable in excess of 180 days comprise the trade accounts receivable allowance for uncollectibles.

G. 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.

H. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of \$5,000 or more and an estimated useful life of more than one year. Such assets are recorded at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

TOWN OF ORO VALLEY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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

I. 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.

J. Long-term Obligations

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

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

TOWN OF ORO VALLEY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concl'd)

K. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for expenditures or are legally restricted by outside parties for use for a specific purpose.

L. 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.

M. 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.

N. Statement of Cash Flows

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 June 30, 2008 were cash in bank and investments held by the County and State Treasurers.

TOWN OF ORO VALLEY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Excess Expenditures Over Budget – At June 30, 2008, the Town had expenditures in a fund that exceeded the budget, however, this does not constitute a violation of any legal provisions.

NOTE 3 – CASH AND INVESTMENTS

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

The State Treasurer's pools are external investment pools, the Local Government Investment Pool (Pool 5) and Local Government Investment Pool-Government (Pool 7), with no regulatory oversight. The pools are not required to register (and are not registered) with the Securities and Exchange Commission. No comparable oversight is provided for the County Treasurer's investment pool. The fair value of each participant's position in the State Treasurer and County Treasurer investment pools approximates the value of the participant's shares in the pool.

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. As of June 30, 2008, the carrying value of the Town's deposits was \$407,804 and the bank balance was \$819,349, of which \$719,349 was exposed to custodial credit risk as uninsured and Town deposits were collateralized with securities held by the pledging financial institution's trust department.

TOWN OF ORO VALLEY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 3 – CASH AND INVESTMENTS (Concl'd)

At June 30, 2008, the Town's investments consisted of the following.

<u>Investment Type</u>	<u>Maturities</u>	<u>Fair Value</u>
Money Market – U.S. Treasuries	Less than 1 year	\$ 6,165,780
County Treasurer's investment pool	108 days average	404,858
State Treasurer's investment pool 5	45 days average	51,877,877
State Treasurer's investment pool 7	23 days average	1,723,502
Total		<u>\$60,172,017</u>

Interest Rate Risk. The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. The Town has no investment policy that would further limit its investment choices. As of June 30, 2008, the Town's investment in the State and County Treasurers' investment pools did not receive a credit quality rating from a national rating agency. Investments in the State Treasurer's investment pool 7 were rated AAA by Standard and Poor's. For investments in the State Treasurer's investment pool 5, 77% of the securities were rated AAA, A+, or A1; all of the remaining securities were rated A- or better by Standard and Poor's.

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

TOWN OF ORO VALLEY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 4 – RECEIVABLES

Receivable balances, net of allowance for uncollectibles, have been disaggregated by type and presented separately in the financial statements with the exception of due from governmental entities. Due from governmental entities, net of allowance for uncollectibles, as of year end for the Town’s individual major funds in the aggregate, were as follows.

	General Fund	Highway User Revenue Fund
Due from governmental entities:		
Due from State government	\$536,207	\$243,133
Net due from governmental entities	\$536,207	\$243,133

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue reported in the governmental funds were as follows.

	Unavailable	Unearned
Prepaid developer fees (General Fund)	\$	\$ 235,075
Special assessments (Oracle Road Debt Service Fund)	3,565,000	
Total deferred revenue for governmental funds	\$ 3,565,000	\$ 235,075

TOWN OF ORO VALLEY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 5 – CAPITAL ASSETS

A summary of capital asset activity for the fiscal year ended June 30, 2008 follows.

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 17,694,622	\$ 343,454	\$	\$ 18,038,076
Construction in progress	9,708,610	9,634,688	11,984,273	7,359,025
Total capital assets, not being depreciated	<u>27,403,232</u>	<u>9,978,142</u>	<u>11,984,273</u>	<u>25,397,101</u>
Capital assets, being depreciated:				
Infrastructure	110,082,926	16,866,105		126,949,031
Buildings and improvements	18,956,247	876,313		19,832,560
Machinery, equipment, and vehicles	7,186,005	1,711,354	860,653	8,036,706
Total capital assets being depreciated	<u>136,225,178</u>	<u>19,453,772</u>	<u>860,653</u>	<u>154,818,297</u>
Less accumulated depreciation for:				
Infrastructure	(30,151,800)	(3,135,171)		(33,286,971)
Buildings and improvements	(3,221,675)	(411,189)		(3,632,864)
Machinery, equipment, and vehicles	(4,458,940)	(639,783)	(728,550)	(4,370,173)
Total accumulated depreciation	<u>(37,832,415)</u>	<u>(4,186,143)</u>	<u>(728,550)</u>	<u>(41,290,008)</u>
Total capital assets, being depreciated, net	<u>98,392,763</u>	<u>15,267,629</u>	<u>132,103</u>	<u>113,528,289</u>
Governmental activities capital assets, net	<u>\$ 125,795,995</u>	<u>\$ 25,245,771</u>	<u>\$ 12,116,376</u>	<u>\$ 138,925,390</u>
<u>Business-Type Activities</u>	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 2,410,660	\$	\$	\$ 2,410,660
Water rights	6,172,361	2,362,129		8,534,490
Construction in progress	3,626,425	6,270,850	3,473,279	6,423,996
Total	<u>12,209,446</u>	<u>8,632,979</u>	<u>3,473,279</u>	<u>17,369,146</u>
Capital assets, being depreciated:				
Water system	79,048,639	5,506,532		84,555,171
Stormwater system		1,028,602		1,028,602
Equipment and vehicles	2,539,885	226,210		2,766,095
Total capital assets being depreciated	<u>81,588,524</u>	<u>6,761,344</u>		<u>88,349,868</u>
Less accumulated depreciation for:				
Water system	(15,400,084)	(2,225,341)		(17,625,425)
Stormwater system		(11,639)		(11,639)
Equipment and vehicles	(1,294,991)	(194,214)		(1,489,205)
Total accumulated depreciation	<u>(16,695,075)</u>	<u>(2,431,194)</u>		<u>(19,126,269)</u>
Total capital assets, being depreciated, net	<u>64,893,449</u>	<u>4,330,150</u>		<u>69,223,599</u>
Business-type activities capital assets, net	<u>\$ 77,102,895</u>	<u>\$ 12,963,129</u>	<u>\$ 3,473,279</u>	<u>\$ 86,592,745</u>

**TOWN OF ORO VALLEY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

NOTE 5 – CAPITAL ASSETS (Concl'd)

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 244,092
Public Safety	622,432
Highways and streets	3,001,953
Culture and recreation	<u>317,666</u>
Total depreciation expense – governmental activities	<u>\$4,186,143</u>
Business-type activities:	
Water	\$2,418,738
Stormwater	<u>12,456</u>
Total depreciation expense – business-type activities	<u>\$2,431,194</u>

Construction Commitments – As of June 30, 2008, the Town was involved in several construction projects. The estimated cost to complete the construction projects is \$26.0 million.

TOWN OF ORO VALLEY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 6 – LOANS PAYABLE

In the current year, the Town received an \$8,000,000 loan from the Arizona Department of Transportation (ADOT) for streets projects. The loan payable at June 30, 2008, is presented below.

<u>Governmental activities:</u>	<u>Interest Rate</u> <u>(Including Fees)</u>	<u>Maturity</u>	<u>Outstanding</u> <u>Principal</u> <u>June 30, 2008</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
ADOT HELP Loan	3.50%	8/15/11-12	\$ 8,000,000	\$
Total			<u>\$ 8,000,000</u>	<u>\$</u>

Principal and interest payments on the governmental activities loans payable at June 30, 2008 are summarized as follows.

<u>Year ending June 30:</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2009	\$	\$ 222,369
2010		255,760
2011		255,760
2012	6,000,000	255,760
2013	2,000,000	63,940
Total	<u>\$ 8,000,000</u>	<u>\$ 1,053,589</u>

In the current year, the Town received a \$3,891,131 loan from the Water Infrastructure Finance Authority of Arizona for water system projects. The Town also received loan financing for water rights from the Central Arizona Water Conservation District (CAWCD) valued at \$2,362,129 to be paid back over five years. The loans payable at June 30, 2008 are presented below.

<u>Business-type activities:</u>	<u>Interest Rate</u> <u>(Including Fees)</u>	<u>Maturity</u>	<u>Outstanding</u> <u>Principal</u> <u>June 30, 2008</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
WIFA Loan	3.54%	7/1/08-27	\$ 3,891,131	\$ 211,383
CAWCD Loan	5.20%	12/1/08-11	1,840,635	425,781
Total			<u>\$ 5,731,766</u>	<u>\$ 637,164</u>

TOWN OF ORO VALLEY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 6 – LOANS PAYABLE (Concl'd)

Principal and interest payments on the business-type activities loans payable at June 30, 2008 are summarized as follows.

Year ending June 30:	Business-type Activities	
	Principal	Interest
2009	\$ 637,164	\$ 215,722
2010	589,856	206,315
2011	618,166	178,004
2012	647,867	148,305
2013	157,529	117,148
2014-18	875,241	498,143
2019-23	1,041,322	332,063
2024-28	1,164,622	134,468
Total	<u>\$ 5,731,767</u>	<u>\$ 1,830,169</u>

NOTE 7 – BONDS PAYABLE

Bonds payable at June 30, 2008, consisted of the following outstanding revenue and refunding bonds. The bonds are both callable and noncallable with interest payable semiannually. Taxes and Impact Fees are used to pay bonded debt.

Purpose	Original Amount Issued	Interest Rates	Maturity	Outstanding Principal June 30, 2008	Due Within One Year
Governmental activities:					
Revenue Bonds, 1999	\$ 2,730,462	4.40-4.50%	7/1/08-09	\$ 305,000	\$ 200,000
Revenue Bonds, 2000	2,580,000	4.80-5.20%	7/1/08-11	445,000	100,000
Revenue Bonds, 2001	3,362,532	4.13-4.63%	7/1/08-13	934,866	139,950
Refunding Revenue Bonds, 2003	5,494,920	2.50-5.00%	7/1/08-19	5,206,250	136,500
Revenue Bonds, 2005	4,164,050	3.25-4.75%	7/1/08-25	3,902,750	157,450
Refunding Revenue Bonds, 2007	1,389,180	4.00-5.00%	7/1/09-26	1,389,180	
Total				<u>\$ 12,183,046</u>	<u>\$ 733,900</u>

TOWN OF ORO VALLEY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 7 – BONDS PAYABLE (Cont'd)

Annual debt service requirements to maturity on revenue and refunding bonds for governmental activities at June 30, 2008, are summarized as follows.

Year ending June 30:	Governmental Activities	
	Principal	Interest
2009	\$ 733,900	\$ 492,749
2010	699,010	462,840
2011	642,750	436,805
2012	878,430	407,287
2013	832,368	371,006
2014-18	4,286,608	1,299,922
2019-23	2,699,590	535,623
2024-27	1,410,390	103,487
Total	<u>\$ 12,183,046</u>	<u>\$ 4,109,719</u>

Purpose	Original Amount Issued	Interest Rates	Maturity	Outstanding Principal June 30, 2008	Due Within One Year
Business-type activities:					
Revenue Bonds, 1999	\$ 2,199,538	4.40-5.00%	7/1/08-19	\$ 2,050,000	\$ 170,000
Revenue Bonds, 2001	5,647,468	4.13-4.63%	7/1/08-13	1,570,134	235,050
Revenue Bonds, 2003	31,750,000	3.00-5.00%	7/1/08-28	27,955,000	1,275,000
Refunding Revenue Bonds, 2003	10,225,080	2.50-5.00%	7/1/08-19	9,668,750	253,500
Revenue Bonds, 2005	2,050,950	3.13-4.75%	7/1/08-25	1,922,250	77,550
Refunding Revenue Bonds, 2007	16,420,820	4.00-5.00%	7/1/09-26	16,420,820	
Total				<u>\$ 59,586,954</u>	<u>\$2,011,100</u>

Annual debt service requirements to maturity revenue and refunding bonds for business-type activities at June 30, 2008, are summarized as follows.

Year ending June 30:	Business-type Activities	
	Principal	Interest
2009	\$ 2,011,100	\$ 2,612,750
2010	2,485,990	2,538,280
2011	2,947,250	2,441,361
2012	2,836,570	2,336,112
2013	2,912,632	2,215,034
2014-18	14,523,392	9,252,342
2019-23	15,770,410	5,639,107
2024-28	14,434,610	2,662,386
2029	1,665,000	41,625
Total	<u>\$ 59,586,954</u>	<u>\$29,738,997</u>

**TOWN OF ORO VALLEY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

NOTE 7 – BONDS PAYABLE (Concl'd)

Pledged revenues – governmental activities. The Town has pledged future sales (excise) tax revenues to repay outstanding revenue bonds and refunding revenue bonds of \$12.2 million as of June 30, 2008. 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 2027. Total annual principal and interest payments for all sales tax revenue bonds are expected to require less than 5% of gross revenues. The total principal and interest to be paid on the bonds is \$16.3 million. The current total sales tax revenues were \$30,629,130 and the total principal and interest paid on the bonds was \$1,209,252, or 3.9% 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 \$59.6 million as of June 30, 2008. Proceeds from the original bond issuances, including those subsequently refunded, provided financing for the construction and improvements to the Town's water systems and infrastructure. The bonds are paid solely from water utility revenues and are payable through 2029. Total annual principal and interest payments for all water revenue bond issuances are expected to require approximately 25% of gross revenues. The total principal and interest to be paid on the bonds is \$89.3 million. The current total customer gross revenues were \$17,668,212 and the total principal and interest paid on the bonds was \$4,434,481, or 25.1% of gross revenues.

NOTE 8 – SPECIAL ASSESSMENT BONDS

Special assessment bonds at June 30, 2008, 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.

<u>Purpose</u>	<u>Original Amount Issued</u>	<u>Interest Rates</u>	<u>Maturity</u>	<u>Outstanding Principal June 30, 2008</u>	<u>Due Within One Year</u>
Governmental activities:					
Special assessments debt	\$3,945,000	4.20-5.00%	1/1/09-21	\$ 3,565,000	\$ 205,000
Total				<u>\$ 3,565,000</u>	<u>\$ 205,000</u>

TOWN OF ORO VALLEY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 8 – SPECIAL ASSESSMENT BONDS (Concl'd)

Annual debt service requirements to maturity on special assessment bonds at June 30, 2008, are summarized as follows.

Year ending June 30:	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2009	\$ 205,000	\$ 167,827
2010	215,000	157,577
2011	225,000	146,827
2012	235,000	135,577
2013	250,000	123,827
2014-18	1,415,000	438,735
2019-21	1,020,000	97,156
Total	<u>\$ 3,565,000</u>	<u>\$1,267,526</u>

NOTE 9 – CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2008 was as follows.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Revenue bonds payable	\$ 12,891,148	\$	\$ 708,102	\$ 12,183,046	\$ 733,900
Special assessments payable	3,760,000		195,000	3,565,000	205,000
Loan payable	2,500,000	8,000,000	2,500,000	8,000,000	
Compensated absences payable	1,121,911	1,579,760	1,345,335	1,356,336	1,148,233
Governmental activity long-term liabilities	<u>\$ 20,273,059</u>	<u>\$ 9,579,760</u>	<u>\$ 4,748,437</u>	<u>\$ 25,104,382</u>	<u>\$ 2,087,133</u>
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-type activities:					
Revenue bonds payable	\$ 61,568,852	\$	\$ 1,981,898	\$ 59,586,954	\$ 2,011,100
Loan payable		6,253,260	521,494	5,731,766	637,164
Compensated absences payable	117,177	156,393	127,683	145,887	102,600
Business-type activities long-term liabilities	<u>\$ 61,686,029</u>	<u>\$ 156,393</u>	<u>\$ 2,109,581</u>	<u>\$ 59,732,841</u>	<u>\$ 2,113,700</u>

TOWN OF ORO VALLEY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 10 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

At June 30, 2008, interfund balances were as follows.

Interfund transfers:

	Transfers in		Total
	Municipal Building Fund	Non-Major Governmental Funds	
<u>Transfers out</u>			
General Fund	\$ 3,702,000	\$ 2,257,581	\$5,959,581
Highway User Revenue Fund	450,000	228,370	678,370
Non-Major Governmental Funds		210,000	210,000
Water Fund	1,600,000		1,600,000
Total	<u>\$ 5,752,000</u>	<u>\$ 2,695,951</u>	<u>\$6,847,951</u>

Transfers were made from the General Fund to subsidize the Public Transportation, Capital Asset Replacement, Pima County Bond Projects, and Municipal Building Funds. Transfers were made from the General and Highway User Revenue Funds to the Municipal Debt Service Fund to make the required principal and interest payments on outstanding bonded indebtedness. Transfers were made from the Highway User Revenue and Water Funds to subsidize the Municipal Building Fund.

NOTE 11 – 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, 2008

NOTE 12 – 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.

NOTE 13 – RETIREMENT PLAN

Plan Descriptions – The Town contributes to the three plans described below. Benefits are established by state statute and generally provide retirement, death, long-term disability, survivor, and health insurance premium benefits.

The *Arizona State Retirement System (ASRS)* administers a cost-sharing multiple-employer defined benefit pension plan; a cost-sharing multiple employer defined benefit health insurance premium plan; and a cost-sharing, multiple-employer defined benefit long-term disability plan that covers employees of the State of Arizona and employees of participating political subdivisions and school districts. The ASRS is governed by the Arizona State Retirement System Board according to the provisions of A.R.S. Title 38, Chapter 5, Article 2.

The *Public Safety Personnel Retirement System (PSPRS)* administers agent multiple-employer defined benefit pension plan and an agent multiple-employer defined benefit health insurance premium plan that covers public safety personnel who are regularly assigned hazardous duty as employees of the State of Arizona or one of its political subdivisions. The PSPRS, acting as a common investment and administrative agent, is governed by a five-member board, known as The Fund Manager, and 162 local boards according to the provisions of A.R.S. Title 38, Chapter 5, Article 4.

**TOWN OF ORO VALLEY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

NOTE 13 – RETIREMENT PLAN (Cont'd)

The *Corrections Officer Retirement Plan* (CORP) administers an agent multiple-employer defined benefit pension plan and an agent multiple-employer defined benefit health insurance premium plan that covers certain employees of the State of Arizona’s Department of Corrections and Department of Juvenile Corrections, and county employees whose primary duties require direct inmate contact. The CORP is governed by The Fund Manager of PSPRS and the participating local boards according to the provisions of A.R.S. Title 38, Chapter 5, Article 6.

Each plan issues a publicly available financial report that includes its financial statements and required supplementary information. A report may be obtained by writing or calling the applicable plan.

ASRS

P.O. Box 33910
Phoenix, AZ 85012-0250
(602) 240-2200 or (800) 621-3778

PSPRS/CORP

3010 E. Camelback Road Suite 200
Phoenix, AZ 85016
(602) 255-5575

Funding policy – The Arizona State Legislature establishes and may amend active plan members’ and the Town’s contribution rates.

Cost-sharing plans – The Arizona State Legislature establishes and may amend active plan members’ and the Town’s contribution rates. For the year ended June 30, 2008, active ASRS members were required by statute to contribute at the actuarially determined rate of 9.6 percent (9.1 percent for retirement and 0.5 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 9.6 percent (8.05 percent for retirement, 1.05 percent for health insurance premium, and 0.5 percent for long-term disability) of the members’ annual covered payroll.

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

Years ended June 30,	<u>Retirement Fund</u>	<u>Health Benefit Supplement Fund</u>	<u>Long-Term Disability Fund</u>
2008	\$936,503	\$122,153	\$58,168
2007	678,657	94,383	44,944
2006	355,171	63,748	30,356

Agent plan – For the year ended June 30, 2008, active PSPRS members were required by statute to contribute 7.65 percent of the members’ annual covered payroll, and the Town was required to contribute at the actuarially determined rate of 10.12 percent.

TOWN OF ORO VALLEY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 13 – RETIREMENT PLAN (Cont'd)

Annual Pension Cost – The Town’s pension cost for the agent plan for the year ended June 30, 2007 and related information follows.

	PSPRS	CORP
Contribution rates:		
Town	10.12%	6.94%
Plan members	7.65%	7.96%
Annual pension cost	\$478,027	\$35,184
Contributions made	\$478,027	\$35,184
Actuarial valuation date	June 30, 2007	June 30, 2007
Actuarial cost method	Projected unit credit	Projected unit credit
Actuarial assumptions:		
Investment rate of return	8.5%	8.5%
Projected salary increases	5.5%-8.5%	5.0%
Inflation rate	5.0%	5.0%
Amortization method	Level percent closed for unfunded actuarial liability, open for excess	Level percent closed for unfunded actuarial liability, open for excess
Remaining amortization	30 years for unfunded actuarial accrued liability, 20 years for excess	30 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	Smoothed market value	Smoothed market value

Trend Information – Information for the agent plan as of most recent actuarial valuations follows.

PSPRS:

Year Ended <u>June 30,</u>	Annual Pension <u>Cost (APC)</u>	Percentage of APC <u>Contributed</u>	Net Pension <u>Obligation</u>
2005	\$ 367,387	100%	-0-
2006	434,478	100	-0-
2007	478,027	100	-0-

CORP:

Year Ended <u>June 30,</u>	Annual Pension <u>Cost (APC)</u>	Percentage of APC <u>Contributed</u>	Net Pension <u>Obligation</u>
2005	\$42,661	100%	-0-
2006	40,089	100	-0-
2007	35,184	100	-0-

TOWN OF ORO VALLEY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 13 – RETIREMENT PLAN (Concl'd)

Funding Progress – An analysis of funding progress for each of the agent plans as of June 30, 2007 follows.

PSPRS:

Valuation Date June 30,	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Funding Liability (a-b)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded Liability as Percentage of Covered Payroll ([a-b]/c)
2005	\$10,351,579	\$11,338,052	\$ (986,473)	91.3%	\$4,354,983	22.7%
2006	11,345,626	12,654,350	(1,308,724)	89.7	4,614,186	28.4
2007	11,996,669	16,700,207	(4,703,538)	71.8	5,306,785	88.6

CORP:

Valuation Date June 30,	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Funding Liability (a-b)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded Liability as Percentage of Covered Payroll [a-b]/c)
2005	\$788,467	\$1,000,086	\$(211,619)	78.8%	\$518,393	40.8%
2006	889,875	1,140,381	(250,506)	78.0	515,269	48.6
2007	960,316	1,278,537	(318,221)	75.1	639,247	49.8

NOTE 14 – SUBSEQUENT EVENT

In September 2008, the Town's investment in the State Treasurer's Local Government Pool 5 incurred a loss. The potential impact to the Town's financial statements is approximately \$682,000.

**SCHEDULES OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL
(REQUIRED SUPPLEMENTARY INFORMATION)**

**TOWN OF ORO VALLEY, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2008**

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original & Final	Actual	
Revenues:			
Sales taxes	\$ 12,608,840	\$ 13,278,681	\$ 669,841
Franchise taxes	426,000	516,652	90,652
Intergovernmental	12,732,768	11,773,977	(958,791)
Licenses, fees & permits	1,832,000	2,761,145	929,145
Fines, forfeitures & penalties	210,000	294,577	84,577
Charges for services	873,041	983,094	110,053
Investment earnings	600,000	744,393	144,393
Other	145,000	276,611	131,611
Total revenues	<u>29,427,649</u>	<u>30,629,130</u>	<u>1,201,481</u>
Expenditures:			
Current -			
General government	19,675,008	7,992,477	11,682,531
Public safety	14,588,297	13,511,713	1,076,584
Culture and recreation	3,910,120	3,291,775	618,345
Capital outlay		<u>1,684,902</u>	<u>(1,684,902)</u>
Total expenditures	<u>38,173,425</u>	<u>26,480,867</u>	<u>11,692,558</u>
Excess (deficiency) of revenues over expenditures	<u>(8,745,776)</u>	<u>4,148,263</u>	<u>12,894,039</u>
Other financing sources (uses):			
Transfers out	<u>(5,674,102)</u>	<u>(5,959,581)</u>	<u>(285,479)</u>
Total other financing sources (uses)	<u>(5,674,102)</u>	<u>(5,959,581)</u>	<u>(285,479)</u>
Change in fund balances	<u>(14,419,878)</u>	<u>(1,811,318)</u>	<u>12,608,560</u>
Fund balances, July 1, 2007	14,419,878	18,477,706	4,057,828
Fund balances, June 30, 2008	<u>\$</u>	<u>\$ 16,666,388</u>	<u>\$ 16,666,388</u>

See accompanying notes to this schedule.

**TOWN OF ORO VALLEY, ARIZONA
 SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - HURF
 YEAR ENDED JUNE 30, 2008**

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original & Final	Actual	
Revenues:			
Sales taxes	\$ 2,885,758	\$ 2,639,189	\$ (246,569)
Intergovernmental	4,208,579	3,698,292	(510,287)
Licenses, fees & permits		31,539	31,539
Investment earnings		187,687	187,687
Other	208,500	78,889	(129,611)
Total revenues	<u>7,302,837</u>	<u>6,635,596</u>	<u>(667,241)</u>
Expenditures:			
Current -			
Highway and streets	9,564,753	3,549,525	6,015,228
Capital outlay		2,037,942	(2,037,942)
Total expenditures	<u>9,564,753</u>	<u>5,587,467</u>	<u>3,977,286</u>
Excess (deficiency) of revenues over expenditures	<u>(2,261,916)</u>	<u>1,048,129</u>	<u>3,310,045</u>
Other financing sources (uses):			
Transfers out	(678,370)	(678,370)	
Total other financing sources (uses)	<u>(678,370)</u>	<u>(678,370)</u>	
Change in fund balances	<u>(2,940,286)</u>	<u>369,759</u>	<u>3,310,045</u>
Fund balances, July 1, 2007	2,940,286	3,647,014	706,728
Fund balances, June 30, 2008	<u>\$</u>	<u>\$ 4,016,773</u>	<u>\$ 4,016,773</u>

See accompanying notes to this schedule.

TOWN OF ORO VALLEY, ARIZONA
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2008

NOTE 1 – BUDGETARY BASIS OF ACCOUNTING

The adopted budget of the Town is prepared on the modified accrual basis of accounting.

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

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**OTHER MAJOR GOVERNMENTAL FUNDS
SCHEDULES OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL**

**TOWN OF ORO VALLEY, ARIZONA
 SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - ORACLE ROAD DEBT SERVICE
 YEAR ENDED JUNE 30, 2008**

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original & Final	Actual	
Revenues:			
Special assesments	\$ 367,709	\$ 193,023	\$ (174,686)
Investment earnings		172,787	172,787
Total revenues	<u>367,709</u>	<u>365,810</u>	<u>(1,899)</u>
Expenditures:			
Debt service -			
Principal retirement	278,697	195,000	83,697
Interest and fiscal charges	185,797	180,439	5,358
Total expenditures	<u>464,494</u>	<u>375,439</u>	<u>89,055</u>
Change in fund balances	<u>(96,785)</u>	<u>(9,629)</u>	<u>87,156</u>
Fund balances, July 1, 2007	96,785	106,588	9,803
Fund balances, June 30, 2008	<u>\$</u>	<u>\$ 96,959</u>	<u>\$ 96,959</u>

**TOWN OF ORO VALLEY, ARIZONA
 SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - TOWNWIDE ROADWAY DEVELOPMENT IMPACT FEES
 YEAR ENDED JUNE 30, 2008**

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original & Final	Actual	
Revenues:			
Impact fees	\$ 1,080,000	\$ 910,741	\$ (169,259)
Intergovernmental	12,720,000	5,198,172	(7,521,828)
Investment earnings		339,628	339,628
Other	145,000	172,191	27,191
Total revenues	<u>13,945,000</u>	<u>6,620,732</u>	<u>(7,324,268)</u>
Expenditures:			
Current -			
Highway and streets	16,586,347	6,925	16,579,422
Capital outlay		7,014,301	(7,014,301)
Debt service -			
Principal retirement		2,500,000	(2,500,000)
Interest and fiscal charges		224,994	(224,994)
Total expenditures	<u>16,586,347</u>	<u>9,746,220</u>	<u>6,840,127</u>
Excess (deficiency) of revenues over expenditures	<u>(2,641,347)</u>	<u>(3,125,488)</u>	<u>(484,141)</u>
Other financing sources (uses):			
Loan proceeds		8,000,000	8,000,000
Total other financing sources (uses)		<u>8,000,000</u>	<u>8,000,000</u>
Change in fund balances	<u>(2,641,347)</u>	<u>4,874,512</u>	<u>7,515,859</u>
Fund balances, July 1, 2007	2,641,347	3,714,717	1,073,370
Fund balances, June 30, 2008	<u>\$</u>	<u>\$ 8,589,229</u>	<u>\$ 8,589,229</u>

**TOWN OF ORO VALLEY, ARIZONA
 SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - MUNICIPAL BUILDING
 YEAR ENDED JUNE 30, 2008**

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original & Final	Actual	
Revenues:			
Investment earnings	\$ 15,000	\$ 31,773	\$ 16,773
Total revenues	<u>15,000</u>	<u>31,773</u>	<u>16,773</u>
Expenditures:			
Capital outlay	6,612,690	672,370	5,940,320
Total expenditures	<u>6,612,690</u>	<u>672,370</u>	<u>5,940,320</u>
Excess (deficiency) of revenues over expenditures	<u>(6,597,690)</u>	<u>(640,597)</u>	<u>5,957,093</u>
Other financing sources (uses):			
Transfers in	5,752,000	5,752,000	
Total other financing sources (uses)	<u>5,752,000</u>	<u>5,752,000</u>	
Change in fund balances	<u>(845,690)</u>	<u>5,111,403</u>	<u>5,957,093</u>
Fund balances, July 1, 2007	845,690	786,830	(58,860)
Fund balances, June 30, 2008	<u>\$</u>	<u>\$ 5,898,233</u>	<u>\$ 5,898,233</u>

NON-MAJOR GOVERNMENTAL FUNDS

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TOWN OF ORO VALLEY, ARIZONA
COMBINING BALANCE SHEET - ALL NON-MAJOR GOVERNMENTAL FUNDS - BY FUND TYPE
JUNE 30, 2008

	Special Revenue	Municipal Debt Service	Capital Projects	Total Non-Major Governmental Funds
<u>ASSETS</u>				
Cash and cash equivalents	\$ 2,474,121	\$ 166,519	\$ 837,898	\$ 3,478,538
Accounts receivable			79,288	79,288
Interest receivable	4,841			4,841
Total assets	\$ 2,478,962	\$ 166,519	\$ 917,186	\$ 3,562,667
 <u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable	\$ 202,720	\$	\$ 8,624	\$ 211,344
Accrued wages and benefits	8,275			8,275
Intergovernmental payable	72			72
Customer deposits payable	750,476			750,476
Total liabilities	961,543		8,624	970,167
Fund balances:				
Unreserved:				
Undesignated	1,517,419	166,519	908,562	2,592,500
Total fund balances	1,517,419	166,519	908,562	2,592,500
Total liabilities and fund balances	\$ 2,478,962	\$ 166,519	\$ 917,186	\$ 3,562,667

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, 2008

	<u>Special Revenue</u>	<u>Municipal Debt Service</u>	<u>Capital Projects</u>
Revenues:			
Sales taxes	\$ 1,251,128	\$	\$
Intergovernmental	954,044		239,390
Fines, forfeitures & penalties	97,344		
Charges for services	57,600		
Contributions and donations			249,999
Investment earnings	109,335	5,051	
Other	28,099		
Total revenues	<u>2,497,550</u>	<u>5,051</u>	<u>489,389</u>
Expenditures:			
Current -			
General government	772,242		2,777
Public safety	37,457		
Highway and streets	551,421		
Culture and recreation	32,291		
Capital outlay	923,098		757,700
Debt service -			
Principal retirement		708,102	
Interest and fiscal charges		502,225	
Total expenditures	<u>2,316,509</u>	<u>1,210,327</u>	<u>760,477</u>
Excess (deficiency) of revenues over expenditures	<u>181,041</u>	<u>(1,205,276)</u>	<u>(271,088)</u>
Other financing sources (uses):			
Transfers in	302,297	1,233,175	1,160,479
Transfers out	(210,000)		
Total other financing sources (uses)	<u>92,297</u>	<u>1,233,175</u>	<u>1,160,479</u>
Change in fund balances	<u>273,338</u>	<u>27,899</u>	<u>889,391</u>
Fund balances, beginning of year	1,244,081	138,620	19,171
Fund balances, end of year	<u>\$ 1,517,419</u>	<u>\$ 166,519</u>	<u>\$ 908,562</u>

Total
Non-Major
Governmental
Funds

\$ 1,251,128
1,193,434
97,344
57,600
249,999
114,386
28,099

2,991,990

775,019
37,457
551,421
32,291
1,680,798

708,102
502,225

4,287,313

(1,295,323)

2,695,951
(210,000)

2,485,951

1,190,628

1,401,872

\$ 2,592,500

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NON-MAJOR 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.

Revegetation Assurances – accounts for monies received from developers to help ensure developments are properly revegetated to Town standards.

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

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

Bed Tax – accounts for the collection of the 6 percent bed tax revenues which funds projects for parks and recreation, economic development and Naranja Town Site developments.

Public Transportation – accounts for the operation of the Town’s public transportation system.

TOWN OF ORO VALLEY, ARIZONA
COMBINING BALANCE SHEET - NON-MAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2008

	Revegetation Assurances	State Seizures and Forfeitures	Federal Seizures and Forfeitures	Bed Tax
<u>ASSETS</u>				
Cash and cash equivalents	\$ 981,861	\$ 150,937	\$ 206,403	\$ 993,755
Interest receivable	2,256			2,048
Total assets	\$ 984,117	\$ 150,937	\$ 206,403	\$ 995,803
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable	\$	\$	\$ 2,878	\$ 181,685
Accrued wages and benefits				
Intergovernmental payable				
Customer deposits payable	750,476			
Total liabilities	750,476		2,878	181,685
Fund balances:				
Unreserved:				
Undesignated	233,641	150,937	203,525	814,118
Total fund balances	233,641	150,937	203,525	814,118
Total liabilities and fund balances	\$ 984,117	\$ 150,937	\$ 206,403	\$ 995,803

Public Transportation	Totals
\$ 141,165	\$ 2,474,121
537	4,841
\$ 141,702	\$ 2,478,962

\$ 18,157	\$ 202,720
8,275	8,275
72	72
	750,476
26,504	961,543

115,198	1,517,419
115,198	1,517,419
\$ 141,702	\$ 2,478,962

TOWN OF ORO VALLEY, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2008

	Revegetation Assurances	State Seizures and Forfeitures	Federal Seizures and Forfeitures
Revenues:			
Sales taxes	\$	\$	\$
Intergovernmental			
Fines, forfeitures & penalties		58,802	38,542
Charges for services			
Investment earnings	47,785	7,626	13,960
Other			
Total revenues	47,785	66,428	52,502
Expenditures:			
Current -			
General government			
Public safety		12,438	25,019
Highway and streets			
Culture and recreation			
Capital outlay		1,273	27,387
Total expenditures		13,711	52,406
Excess (deficiency) of revenues over expenditures	47,785	52,717	96
Other financing sources (uses):			
Transfers in			
Transfers out	(210,000)		
Total other financing sources (uses)	(210,000)		
Change in fund balances	(162,215)	52,717	96
Fund balances, beginning of year	395,856	98,220	203,429
Fund balances, end of year	\$ 233,641	\$ 150,937	\$ 203,525

<u>Bed Tax</u>	<u>Public Transportation</u>	<u>Totals</u>
\$ 1,251,128	\$	\$ 1,251,128
	954,044	954,044
		97,344
	57,600	57,600
23,792	16,172	109,335
	28,099	28,099
<u>1,274,920</u>	<u>1,055,915</u>	<u>2,497,550</u>
772,242		772,242
		37,457
	551,421	551,421
32,291		32,291
180,558	713,880	923,098
<u>985,091</u>	<u>1,265,301</u>	<u>2,316,509</u>
<u>289,829</u>	<u>(209,386)</u>	<u>181,041</u>
	302,297	302,297
		(210,000)
	<u>302,297</u>	<u>92,297</u>
<u>289,829</u>	<u>92,911</u>	<u>273,338</u>
524,289	22,287	1,244,081
<u>\$ 814,118</u>	<u>\$ 115,198</u>	<u>\$ 1,517,419</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, 2008

	Revegetation Assurances		
	Budget*	Actual	Variance - Positive (Negative)
Revenues:			
Sales taxes	\$	\$	\$
Intergovernmental			
Fines, forfeitures & penalties			
Charges for services			
Investment earnings		47,785	47,785
Other			
Total revenues		47,785	47,785
Expenditures:			
Current -			
General government			
Public safety			
Highway and streets			
Culture and recreation			
Capital outlay			
Total expenditures			
Excess (deficiency) of revenues over expenditures		47,785	47,785
Other financing sources (uses):			
Transfers in			
Transfers out		(210,000)	(210,000)
Total other financing sources (uses)		(210,000)	(210,000)
Change in fund balances		(162,215)	(162,215)
Fund balances, July 1, 2007		395,856	395,856
Fund balances, June 30, 2008	\$	\$ 233,641	\$ 233,641

*The Revegetation Assurances Fund was included in the Town's budget, however, the budget was -0-.

State Seizures and Forfeitures			Federal Seizures and Forfeitures		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$	\$	\$	\$	\$	\$
70,000	58,802	(11,198)	100,000	38,542	(61,458)
	7,626	7,626		13,960	13,960
<u>70,000</u>	<u>66,428</u>	<u>(3,572)</u>	<u>100,000</u>	<u>52,502</u>	<u>(47,498)</u>
165,767	12,438	153,329	182,804	25,019	157,785
	1,273	(1,273)		27,387	(27,387)
<u>165,767</u>	<u>13,711</u>	<u>152,056</u>	<u>182,804</u>	<u>52,406</u>	<u>130,398</u>
<u>(95,767)</u>	<u>52,717</u>	<u>148,484</u>	<u>(82,804)</u>	<u>96</u>	<u>82,900</u>
<u>(95,767)</u>	<u>52,717</u>	<u>148,484</u>	<u>(82,804)</u>	<u>96</u>	<u>82,900</u>
95,767	98,220	2,453	82,804	203,429	120,625
<u>\$</u>	<u>\$ 150,937</u>	<u>\$ 150,937</u>	<u>\$</u>	<u>\$ 203,525</u>	<u>\$ 203,525</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, 2008
(Concluded)

	Bed Tax		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Sales taxes	\$ 1,372,293	\$ 1,251,128	\$ (121,165)
Intergovernmental			
Fines, forfeitures & penalties			
Charges for services			
Investment earnings		23,792	23,792
Other	15,000		(15,000)
Total revenues	<u>1,387,293</u>	<u>1,274,920</u>	<u>(112,373)</u>
Expenditures:			
Current -			
General government	1,878,583	772,242	1,106,341
Public safety			
Highway and streets			
Culture and recreation		32,291	(32,291)
Capital outlay		180,558	(180,558)
Total expenditures	<u>1,878,583</u>	<u>985,091</u>	<u>893,492</u>
Excess (deficiency) of revenues over expenditures	<u>(491,290)</u>	<u>289,829</u>	<u>781,119</u>
Other financing sources (uses):			
Transfers in			
Transfers out			
Total other financing sources (uses)			
Change in fund balances	<u>(491,290)</u>	<u>289,829</u>	<u>781,119</u>
Fund balances, July 1, 2007	491,290	524,289	32,999
Fund balances, June 30, 2008	<u>\$</u>	<u>\$ 814,118</u>	<u>\$ 814,118</u>

Public Transportation			Totals		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$ 298,286	\$ 954,044	\$ 655,758	\$ 1,372,293	\$ 1,251,128	\$ (121,165)
			298,286	954,044	655,758
			170,000	97,344	(72,656)
	57,600	57,600		57,600	57,600
	16,172	16,172		109,335	109,335
191,000	28,099	(162,901)	206,000	28,099	(177,901)
489,286	1,055,915	566,629	2,046,579	2,497,550	450,971
			1,878,583	772,242	1,106,341
			348,571	37,457	311,114
792,401	551,421	240,980	792,401	551,421	240,980
	713,880	(713,880)		32,291	(32,291)
792,401	1,265,301	(472,900)		923,098	(923,098)
			3,019,555	2,316,509	703,046
(303,115)	(209,386)	93,729	(972,976)	181,041	1,154,017
302,297	302,297		302,297	302,297	
				(210,000)	(210,000)
302,297	302,297		302,297	92,297	(210,000)
(818)	92,911	93,729	(670,679)	273,338	944,017
818	22,287	21,469	670,679	1,244,081	573,402
\$	\$ 115,198	\$ 115,198	\$	\$ 1,517,419	\$ 1,517,419

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NON-MAJOR DEBT SERVICE FUNDS

Debt Service Funds are created to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

Municipal Debt Service – accounts for the payments of debt service on the Municipal Property Corporation Revenue Bonds of 1999, 2000, 2001, 2003 Refunding, 2005, and 2007 Refunding.

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TOWN OF ORO VALLEY, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - NON-MAJOR DEBT SERVICE FUND
YEAR ENDED JUNE 30, 2008

	Municipal Debt Service		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Investment earnings	\$	\$ 5,051	\$ 5,051
Other	5,000		(5,000)
Total revenues	<u>5,000</u>	<u>5,051</u>	<u>51</u>
Expenditures:			
Debt service -			
Principal retirement	925,261	708,102	217,159
Interest and fiscal charges	642,978	502,225	140,753
Total expenditures	<u>1,568,239</u>	<u>1,210,327</u>	<u>357,912</u>
Excess (deficiency) of revenues over expenditures	<u>(1,563,239)</u>	<u>(1,205,276)</u>	<u>357,963</u>
Other financing sources (uses):			
Transfers in	1,383,899	1,233,175	(150,724)
Total other financing sources (uses)	<u>1,383,899</u>	<u>1,233,175</u>	<u>(150,724)</u>
Change in fund balances	<u>(179,340)</u>	<u>27,899</u>	<u>207,239</u>
Fund balances, July 1, 2007	179,340	138,620	(40,720)
Fund balances, June 30, 2008	<u>\$</u>	<u>\$ 166,519</u>	<u>\$ 166,519</u>

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NON-MAJOR 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.

Capital Asset Replacement – accounts for revenues dedicated for the routine replacement of Town vehicles, computers, and other equipment.

Pima County Bond Projects – accounts for the revenues and expenditures for historic preservation capital improvements funded by grants and from Pima County bond funds.

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TOWN OF ORO VALLEY, ARIZONA
COMBINING BALANCE SHEET - NON-MAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2008

	Capital Asset Replacement	Pima County Bond Projects	Totals
<u>ASSETS</u>			
Cash and cash equivalents	\$ 500,000	\$ 337,898	\$ 837,898
Accounts receivable		79,288	79,288
Total assets	\$ 500,000	\$ 417,186	\$ 917,186
 <u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$	\$ 8,624	\$ 8,624
Total liabilities		8,624	8,624
Fund balances:			
Unreserved:			
Undesignated	500,000	408,562	908,562
Total fund balances	500,000	408,562	908,562
Total liabilities and fund balances	\$ 500,000	\$ 417,186	\$ 917,186

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TOWN OF ORO VALLEY, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NON-MAJOR CAPITAL PROJECTS FUNDS
YEAR ENDED JUNE 30, 2008

	Capital Asset Replacement	Pima County Bond Projects	Totals
Revenues:			
Intergovernmental	\$	\$ 239,390	\$ 239,390
Contributions and donations		249,999	249,999
Total revenues		489,389	489,389
Expenditures:			
Current -			
General government		2,777	2,777
Capital outlay		757,700	757,700
Total expenditures		760,477	760,477
Excess (deficiency) of revenues over expenditures		(271,088)	(271,088)
Other financing sources (uses):			
Transfers in	500,000	660,479	1,160,479
Total other financing sources (uses)	500,000	660,479	1,160,479
Change in fund balances	500,000	389,391	889,391
Fund balances, beginning of year		19,171	19,171
Fund balances, end of year	\$ 500,000	\$ 408,562	\$ 908,562

**TOWN OF ORO VALLEY, ARIZONA
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - BUDGET AND ACTUAL - NON-MAJOR CAPITAL PROJECTS FUNDS
 YEAR ENDED JUNE 30, 2008**

	Capital Asset Replacement		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Intergovernmental	\$	\$	\$
Contributions and donations			
Total revenues			
Expenditures:			
Current -			
General government			
Capital outlay	500,000		500,000
Total expenditures	500,000		500,000
Excess (deficiency) of revenues over expenditures	(500,000)		500,000
Other financing sources (uses):			
Transfers in	500,000	500,000	
Total other financing sources (uses)	500,000	500,000	
Change in fund balances		500,000	500,000
Fund balances, July 1, 2007			
Fund balances, June 30, 2008	\$	\$ 500,000	\$ 500,000

Pima County Bond Projects			Totals		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$ 463,113	\$ 239,390	\$ (223,723)	\$ 463,113	\$ 239,390	\$ (223,723)
	249,999	249,999		249,999	249,999
463,113	489,389	26,276	463,113	489,389	26,276
	2,777	(2,777)		2,777	(2,777)
834,613	757,700	76,913	1,334,613	757,700	576,913
834,613	760,477	74,136	1,334,613	760,477	574,136
(371,500)	(271,088)	100,412	(871,500)	(271,088)	600,412
165,000	660,479	495,479	665,000	1,160,479	495,479
165,000	660,479	495,479	665,000	1,160,479	495,479
(206,500)	389,391	595,891	(206,500)	889,391	1,095,891
206,500	19,171	(187,329)	206,500	19,171	(187,329)
\$	\$ 408,562	\$ 408,562	\$	\$ 908,562	\$ 908,562

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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 school districts.

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.

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

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
Governmental activities						
Invested in capital assets, net of related debt	\$ 21,188,015	\$ 30,546,282	\$ 92,541,223	\$ 107,413,486	\$ 106,644,847	\$ 115,177,344
Restricted	2,303,550	3,958,033	15,360,660	8,919,398	8,326,731	14,072,781
Unrestricted	13,828,711	19,248,712	15,394,707	15,063,081	23,571,109	26,698,611
Total governmental activities net assets	\$ 37,320,276	\$ 53,753,027	\$ 123,296,590	\$ 131,395,965	\$ 138,542,687	\$ 155,948,736
Business-type activities						
Invested in capital assets, net of related debt	\$ 3,745,153	\$ (14,913,572)	\$ 546,602	\$ 7,240,791	\$ 15,534,043	\$ 21,274,023
Restricted	3,575,789	3,492,488	2,310,980	2,331,001	-	-
Unrestricted	10,262,534	33,107,781	24,499,050	22,958,536	23,252,747	24,651,948
Total business-type activities net assets	\$ 17,583,476	\$ 21,686,697	\$ 27,356,632	\$ 32,530,328	\$ 38,786,790	\$ 45,925,971
Primary government						
Invested in capital assets, net of related debt	\$ 24,933,168	\$ 15,632,710	\$ 93,087,825	\$ 114,654,277	\$ 122,178,890	\$ 136,451,367
Restricted	5,879,339	7,450,521	17,671,640	11,250,399	8,326,731	14,072,781
Unrestricted	24,091,245	52,356,493	39,893,757	38,021,617	46,823,856	51,350,559
Total primary government net assets	\$ 54,903,752	\$ 75,439,724	\$ 150,653,222	\$ 163,926,293	\$ 177,329,477	\$ 201,874,707

Source: Town of Oro Valley Finance Department

Note: 2002-03 was the Town of Oro Valley, Arizona's first year to prepare government-wide financial statements.

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

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
Expenses						
Governmental activities:						
General government	\$ 5,592,498	\$ 5,971,319	\$ 5,997,864	\$ 7,162,732	\$ 7,529,245	\$ 9,080,766
Public Safety	9,013,391	9,520,219	10,309,453	11,155,542	12,352,671	14,347,250
Highways and streets	2,613,170	2,850,172	4,789,234	5,732,026	7,757,276	7,292,972
Culture and recreation	2,352,445	2,566,173	2,631,306	3,014,341	3,375,314	3,644,973
Interest on long-term debt	564,798	456,107	653,331	805,123	996,336	987,074
Total governmental activities/expenses	<u>20,136,302</u>	<u>21,363,990</u>	<u>24,381,188</u>	<u>27,869,764</u>	<u>32,010,842</u>	<u>35,353,035</u>
Business-type activities:						
Water	9,025,235	8,957,988	9,642,592	10,438,869	11,446,958	12,676,275
Stormwater drainage	104,948	45,551	271,469	111,695	74,235	177,673
Total business-type activities expenses	<u>9,130,183</u>	<u>9,003,539</u>	<u>9,914,061</u>	<u>10,550,564</u>	<u>11,521,193</u>	<u>12,853,948</u>
Total primary government expenses	<u>\$ 29,266,485</u>	<u>\$ 30,367,529</u>	<u>\$ 34,295,249</u>	<u>\$ 38,420,328</u>	<u>\$ 43,532,035</u>	<u>\$ 48,206,983</u>
Program Revenues						
Governmental activities:						
Fees, Fines and Charges for Services:						
General government	\$ 2,991,105	\$ 3,902,024	\$ 3,784,049	\$ 4,013,368	\$ 3,642,887	\$ 3,972,465
Highways and streets	121,484	170,543	396,602	183,842	122,124	211,088
Operating grants and contributions	3,512,097	3,675,674	4,216,642	4,558,864	4,893,869	5,619,003
Capital grants and contributions	1,520,898	13,437,638	13,834,121	3,994,640	8,321,691	10,264,829
Total governmental activities program revenues	<u>8,145,584</u>	<u>21,185,879</u>	<u>22,231,414</u>	<u>12,750,714</u>	<u>16,980,571</u>	<u>20,067,385</u>
Business-type activities:						
Charges for services:						
Water	10,380,720	11,917,546	11,951,413	14,038,391	13,617,336	16,803,950
Stormwater Utility	75	-	14,710	21,401	125	357,602
Operating grants and contributions	297,500	-	-	-	-	-
Capital grants and contributions	1,856,151	840,096	2,934,747	628,501	3,066,170	3,567,083
Total business-type activities program revenues	<u>12,534,446</u>	<u>12,757,642</u>	<u>14,900,870</u>	<u>14,688,293</u>	<u>16,683,631</u>	<u>20,728,635</u>
Total primary government program revenues	<u>\$ 20,680,030</u>	<u>\$ 33,943,521</u>	<u>\$ 37,132,284</u>	<u>\$ 27,439,007</u>	<u>\$ 33,664,202</u>	<u>\$ 40,796,020</u>

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
Net (Expense)/Revenues						
Governmental activities	\$ (11,990,718)	\$ (178,111)	\$ (2,149,774)	\$ (15,119,050)	\$ (15,030,271)	\$ (15,285,650)
Business-type activities	3,404,263	3,754,103	4,986,809	4,137,729	5,162,438	7,874,687
Total primary government net expenses	<u>\$ (8,586,455)</u>	<u>\$ 3,575,992</u>	<u>\$ 2,837,035</u>	<u>\$ (10,981,321)</u>	<u>\$ (9,867,833)</u>	<u>\$ (7,410,963)</u>
General Revenues and Other Changes in Net Assets						
Governmental activities:						
Taxes:						
Sales taxes	\$ 5,876,309	\$ 7,924,855	\$ 9,536,791	\$ 12,455,609	\$ 16,873,630	\$ 17,168,998
Franchise taxes	341,489	371,697	402,482	435,428	478,175	516,652
Impact fees	885,371	1,189,848	1,547,819	1,098,977	1,038,217	910,741
Unrestricted state revenue sharing	3,161,005	2,845,866	2,935,615	3,343,471	4,473,305	5,544,763
Unrestricted state sales tax revenue sharing	2,322,772	2,686,614	2,958,376	3,432,007	3,744,864	3,621,016
Unrestricted auto lieu tax revenue sharing	1,307,305	1,374,464	1,395,094	1,541,560	1,726,149	1,738,875
Special assessments	-	-	5,433,301	-	-	-
Investment earnings (loss)	(244,770)	281,518	557,238	991,151	1,471,641	1,590,654
Special item - Loss on sale of fixed assets	(30,525)	-	-	(79,778)	-	-
Transfers	-	(64,000)	(91,194)	(79,778)	69,813	1,600,000
Total governmental activities	<u>13,618,956</u>	<u>16,610,862</u>	<u>24,675,522</u>	<u>23,218,425</u>	<u>29,875,794</u>	<u>32,691,699</u>
Business-type activities:						
Investment earnings (loss)	(50,977)	285,118	591,932	956,189	1,163,837	864,494
Transfers	-	64,000	91,194	79,778	(69,813)	(1,600,000)
Total business-type activities	<u>(50,977)</u>	<u>349,118</u>	<u>683,126</u>	<u>1,035,967</u>	<u>1,094,024</u>	<u>(735,506)</u>
Total primary government	<u>\$ 13,567,979</u>	<u>\$ 16,959,980</u>	<u>\$ 25,358,648</u>	<u>\$ 24,254,392</u>	<u>\$ 30,969,818</u>	<u>\$ 31,956,193</u>
Change in Net Assets						
Governmental activities	\$ 1,628,238	\$ 16,432,751	\$ 22,525,748	\$ 8,099,375	\$ 14,845,523	\$ 17,406,049
Business-type activities	3,353,286	4,103,221	5,669,935	5,173,696	6,256,462	7,139,181
Total primary government	<u>\$ 4,981,524</u>	<u>\$ 20,535,972</u>	<u>\$ 28,195,683</u>	<u>\$ 13,273,071</u>	<u>\$ 21,101,985</u>	<u>\$ 24,545,230</u>

Source: Town of Oro Valley Finance Department

Note: 2002-03 was the Town of Oro Valley, Arizona's first year to prepare government-wide financial statements.

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

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General Fund										
Reserved	\$ 515,916	\$ 480,971	\$ 349,243	\$ 333,285	\$ 354,091	\$ 7,172	\$ 112	\$ 7,267	\$ -	\$ -
Unreserved	8,348,089	10,185,130	10,877,620	10,063,909	8,087,246	9,377,367	11,744,160	14,356,224	18,477,706	16,666,388
Total general fund	<u>\$ 8,864,005</u>	<u>\$ 10,666,101</u>	<u>\$ 11,226,863</u>	<u>\$ 10,397,194</u>	<u>\$ 8,441,337</u>	<u>\$ 9,384,539</u>	<u>\$ 11,744,272</u>	<u>\$ 14,363,491</u>	<u>\$ 18,477,706</u>	<u>\$ 16,666,388</u>
All Other Governmental Funds										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ 5,079	\$ 17,912	\$ 36,076	\$ 80,624	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	2,393,703	2,868,278	2,340,508	2,251,914	2,100,204	2,720,472	3,856,925	4,439,573	4,891,095	5,534,192
Capital projects funds	9,097,784	9,237,320	18,536,471	15,107,510	5,438,128	10,573,180	10,972,912	4,985,836	4,520,718	15,396,024
Debt service funds	363,767	200,836	929,802	793,433	176,514	314,301	403,332	280,055	245,208	263,478
Total all other governmental funds	<u>\$ 11,855,254</u>	<u>\$ 12,306,434</u>	<u>\$ 21,806,781</u>	<u>\$ 18,152,857</u>	<u>\$ 7,719,925</u>	<u>\$ 13,625,865</u>	<u>\$ 15,269,245</u>	<u>\$ 9,786,088</u>	<u>\$ 9,657,021</u>	<u>\$ 21,193,694</u>

Source: Town of Oro Valley Finance Department

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

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Revenues										
Taxes	\$ 4,518,732	\$ 6,139,176	\$ 6,429,157	\$ 6,674,725	\$ 6,217,798	\$ 8,296,552	\$ 9,939,273	\$ 12,891,037	\$ 17,351,805	\$ 17,685,650
Intergovernmental	6,780,403	9,167,682	8,328,908	12,991,454	11,786,746	23,990,005	25,339,848	16,773,215	18,405,713	21,863,875
Fines and forfeitures	331,032	344,627	333,755	316,339	307,570	463,150	326,427	462,246	429,458	391,921
Licenses and permits	1,411,820	1,613,798	1,776,265	1,430,157	1,784,568	2,536,576	2,524,484	2,433,264	2,368,851	2,792,684
Charges for services	239,945	296,801	387,657	549,440	633,406	823,287	880,582	942,676	1,026,921	1,040,694
Contributions and donations	2,001	9,247	3,785	-	37,331	30,251	-	97,327	19,171	249,999
Special assessments	2,472,834	3,089,814	3,089,032	2,412,888	885,371	-	1,547,819	-	189,820	193,023
Impact fees	-	-	-	-	-	1,189,848	1,488,301	1,098,977	1,038,217	910,741
Investment earnings	960,231	1,332,605	1,757,232	875,361	(244,770)	281,518	557,238	991,151	1,471,641	1,590,654
Other revenues	50,902	69,036	172,726	150,444	178,376	229,411	458,034	325,428	135,261	555,790
Total revenues	\$ 16,767,900	\$ 22,062,786	\$ 22,278,517	\$ 25,400,808	\$ 21,586,396	\$ 37,840,598	\$ 43,062,006	\$ 36,015,321	\$ 42,436,858	\$ 47,275,031
Expenditures										
General government	3,317,668	4,128,050	7,256,772	6,055,062	6,698,052	5,800,477	5,676,217	9,988,956	7,019,030	8,767,496
Public safety	5,240,616	6,216,390	7,347,742	8,586,634	8,796,643	9,426,215	10,089,128	11,636,915	11,808,799	13,549,170
Highways and streets	1,149,073	1,855,146	2,924,119	3,144,676	8,892,030	17,193,322	21,727,223	13,773,561	3,768,851	4,107,871
Culture and recreation	636,302	637,084	1,193,846	1,474,667	2,394,212	2,540,949	2,640,777	3,868,249	3,109,228	3,324,066
Claims and judgments	-	600,000	-	-	-	-	-	-	-	-
Capital Outlay	878,843	5,537,058	3,628,630	8,094,782	-	-	-	-	10,662,190	13,090,313
Debt Service	400,000	480,000	1,120,000	1,596,456	516,960	541,290	2,559,190	2,856,595	1,077,813	3,403,102
Principal retirement	341,086	355,782	616,880	932,124	564,798	426,472	589,725	731,358	921,205	907,658
Interest and fiscal charges	52,126	-	800,879	-	-	93,415	251,327	107,897	28,868	-
Bond issuance costs	-	-	-	-	-	-	-	-	-	-
Total expenditures	12,015,714	19,809,510	24,888,868	29,884,401	27,862,695	36,022,140	43,533,587	42,963,531	38,395,984	47,149,676
Excess of revenues over (under) expenditures	\$ 4,752,186	\$ 2,253,276	\$ (2,610,351)	\$ (4,483,593)	\$ (6,276,299)	\$ 1,818,458	\$ (471,581)	\$ (6,948,210)	\$ 4,040,874	\$ 125,355

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Other Financing Sources (Uses)										
Premium on bonds issued	-	-	-	-	-	-	-	-	25,719	-
Proceeds from certificates of participation	34,781	-	-	-	-	-	-	-	-	-
Proceeds from capital lease agreements	1,690,349	-	12,671,460	-	-	-	-	-	-	-
Proceeds from sale of bonds	-	-	-	-	1,716,000	-	-	-	-	-
Proceeds from loan	-	-	-	-	-	5,000,000	4,030,033	-	-	8,000,000
Issuance of long-term loan payable	-	-	-	-	-	5,572,700	-	-	1,389,180	-
Issuance of refunding debt	-	-	-	-	-	(5,478,016)	-	-	(1,540,438)	-
Payment to refunded debt escrow agent	-	-	-	-	-	-	-	4,164,050	-	-
Issuance of long-term debt	1,104,916	1,616,810	1,943,504	1,155,104	1,328,148	1,182,168	1,105,422	1,248,569	2,927,754	8,447,951
Transfers in	(1,104,916)	(1,616,810)	(1,943,504)	(1,155,104)	(1,328,148)	(1,246,168)	(1,196,616)	(1,328,347)	(2,857,941)	(6,847,951)
Transfers out	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	1,725,130	-	12,671,460	-	1,716,000	5,030,684	3,938,839	4,084,272	(55,726)	9,600,000
Net change in fund balances	\$ 6,477,316	\$ 2,253,276	\$ 10,061,109	\$ (4,483,593)	\$ (4,560,299)	\$ 6,849,142	\$ 3,467,258	\$ (2,863,938)	\$ 3,985,148	\$ 9,725,355
Debt service as a percentage of noncapital expenditures	7.13%	4.54%	12.92%	10.56%	4.45%	5.06%	14.09%	13.41%	7.27%	12.63%

Source: Town of Oro Valley Finance Department

TOWN OF ORO VALLEY, ARIZONA
 PRINCIPAL EMPLOYERS
 JUNE 30, 2008
 (UNAUDITED)

Employer	2008			1999		
	Employees	Rank	Percentage of Total Town Employment	Employees	Rank	Percentage of Total Town Employment
Ventana Medical Systems	680	1	4.55%			0.00%
Amphitheater Public Schools	602	2	4.03%	256	2	6.34%
Hilton El Conquistador Resort	600	3	4.01%	600	1	14.87%
Northwest Medical Center Oro Valley	560	4	3.75%			0.00%
Town of Oro Valley	448	5	3.00%	197	4	4.88%
Fry's Food Stores	220	6	1.47%	230	3	5.70%
Home Depot	150	7	1.00%			0.00%
Target	135	8	0.90%	125	6	3.10%
Long Realty	125	9	0.84%			0.00%
Stone Canyon Golf/Golf Club at Vistoso	80	10	0.54%			0.00%
Hilton El Conquistador Country Club			0.00%	150	5	3.72%
Vanguard Automation				100	7	2.48%
Oro Valley Country Club				90	8	2.23%
Securaplane				85	9	2.11%
ABCO Food Stores				65	10	1.61%
Total	3,600		24.09%	1,898		47.04%

Source: Principal Employers Arizona Workforce Informer

TOWN OF ORO VALLEY, ARIZONA
 PRINCIPAL SALES TAXPAYERS
 CURRENT YEAR AND THREE YEARS AGO
 (UNAUDITED)

Taxpayer	Business Type	Fiscal Year 2008			Fiscal Year 2005		
		Sales Tax Payments	Rank	Percentage of Total Sales Tax Payments	Sales Tax Payments	Rank	Percentage of Total Sales Tax Payments
Taxpayer A	Accommodation	\$ 1,705,616	1	10.27%	\$ 1,086,800	1	11.66%
Taxpayer B	Construction	831,304	2	5.01%			0.00%
Taxpayer C	Utility	728,819	3	4.39%			0.00%
Taxpayer D	Retail Trade	637,204	4	3.84%	584,705	3	6.27%
Taxpayer E	Retail Trade	634,572	5	3.82%	532,775	4	5.72%
Taxpayer F	Construction	605,515	6	3.65%			0.00%
Taxpayer G	Construction	374,619	7	2.26%			0.00%
Taxpayer H	Retail Trade	324,055	8	1.95%			0.00%
Taxpayer I	Construction	298,948	9	1.80%			0.00%
Taxpayer J	Retail Trade	298,627	10	1.80%	221,823	5	2.38%
Taxpayer K	Construction				727,681	2	7.81%
Taxpayer L	Construction				214,447	6	2.30%
Taxpayer M	Construction				179,052	7	1.92%
Taxpayer N	Retail Trade				162,693	8	1.75%
Taxpayer O	Retail Trade				157,634	9	1.69%
Taxpayer P	Construction				123,461	10	1.32%
Total		\$ 6,439,279		38.78%	\$ 3,991,071		42.82%

Source: Arizona Department of Revenue
 Note: 2005 is the first fiscal year of available data of sales tax payments by business type

TOWN OF ORO VALLEY, ARIZONA
 TAXABLE SALES BY CATEGORY
 LAST TEN FISCAL YEARS
 (UNAUDITED)

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Construction	\$ 2,398	\$ 3,023	\$ 2,913	\$ 2,779	\$ 1,978	\$ 3,014	\$ 3,594	\$ 5,602	\$ 6,895	\$ 7,038
Manufacturing	3	3	2	6	4	29	137	165	181	280
Transportation, Warehousing, Communications & Utilities	17	28	32	55	101	50	116	91	226	1,279
Wholesale Trade	13	13	13	61	31	46	54	56	58	69
Retail Trade	674	1,497	1,763	1,877	2,086	2,722	2,942	3,229	3,665	4,017
Restaurants, Bars & Lodging	916	1,053	1,082	1,250	1,354	1,556	1,888	2,392	2,720	2,775
Finance, Insurance & Real Estate	15	25	73	45	62	101	142	155	89	496
Services	256	221	257	258	285	393	379	262	313	312
All Other	2	51	(3)	42	50	(13)	68	197	167	337
Cable Franchise	207	225	263	302	342	372	402	435	478	517
Total	\$ 4,501	\$ 6,139	\$ 6,395	\$ 6,675	\$ 6,293	\$ 8,270	\$ 9,722	\$ 12,584	\$ 15,562	\$ 17,120
Town sales tax rate*	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%

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

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
1999	2.00%	1.00%	2.00%	0.00%	5.60%
2000	2.00%	1.00%	2.00%	0.00%	5.60%
2001	2.00%	3.00%	2.00%	0.00%	5.60%
2002	2.00%	3.00%	2.00%	0.00%	5.60%
2003	2.00%	3.00%	2.00%	0.00%	5.60%
2004	2.00%	3.00%	4.00%	0.00%	5.60%
2005	2.00%	3.00%	4.00%	0.00%	5.60%
2006	2.00%	6.00%	4.00%	0.00%	6.10%
2007	2.00%	6.00%	4.00%	2.00%	6.10%
2008	2.00%	6.00%	4.00%	2.00%	6.10%

Source: Arizona Department of Revenue

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

Fiscal Year	Governmental Activities							Business-Type Activities						
	Capital Leases	Certificates of Participation	Loan Payable	Excise Tax Bonds	Special Assessment Bonds	Revenue Bonds	Notes Payable	Capital Leases	Loan Payable	Total Primary Government	Percentage of Personal Income	Per Capita		
1999	\$ 71,893	\$ 4,975,000	\$ -	\$ 1,695,000	\$ 90,000	\$ 30,792,862	\$ -	\$ 23,172	\$ -	\$ 37,647,927	4.75%	\$ 1,479		
2000	17,781	4,655,000	-	1,625,000	-	30,414,029	-	11,915	-	36,723,725	3.86%	1,236		
2001	-	4,500,000	-	13,372,532	-	35,571,738	-	-	-	53,444,270	5.45%	1,799		
2002	-	4,340,000	-	11,336,076	-	34,720,989	4,869,000	-	-	55,866,065	4.82%	1,641		
2003	-	4,170,000	1,716,000	6,594,116	-	38,155,744	4,328,100	-	-	54,963,960	4.21%	1,475		
2004	-	610,000	6,716,000	9,734,132	-	65,625,010	-	-	-	82,685,142	6.08%	2,193		
2005	-	420,000	4,803,100	9,413,909	3,945,000	64,222,360	-	-	-	82,804,369	5.67%	2,106		
2006	-	215,000	2,604,143	13,173,254	3,945,000	64,437,008	-	-	-	84,374,405	5.48%	2,098		
2007	-	-	2,500,000	12,891,148	3,760,000	61,568,852	-	-	-	80,720,000	4.81%	1,897		
2008	-	-	8,000,000	12,183,046	3,565,000	59,586,954	-	-	5,731,766	89,066,766	5.02%	2,040		

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, 2008
(UNAUDITED)

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Pima County	\$ 349,542,000	7.16%	\$ 25,024,156
Pima County Community College District	44,500,000	7.16%	\$ 3,185,812
Pima County Flood Control District	725,000	7.16%	\$ 51,904
Amphitheater Unified School District No. 10	76,740,000	40.03%	\$ 30,718,834
Town of Oro Valley	None	100.00%	None
Total direct and overlapping debt			<u><u>58,980,706</u></u>

Source: Pima County, Pima County Community College District and Amphitheater Unified School District No. 10.
(1) Proportion applicable to the Town of Oro Valley, Arizona, is computed on the ratio of secondary assessed valuation for 2007-08.

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

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Debt Limit	\$51,128,360	\$57,378,681	\$66,881,032	\$76,608,850	\$84,941,970	\$93,101,081	\$108,807,180	\$120,435,053	\$151,537,994	\$178,543,952
Total net debt applicable to limit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Legal debt margin	<u>\$51,128,360</u>	<u>\$57,378,681</u>	<u>\$66,881,032</u>	<u>\$76,608,850</u>	<u>\$84,941,970</u>	<u>\$93,101,081</u>	<u>\$108,807,180</u>	<u>\$120,435,053</u>	<u>\$151,537,994</u>	<u>\$178,543,952</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, 2008
 (UNAUDITED)

Net secondary assessed valuation \$ 686,707,506

Water, Sewer, Light, Parks, Open Space and
 Recreational Facility Bonds

Debt limit - 20% of secondary net assessed valuation \$ 137,341,501

Debt applicable to limit

General obligation bonds outstanding \$ -

Less amount set aside for repayment of debt -

Net debt applicable to limit -

20% legal debt margin \$ 137,341,501

All other general obligation bonds

Debt Limit - 6% of secondary net assessed valuation 41,202,450

Debt applicable to limit

General obligation bonds outstanding \$ -

Less amount set aside for repayment of debt -

Net debt applicable to limit -

All other general obligation bonds debt margin 41,202,450

Total legal debt margin \$ 178,543,951

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	
1999	\$ 6,173,325	\$ 350,000	\$ 1,481,921	\$ 1,831,921	3.37
2000	8,706,515	425,000	1,627,675	2,052,675	4.24
2001	8,330,951	1,683,544	1,926,914	3,610,458	2.31
2002	9,435,130	1,768,040	2,173,192	3,941,232	2.39
2003	10,380,720	1,578,040	2,395,359	3,973,399	2.61
2004	12,202,664	1,478,710	2,650,195	4,128,905	2.96
2005	12,544,928	1,473,710	2,949,409	4,423,119	2.84
2006	14,989,621	1,907,362	2,888,226	4,795,588	3.13
2007	14,810,173	2,336,330	2,552,081	4,888,411	3.03
2008	17,668,212	1,981,898	2,452,583	4,434,481	3.98

Governmental Revenue Bonds					
Fiscal Year	Gross Revenues	Debt Service			Coverage
		Principal	Interest	Total	
1999	\$ -	\$ -	\$ -	\$ -	0.00
2000	14,300,536	-	40,606	40,606	352.18
2001	15,220,985	140,000	65,935	205,935	73.91
2002	16,268,695	486,456	320,846	807,302	20.15
2003	16,435,018	346,960	320,599	667,559	24.62
2004	19,837,894	361,290	386,228	747,518	26.54
2005	21,011,720	456,290	433,108	889,398	23.62
2006	25,018,727	452,638	415,640	868,278	28.81
2007	29,200,152	573,670	637,067	1,210,737	24.12
2008	30,629,130	708,102	501,150	1,209,252	25.33

Certificates of Participation					
Fiscal Year	Gross Revenues	Debt Service			Coverage
		Principal	Interest	Total	
1999	\$ 11,840,398	\$ 310,000	\$ 289,039	\$ 599,039	19.77
2000	14,300,536	390,000	271,756	661,756	21.61
2001	15,220,985	155,000	253,322	408,322	37.28
2002	16,268,695	160,000	245,938	405,938	40.08
2003	16,435,018	170,000	237,994	407,994	40.28
2004	19,837,894	180,000	15,768	195,768	101.33
2005	21,011,720	190,000	26,690	216,690	96.97
2006	25,018,727	205,000	16,566	221,566	112.92
2007	29,200,152	215,000	5,644	220,644	0.00
2008	30,629,130	-	-	-	0.00

Special Assessment					
Fiscal Year	Gross Revenues	Debt Service			Coverage
		Principal	Interest	Total	
1999	\$ 40,985	\$ 90,000	\$ 13,050	\$ 103,050	0.40
2000	5,048	90,000	6,525	96,525	0.05
2001	-	-	-	-	0.00
2002	-	-	-	-	0.00
2003	-	-	-	-	0.00
2004	-	-	-	-	0.00
2005	-	-	-	-	0.00
2006	-	-	176,967	176,967	0.00
2007	379,840	185,000	186,828	371,828	1.02
2008	365,810	195,000	177,577	372,577	0.98

Source: Town of 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
1999	25,455	\$ 792,515,970	\$ 31,134	2.3%
2000	29,700	952,420,194	32,068	1.9%
2001	29,700	980,992,800	33,030	2.0%
2002	34,050	1,158,413,770	34,021	2.0%
2003	37,260	1,305,649,691	35,042	2.9%
2004	37,700	1,360,700,031	36,093	2.6%
2005	39,310	1,461,373,787	37,176	2.5%
2006	40,215	1,539,868,259	38,291	3.0%
2007	42,551	1,678,195,258	39,440	2.6%
2008	43,651	1,773,226,205	40,623	3.0%

Source: US Census Bureau and Arizona Employment statistics

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

Function/Program	Full-time Equivalent Employees as of June 30									
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Administration										
Town Clerk	4.60	4.60	4.50	4.50	4.00	4.00	4.00	4.00	4.00	4.00
Town Manager	8.10	6.00	6.00	5.00	4.00	4.00	3.00	3.00	3.00	3.00
Human Resources	4.00	4.00	3.00	3.00	3.00	3.00	2.50	3.00	2.50	2.00
Economic Development	2.25	2.25	2.00	2.00	2.00	2.00	2.00	1.00	1.25	1.00
Finance	9.00	8.00	7.50	7.50	7.50	7.50	7.50	6.00	6.25	6.00
Information Systems	8.00	5.00	4.00	4.00	2.00	2.00	2.00	2.50	2.00	2.00
Legal	10.25	10.25	10.25	6.25	8.00	9.00	9.00	7.00	6.00	4.75
Community Development										
Building Safety	18.00	17.00	16.00	16.00	17.00	17.00	17.00	17.00	14.00	10.00
Community Development Admin.	0.00	0.00	4.00	4.00	4.00	4.00	4.00	4.00	3.00	3.00
Planning & Zoning	16.00	14.00	13.50	13.50	13.50	14.00	14.00	16.50	15.50	12.00
Parks and Recreation										
	28.10	27.00	20.80	20.80	20.30	20.30	20.30	15.50	13.50	9.00
Library										
	19.40	19.30	19.43	14.00	14.00	14.00	14.00	3.00	1.00	0.00
Police										
Civilians	34.00	34.00	29.00	28.00	29.00	29.00	26.00	32.00	24.00	22.25
Officers	108.00	105.00	96.00	92.00	88.00	74.00	74.00	68.00	69.50	64.00
Magistrate Court										
	8.50	8.5	8.50	8.50	7.50	7.50	7.50	7.50	6.50	7.00
Public Works										
	56.10	53.13	54.00	51.50	28.50	33.00	33.00	32.50	15.00	14.00
Water Utility										
	35.50	35.5	34.00	34.00	33.00	33.00	32.00	28.00	26.00	19.00
Total	369.80	353.53	332.48	314.55	285.30	277.30	272.30	250.50	213.00	183.00

Source: Town of Oro Valley Finance Department

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

Fiscal Year	Residential	Commercial	Irrigation	Irrigation Reclaimed	Construction	Construction Reclaimed	Turf	Turf Reclaimed	Wholesale/Unmetered	Total
1999	\$ 3,026,494	\$ 228,806	\$ 337,004	\$ -	\$ 215,130	\$ -	\$ 848,744	\$ -	\$ 57,455	\$ 4,713,633
2000	4,017,640	366,779	492,441	-	229,414	-	967,720	-	45,884	6,119,878
2001	4,513,444	402,707	537,148	-	285,503	-	933,629	-	47,235	6,719,666
2002	5,529,185	494,372	682,995	-	245,267	-	1,168,697	-	-	8,120,516
2003	6,004,443	500,836	686,857	-	199,075	-	1,156,792	-	51,296	8,599,299
2004	6,396,018	499,034	751,420	-	253,128	-	1,140,124	-	53,346	9,093,070
2005	6,758,806	515,989	833,179	-	401,095	-	1,200,402	-	-	9,709,471
2006	7,227,509	614,474	921,364	-	368,784	-	940,753	670,968	1,235	10,745,087
2007	7,187,885	614,404	978,556	1,555	542,879	-	680,833	1,015,709	-	11,021,820
2008	7,511,067	667,910	1,146,222	796	652,446	1,630	666,558	1,039,969	-	11,686,598

Source: Town of Oro Valley Water Utility Department

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

Function/Program	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Police										
Burglaries	31	46	38	52	69	94	124	97	112	125
Citations (traffic)	7,371	8,317	5,636	5,237	8,195	9,413	8,660	8,203	8,183	7,497
Investigations	6,902	6,317	7,751	6,350	4,719	3,788	4,216	5,106	6,656	6,892
Total Arrests	2,833	2,350	2,314	2,011	2,156	2,184	2,076	2,053	2,236	2,254
Thefts	281	344	368	432	448	572	580	568	575	577
Public Works										
Street resurfacing (miles)	2.8	3.6	3.0	16.4	14.0	8.0	17.3	5.4	7.7	10.5
Parks and Recreation										
Recreation Programs Held Annually	1	3	5	16	21	23	30	38	42	46
Months of Public Pool Operations	4	0	10	10	10	10	10	10	10	10
Parks Maintenance Man-Hours Worked	6,240	13,520	13,520	13,520	13,520	13,520	13,520	13,520	15,600	17,472
Library										
Collection volume	N/A	N/A	N/A	65,000	70,000	75,000	80,000	86,000	90,000	96,000
Water										
New connections	984	1,006	787	507	470	533	377	508	367	346
Total connections	13,275	14,281	15,068	15,575	16,045	16,578	16,955	17,463	17,830	18,177
Transit										
Total route miles	95,735	122,405	154,167	180,087	167,313	177,283	190,609	165,202	165,202	175,841
Passengers	6,515	8,143	11,000	13,524	12,486	13,991	15,937	14,387	14,858	16,908

Source: Town of Oro Valley Finance Department

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

<u>Year</u>	<u>Base Rate monthly</u>	<u>Tier 1 per 1,000</u>	<u>Tier 2 per 1,000</u>	<u>Tier 3 per 1,000</u>	<u>Tier 4 per 1,000</u>	<u>GPF per 1,000</u>
1999	\$ 9.85	\$ 1.73	N/A	N/A	N/A	N/A
2000	10.81	1.73	\$ 1.85	N/A	N/A	N/A
2001	11.25	1.78	2.08	\$ 2.31	N/A	N/A
2002	12.00	1.90	2.35	3.00	N/A	N/A
2003	12.00	1.90	2.35	3.00	N/A	N/A
2004	12.30	1.92	2.55	3.25	N/A	\$ 0.21
2005	12.65	1.98	2.68	3.58	N/A	0.21
2006	12.65	1.98	2.68	3.58	N/A	0.21
2007	13.25	2.08	2.81	3.76	N/A	0.25
2008	13.25	2.08	2.81	3.76	\$ 5.00	0.40

Source: Town of Oro Valley Water Utility

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

Function/Program	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Substations	1	2	2	2	2	3	3	3	2	2
Patrol units	45	58	66	78	83	93	103	105	105	113
Public works										
Streets (miles)	144.0	152.4	156.9	167.5	175.7	182.7	188.0	191.3	201.9	220.1
Streetlights	131	139	147	163	163	171	187	187	193	218
Traffic signals	3	4	5	7	7	8	10	10	15	16
Parks and recreation										
Acreage	17	47	47	87	87	87	87	300	300	300
Playgrounds	1	2	2	2	2	2	2	2	2	2
Baseball/softball diamonds	5	7	7	7	7	7	7	7	7	7
Water										
Wells	22	22	24	25	25	21	22	22	22	19
Storage capacity (MG)	10	10	11	13	14	16	17	17	17.5	18.0
Booster capacity	21	21	23	24	26	29	28	28	28	27
*4 Wells taken out of service in 2004										
Transit										
Transit vans	4	7	8	8	8	8	9	9	9	9

Source: Town of Oro Valley Finance Department