

**TOWN OF ORO VALLEY, ARIZONA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**TOWN OF ORO VALLEY, ARIZONA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Prepared by:

Finance Department

Stacey Lemos, CPA
Finance Director

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TABLE OF CONTENTS

<u>INTRODUCTORY SECTION</u>	<u>Page</u>
Letter of Transmittal	i
Organization Chart	viii
List of Town Officials	ix
GFOA Certificate of Achievement	x
<u>FINANCIAL SECTION</u>	
INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (Required supplementary information)	5
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements:	
Statement of Net Assets	19
Statement of Activities	20
Fund Financial Statements:	
Balance Sheet – Governmental Funds	24
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	27
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	28
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	31
Statement of Net Assets – Proprietary Funds	32

**TOWN OF ORO VALLEY, ARIZONA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

TABLE OF CONTENTS (Cont'd)

<u>FINANCIAL SECTION</u> (Cont'd)	<u>Page</u>
BASIC FINANCIAL STATEMENTS (Concl'd)	
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds	34
Statement of Cash Flows – Proprietary Funds	36
Notes to Financial Statements	37
SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL (Required Supplementary Information)	
General Fund	62
Highway User Fund	63
Note to Required Supplementary Information	64
COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES	
Governmental Funds:	
Combining Balance Sheet – All Non-Major Governmental Funds By Fund Type	68
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – All Non-Major Governmental Funds – By Fund Type	70
Special Revenue Funds:	
Combining Balance Sheet	74
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	76
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual	78

**TOWN OF ORO VALLEY, ARIZONA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

TABLE OF CONTENTS (Cont'd)

<u>FINANCIAL SECTION</u> (Concl'd)	<u>Page</u>
COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES (Concl'd)	
Debt Service Fund:	
Combining Balance Sheet	86
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	87
Combining Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	88
Capital Projects Funds:	
Combining Balance Sheet	92
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	94
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual	96
 <u>STATISTICAL SECTION</u>	
Financial Trends:	
Net Assets by Component	103
Changes in Net Assets	104
Fund Balances of Governmental Funds	106
Changes in Fund Balances of Governmental Funds	108

**TOWN OF ORO VALLEY, ARIZONA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

TABLE OF CONTENTS (Concl'd)

<u>STATISTICAL SECTION</u> (Concl'd)	<u>Page</u>
Revenue Capacity:	
Principal Employers	110
Principal Sales Taxpayers	111
Taxable Sales by Category	112
Direct and Overlapping Sales Tax Rates	113
Debt Capacity:	
Ratio of Outstanding Debt by Type	114
Direct and Overlapping Governmental Activities Debt	115
Legal Debt Margin Information	116
Calculation of Legal Debt Margin	117
Pledged-Revenue Coverage	118
Demographic and Economic Information:	
County-Wide Demographic and Economic Statistics	119
Operating Information:	
Full-Time Equivalent Town Employees by Function	120
Water Utility Revenues by User Type	121
Operating Indicators by Function	122
Water Rates	123
Capital Assets Statistics by Function	124

INTRODUCTORY SECTION

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TOWN OF ORO VALLEY
11000 N. LA CAÑADA DRIVE
ORO VALLEY, ARIZONA 85737
Administrative Offices (520) 229-4700 Fax (520) 297-0428
www.townoforovalley.com

December 1, 2011

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, 2011.

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

The Town's financial statements have been audited by Heinfeld, Meech & Co., P.C., a certified public accounting firm. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Town for the fiscal year ended June 30, 2011, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the Town's financial statements for the fiscal year ended June 30, 2011, 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.

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

PROFILE OF THE TOWN

The Town of Oro Valley was incorporated in 1974. It is located in northeastern Pima County, six miles north of Tucson. The Town currently occupies a land area of 34.95 square miles and serves a population of 41,011 per the 2010 U.S. Census count. The population of Oro Valley has increased 38.1% since the 2000 population of 29,700.

Based on the 2010 Census data, Oro Valley has a median household income of \$71,628, compared to the median household income for the state of Arizona of \$50,296. Oro Valley residents enjoy a comfortable hometown feel with a strong family orientation, excellent education system and abundant opportunities in a safe environment.

The Town of Oro Valley operates under the Council-Manager form of government. Policymaking and legislative authority is vested in the Town Council, which consists of a Mayor and six 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, the hiring and removal of the Town Manager, the Police Chief, Town Attorney and Town Magistrate. The Town Manager is responsible for implementation of the policies of the Town Council. The Town Manager appoints all other department heads except those mentioned above under Town Council responsibilities.

The Town of Oro Valley provides a full range of services including police protection; the construction and maintenance of streets and related infrastructure; the provision of water and stormwater services; public transportation services; recreational activities, 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 in regards to 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 March of 2010.

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 approved in June. The Town Council is required to hold a public hearing on the proposed budget and to adopt the final budget by no later than the second Monday in August. Budget amendments requiring the approval of the Town Council include the following: budget transfers between funds; transfers to fund additional personnel or increased expenditures as a result of personnel reclassifications; transfers that would reduce or eliminate funding for items designated in the adopted Capital Improvement Plan; and transfers that would reduce or eliminate funding for debt service. All other operational budget amendments that involve transfers between line items or expenditure categories require approval by the Town Manager.

MAJOR INITIATIVES AND ACCOMPLISHMENTS FOR THE YEAR

Oro Valley's Strategic Plan was revised during FY 2010/11 and includes the three main focus areas listed below. Also shown below are the Town's accomplishments in these areas during FY 2010/11.

- **Leadership and Communication**

Council and management are focused on efforts to build trust through effective public outreach and communication, create an environment conducive to effective dialogue among the Council and staff, and maintain strong intergovernmental relationships.

- Improved integration of AgendaQuick, the agenda management system, with Granicus, the video streaming system, to streamline the agenda packet and public access process
- Held first ever joint Council meetings with the Town of Marana to further the concept of joint marketing, branding and promotion of the northwest Pima County areas
- Launched a redesigned Community Academy program geared toward increasing the public's knowledge about the Oro Valley town government
- Enhanced the Town's financial reporting with the implementation of the online Financial Dashboards which show monthly updates of the town's overall financial condition
- Implemented the NeoGov software system to streamline the employee recruitment and hiring process
- The Water Utility performed 178 residential water use audits geared toward encouraging customers to save water

- **Finance and Economic Development**

The Town will continue to implement sound financial management policies and uphold our fiduciary duty to the residents of Oro Valley. Beyond fiscal responsibility, the Town is also committed to facilitating the expansion of the local economy. Commercial business growth, and the Town's continued success in attracting high-tech and bio-science industry, point the way toward a sustainable model for economic development.

- Increased liquor license application fees to cover actual costs of processing applications
- Approved the new 2011 Community Economic Development Strategy (CEDS)
- Launched the Dine Oro Valley campaign to highlight local restaurants
- Conducted the first ever Economic Summits with local business and education sector leaders to seek input on how the Town can stimulate local economic development and support local business efforts
- Streamlined the commercial development review processes by integrating plan review and permitting processes to provide customers a one-stop shop for new construction to get new businesses open sooner
- Created new Conceptual Design Review Board (CDRB) by consolidating several Town development review boards/commissions into one for quicker approval of commercial design plans
- Increased the local utility sales tax from 2% to 4% to generate an additional \$1.4 million annual and further diversify the Town's revenue base
- Continued funding allocated to regional economic development and tourism partner agencies, the Metropolitan Tucson Convention and Visitors Bureau (MTCVB) and Tucson Regional Economic Opportunities (TREO), for attraction and tourism benefits to the Town
- Diversified Town invested funds with an investment management firm resulting in increased earnings

- **Community Infrastructure**

Community infrastructure encompasses both the social and physical factors that determine a community's strength. The Town's investment in both social and physical infrastructure creates the complex network of facilities, programs and services that are referred to a quality of life. The Town of Oro Valley strives for excellence in the provision of community services, the development of social relations and the construction and maintenance of the built environment.

- Approved an intergovernmental agreement (IGA) with the City of Tucson to deliver Central Arizona Project (CAP) water to the Town of Oro Valley
- Completed the Town energy efficiency and solar project, which received a national recognition award for innovation
- Installed grant funded electric vehicle charging stations at the Town Hall campus
- Completed 14.81 lane miles of road overlay treatments and crack-sealed 120 lane miles of paved streets
- Coyote Run Transit Service increased productivity from 2.0 to 2.1 passengers/hour, provided 9,000 service hours and logged 133,000 miles
- Coyote Run Transit Service partnered with the Regional Transportation Authority (RTA) to provide an alternative Sun Shuttle transportation service, eliminating all previous trip denials
- Completed over \$2 million in drainage improvement projects throughout the Town
- Obtained a \$25,000 grant to construct an accessible playground at James D. Kriehg Park
- The Oro Valley Police Department Citizen Volunteer Assistance Program members contributed 16,964 volunteer hours
- The Oro Valley Police Department received nearly \$300,000 in grants to purchase equipment and provide service to the community
- The Oro Valley Police Department opened a new substation to serve as an emergency operations center in the Oro Valley Marketplace shopping center

ECONOMIC CONDITIONS AND OUTLOOK

As has been the case over the past several years as the Town has managed through the "Great Recession," FY 2010/11 was a year filled with challenges and opportunities. Hints of an economic silver lining have emerged. It appears that the Town hit bottom with revenue losses in FY 2011 as the State of Arizona and the Town of Oro Valley slowly emerge from the worst economic downturn since the Great Depression. However, there continues to be one point of agreement among economists looking forward to the future: economic recovery will be slow. Cities and towns around the country are continuing to adjust to new, lower levels of revenues that, in many cases, have reverted back to levels not seen since 2005. This is certainly the situation facing the Town of Oro Valley. However, the bridging strategies used to balance the budget the last several years, focusing on strategic reductions in service levels, paying off bond debt and the cautious use of reserves, have positioned the Town of Oro Valley better than most cities and towns in Arizona.

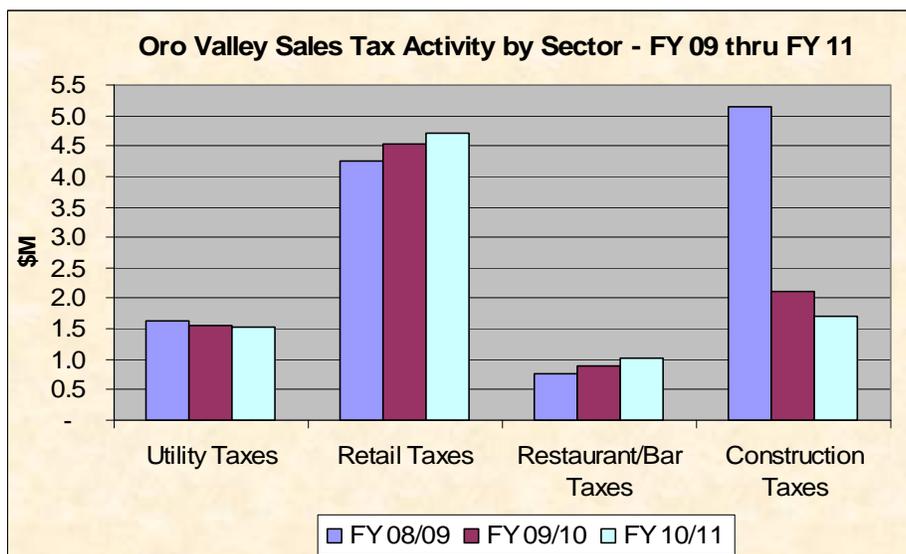
In Arizona, cities and towns are reliant upon the state for a major portion of their revenue in state shared revenues. For Oro Valley, state shared revenues comprise about 1/3, or just over \$8.1 million, of the Town's General Fund budget. Therefore, the state's financial condition plays a significant role in the economic health of its local governments. As the state struggled to close its FY 2010/11 budget deficit and provide a balanced budget for FY 2011/12, local governments saw significant impacts for the provision of state services shifted to the local level of counties and cities, including over \$300,000 in Oro Valley's share of Highway User Revenue Funds (HURF) swept to partially fund the state Department of Public Safety and Department of Transportation.

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 Town continues to provide services and programs without a property tax to fund operations. As such, similar to other Arizona municipalities, the Town is dependent upon state shared revenues and local sales tax as major sources of operating revenue, accounting for approximately 82% of total General Fund revenue for FY 2010/11. State shared revenues encompass a proportionate share of state sales, state income and vehicle license taxes which are distributed based on the Town's population compared to all other incorporated cities and towns in Arizona. Oro Valley's greatest challenge is that while population is growing, it is growing at a slower rate than some of the other communities in the state. This has translated into a decreased proportionate share in the past. Currently, the Town is holding a steady population percentage in relationship to the rest of the state at approximately 0.82%.

Locally, we found ourselves in the midst of 27 straight months of collective sales tax decline as the Town prepared its 2011/12 budget. The Town continued to see declines in residential building permits during FY 2010/11 as local construction activity seems to have bottomed out in the area. The Town issued only 47 new single family residential (SFR) building permits for FY 2010/11, down from 65 SFR permits issued in FY 2009/10. This declining construction environment has resulted in local construction sales tax collections reaching historic lows during FY 2010/11, bringing in only \$1.8 million, down significantly from FY 2007/08 when collections peaked at \$7.6 million. During this same timeframe, other sales tax categories, such as retail, utilities and restaurant/bar, have remained level or slowly and steadily increased, but nowhere near the levels necessary to offset the losses seen from construction taxes. The chart below is a look at the past three years' local sales tax activity by sector:



In an effort to bolster local revenues, the Town Council is focusing on various initiatives to stimulate the local economy, market and brand Oro Valley as an ideal place to do business, annex beyond the Town's existing boundaries, and diversify the Town's revenue base.

For the immediate future, as the forecasted revenues for the Town remain flat, efforts to reduce recurring expenditures have been successful and have consisted of the following:

- Eliminating positions when vacancies occurred
- Using available cash reserves to pay off outstanding bonds to reduce debt service costs
- Reducing long-term utility costs through energy efficiency upgrades and the installation of solar photovoltaic panels at the Town Hall campus
- Merging several departments together into consolidated departments

Long-term financial planning.

Oro Valley's financial policies are balanced on sound financial reserves and conservative, yet realistic, revenue growth forecasts for the foreseeable future. The potential for State legislative impacts to revenue-sharing or local revenues and additional demands for essential Town services remain. The Town also cannot avoid the increasing budget pressures due to aging infrastructure replacement needs, deferred replacement of the tools needed to do our jobs (i.e. vehicles and computers), the inability to provide employee pay increases over the past three years and projected increases in employee pension and other benefit costs. These demands must be balanced with the expectations of slow economic recovery, limited growth potential for state shared revenues and increased demand for Town services in many areas.

These factors will ultimately lead the Town to further evaluate its core services and identify whether to continue in the business of providing certain programs and services. Some of these preliminary discussions occurred during the most recent budget process concerning the operations of the Oro Valley Library and the Coyote Run Transit Service. The upcoming FY 2011/12 is the last year of a five-year agreement with the Pima County Library District (PCLD) that provides for the Town to operate its library as an affiliate of the PCLD, where the Town provides half of the funding for the library budget from Town General Funds (approximately \$550,000), and the PCLD provides the other half of the funding for the library budget from its Pima County Library District property tax revenues. Library agreement negotiations will soon commence with the PCLD with the goal of seeking a greater financial benefit for the Town in the future.

In addition, the Town continues to work with the Regional Transportation Authority (RTA) to deliver local transit services in a more cost efficient manner, reducing the drain on local funds in the future. By finding ways to reduce or eliminate structural budget deficits caused by an excess of recurring expenditures over incoming revenues, the Town will be poised to address its looming deferred needs sooner rather than later.

In the meantime, the Town continues to maintain strong investment grade ratings on its outstanding bonds, rated "AA-" by both Standard and Poor's and Fitch Ratings. This is largely achieved by the Council's goal of continuing to diversify the Town's revenue base and maintaining strong fund balance reserves in the General Fund, currently at \$11 million, or 42% of FY 2011/12 adopted expenditures. This is well above the Council-adopted policy threshold of 25% of adopted expenditures.

The next several years will likely be focused on increased attention to local economic development utilizing re-engineered and innovative approaches. Preserving strong contingency reserves within all of our Town funds is a philosophical and operational cornerstone. We will continue to communicate the Town's budget performance to our residents and the Mayor and Town Council on a monthly basis.

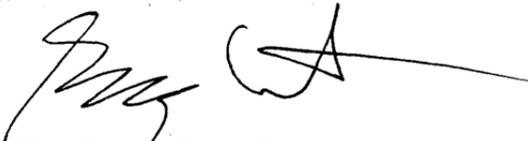
AWARDS AND ACKNOWLEDGMENTS

Award. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Oro Valley for its comprehensive annual financial report for the year ended June 30, 2010. This was the seventeenth consecutive year that the Town has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

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

Respectfully submitted,



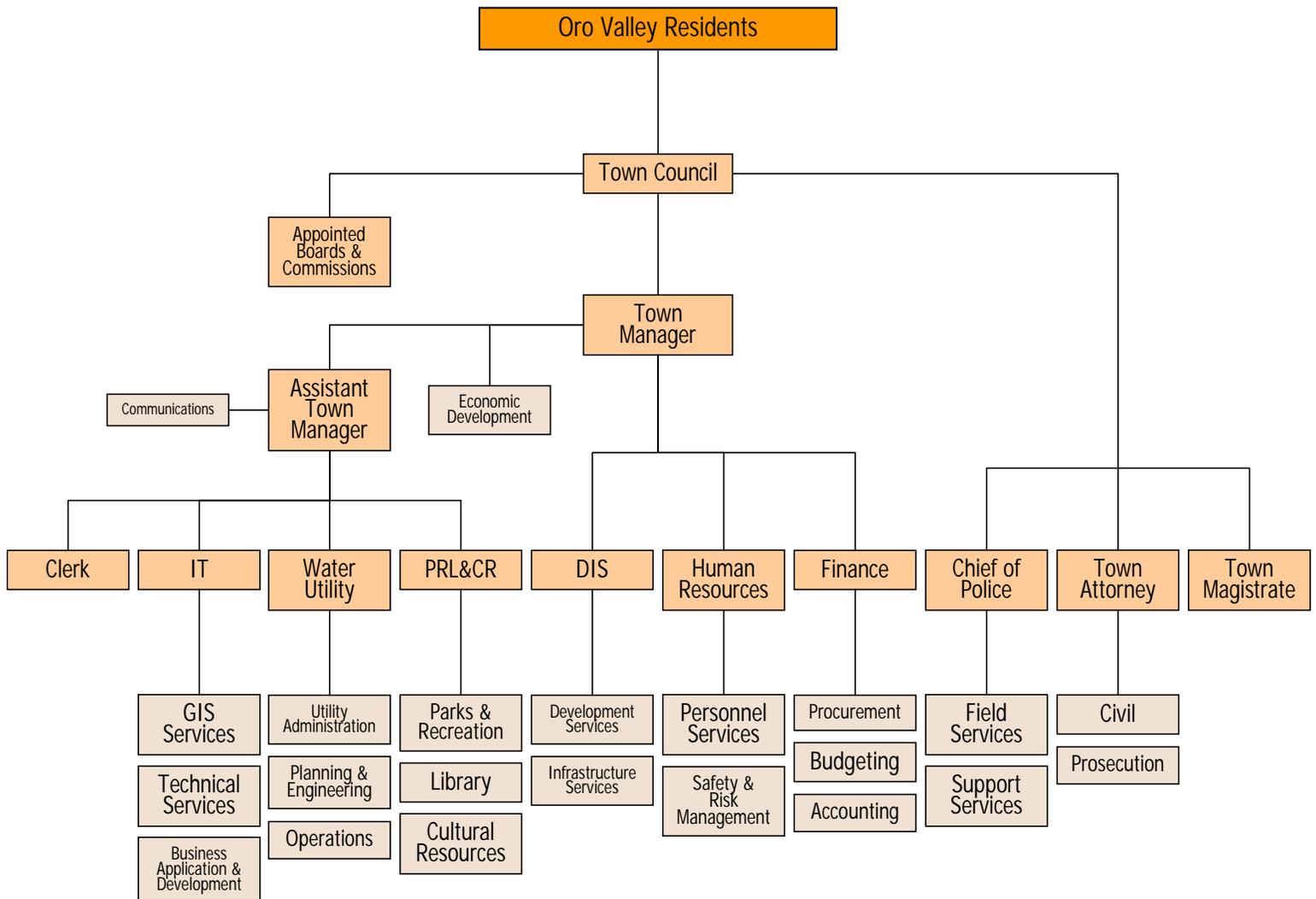
Greg Caton, ICMA-CM
Interim Town Manager



Stacey Lemos, CPA
Finance Director



Organizational Chart



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

ELECTED OFFICIALS

Mayor	Dr. Satish Hiremath
Vice-Mayor	Ms. Mary Snider
Council Member	Mr. Barry Gillaspie
Council Member	Mr. William Garner
Council Member	Mr. Joe Hornat
Council Member	Mr. Steve Solomon
Council Member	Mr. Lou Waters

DEPARTMENT HEADS

Interim Town Manager	Greg Caton
Finance Director	Stacey Lemos, CPA
Human Resources Director	Betty Dickens
Town Engineer	Craig Civalier
Town Clerk	Julie Bower
Magistrate	George Dunscomb
Town Attorney	Tobin Rosen
Water Utility Director	Philip Saletta
Chief of Police	Daniel G. Sharp
Interim Development & Infrastructure Services Director	Paul Keesler
Parks, Recreation, Library and Cultural Resources Director	Ainsley 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, 2010

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 employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

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FINANCIAL SECTION

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



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, and the aggregate remaining fund information of the Town of Oro Valley, Arizona (Town), as of and for the year ended June 30, 2011, 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, and the aggregate remaining fund information of the Town of Oro Valley, Arizona, as of June 30, 2011, 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.

As described in Note 1, the Town implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, for the year ended June 30, 2011, which represents a change in accounting principle.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2011 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 14 and budgetary comparison information on pages 62 through 64 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's financial statements as a whole. 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 financial statements. The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Heinfeld, Meech & Co., P.C.

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

December 1, 2011

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, 2011**

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, 2011. 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 2010-11 as follows.

- The Town's total net assets of governmental activities increased \$2.3 million to \$155.6 million, and business-type activities increased \$4.6 million to \$60.4 million representing 70 percent and 30 percent respectively, of the total net assets of \$215.9 million.
- General revenues from governmental activities accounted for \$20.5 million in revenue, or 55 percent of all revenues from governmental activities. Program specific revenues in the form of charges for services and grants and contributions accounted for \$16.9 million or 45 percent of total governmental activities revenues. The Town had \$17.7 million of program revenues and \$39,745 in general revenues related to business-type activities.
- The Town had \$35.1 million in expenses related to governmental activities, a decrease of 8 percent from the prior fiscal year. The Town had \$13.1 million in expenses related to business-type activities, an increase of 2 percent from the prior fiscal year.
- Among major funds, the General Fund had \$23.9 million in revenues, which primarily consisted of sales taxes and intergovernmental revenues. The total expenditures of the General Fund were \$25.3 million. The General Fund's fund balance decreased from \$11.9 million to \$11.0 million. This decrease was due to the one-time use of fund balance to pay for an energy efficiency upgrade capital project.
- The Highway User Revenue Fund, had \$3.2 million in revenues, which primarily consisted of intergovernmental revenues. The total expenditures of the Highway User Revenue Fund were \$3.8 million.
- The Townwide Roadway Development Impact Fee Fund had \$5.1 million in revenues, which primarily consisted of intergovernmental revenues. The total expenditures of the Townwide Roadway Development Impact Fee Fund were \$4.9 million.
- The Water Fund operating revenues of \$14.7 million exceeded operating expenses of \$9.9 million. The change in net assets of \$3.0 million was primarily due to revenues from charges for services.

**TOWN OF ORO VALLEY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2011**

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, 2011**

OVERVIEW OF FINANCIAL STATEMENTS (Cont'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 (HURF), Oracle Road Debt Service, and Townwide Roadway Development Impact Fees 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 two types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Oro Valley uses enterprise funds to account for its Oro Valley Water Utility and Stormwater Drainage Utility. The Town uses an internal service fund to account for its fleet maintenance services. Because these services predominately benefit governmental rather than business-type functions, the internal service fund has been included within governmental activities in the government-wide financial statements.

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

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Town's budget process. 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, 2011**

OVERVIEW OF FINANCIAL STATEMENTS (Concl'd)

During the year ended June 30, 2011, the Town implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. GASB Statement No. 54 establishes standards for financial reporting, including note disclosure requirements, for fund balance classifications of the governmental funds and clarifies existing governmental fund type definitions. Additional information on the fund balance classifications, components of fund balance, and other information related to fund balance can be found in Note 2.

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 \$216.0 million as of the current fiscal year end.

The largest portion of the Town's net assets 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 following table presents a summary of the Town's net assets for the fiscal years ended June 30, 2011 and June 30, 2010.

	2011	2010	2011	2010		
	Governmental	Governmental	Business-type	Business-type	2011 Total	2010 Total
	Activities	Activities	Activities	Activities		
Current and other assets	\$ 28,438,518	\$ 30,638,869	\$ 24,653,197	\$ 27,124,402	\$ 53,091,715	\$ 57,763,271
Capital assets, net	145,539,069	141,309,940	95,282,634	91,505,866	240,821,703	232,815,806
Total assets, net	<u>173,977,587</u>	<u>171,948,809</u>	<u>119,935,831</u>	<u>118,630,268</u>	<u>293,913,418</u>	<u>290,579,077</u>
Current and other liabilities	4,219,096	8,120,707	3,139,539	6,413,489	7,289,312	14,534,196
Long-term liabilities	14,165,670	10,556,342	56,419,499	56,428,637	70,654,492	66,984,979
Total liabilities	<u>18,384,766</u>	<u>18,677,049</u>	<u>59,559,038</u>	<u>62,842,126</u>	<u>77,943,804</u>	<u>81,519,175</u>
Invested in capital assets, net of related debt	132,956,156	127,712,057	40,005,568	31,383,715	172,961,724	159,095,772
Restricted	12,048,505	9,580,610			12,048,505	9,580,610
Unrestricted	10,588,160	15,979,093	20,371,225	24,404,427	30,959,385	40,383,520
Total net assets	<u>\$155,592,821</u>	<u>\$153,271,760</u>	<u>\$ 60,376,793</u>	<u>\$ 55,788,142</u>	<u>\$215,969,614</u>	<u>\$209,059,902</u>

**TOWN OF ORO VALLEY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2011**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Cont'd)

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

- The addition of \$7.6 million in business-type activities capital assets through improvements to the existing water system.
- The addition of \$15.7 million in governmental activities capital assets, including \$7.4 million for infrastructure. Additions to infrastructure assets consisted of \$3.0 million for street improvements and the installation of solar panels and energy efficiency upgrades and \$4.0 million in contributed capital from developers for subdivisions.
- The decrease of \$1.0 million in governmental activities long-term debt was due mainly to the payoff of a \$3 million Highway Extension Loan Program (HELP) loan from the La Canada Drive widening project and the issuance of \$2.4 million in Clean Renewable Energy Bonds for the Town's energy efficiency and solar project.
- The decrease of \$3.4 million in business-type activities long-term debt was due mainly to the payoff of a \$1.0 million Central Arizona Project (CAP) water loan and annual debt service payments of \$2.0 million.

Changes in net assets. The Town's total revenues for the current fiscal year were \$55.1 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, 2011 and June 30, 2010.

	2011 Governmental Activities	2010 Governmental Activities	2011 Business-type Activities	2010 Business-type Activities	2011 Total	2010 Total
Revenues:						
Program revenues:						
Charges for services	\$ 3,016,425	\$ 3,131,422	\$ 16,007,456	\$ 16,064,022	\$ 19,023,881	\$19,195,444
Operating grants and contributions	4,887,283	4,728,050			4,887,283	4,728,050
Capital grants and contributions	8,980,239	6,514,602	1,655,307	362,273	10,635,546	6,876,875
General revenues:						
Sales taxes	11,572,148	12,970,865			11,572,148	12,970,865
Franchise taxes	514,814	509,285			514,814	509,285
Unrestricted state shared revenues	8,409,590	9,462,464			8,409,590	9,462,464
Investment earnings	39,124	95,625	39,745	72,244	78,869	167,869
Total revenues	<u>37,419,623</u>	<u>37,412,313</u>	<u>17,702,508</u>	<u>16,498,539</u>	<u>55,122,131</u>	<u>53,910,852</u>
Expenses:						
General government	9,887,523	9,950,053			9,887,523	9,950,053
Public safety	12,509,201	13,730,593			12,509,201	13,730,593
Highways and streets	8,895,987	9,353,689			8,895,987	9,353,689
Culture and recreation	3,375,281	3,527,949			3,375,281	3,527,949
Interest on long-term debt	430,570	1,767,155			430,570	1,767,155
Water			12,527,851	12,830,137	12,527,851	12,830,137
Stormwater drainage			586,006	486,994	586,006	486,994
Total expenses	<u>35,098,562</u>	<u>38,329,439</u>	<u>13,113,857</u>	<u>13,317,131</u>	<u>48,212,419</u>	<u>51,646,570</u>
Change in net assets	<u>\$ 2,321,061</u>	<u>\$ (917,126)</u>	<u>\$ 4,588,651</u>	<u>\$ 3,181,408</u>	<u>\$ 6,909,712</u>	<u>\$ 2,264,282</u>

**TOWN OF ORO VALLEY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2011**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Concl'd)

Total revenues decreased \$1.2 million, or 2 percent, primarily due to a reduction in collections in local sales taxes and state income tax. The decrease of \$1.4 million in sales tax revenues is primarily due to a decrease of \$400,000 in construction sales tax collections and a \$700,000 decrease in sales tax audit recoveries. Unrestricted state shared revenues decreased by \$1.1 million due to a decrease in state shared income taxes.

Expenses decreased \$3.4 million primarily from staffing reductions and vacancy savings and savings in operations and maintenance costs in all Town departments.

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

	2011		2010	
	Total Expenses	Net (Expense)/ Revenue	Total Expenses	Net (Expense)/ Revenue
Governmental Activities				
General government	\$ 9,887,523	\$ (6,916,415)	\$ 9,950,053	\$ (7,508,064)
Public safety	12,509,201	(11,495,163)	13,730,593	(12,852,342)
Highways and streets	8,895,987	3,254,449	9,353,689	363,309
Culture and recreation	3,375,281	(2,626,916)	3,527,949	(2,775,226)
Interest on long-term debt	430,570	(430,570)	1,767,155	(1,767,155)
Total	<u>\$ 35,098,562</u>	<u>\$ (18,214,615)</u>	<u>\$ 38,329,439</u>	<u>\$ (24,539,478)</u>
Business-type Activities				
Water	\$ 12,527,851	\$ 2,793,387	\$ 12,830,137	\$ 2,668,920
Stormwater drainage	586,006	1,755,519	486,994	440,244
Total	<u>\$ 13,113,857</u>	<u>\$ 4,548,906</u>	<u>\$ 13,317,131</u>	<u>\$ 3,109,164</u>

- The cost of all governmental activities this year was \$35.1 million. The decrease of \$3.2 million from the prior year was due primarily to a decrease in public safety of \$1.2 million in the building safety department related to a departmental reorganization and a reduction in staffing levels. Interest on long-term debt decreased by \$1.3 million due to the defeasance of the 2000, 2001 and 2003 refunding revenue bonds in the prior fiscal year. Overall, personnel costs were reduced due to staff reductions and vacancies in all Town departments.
- The cost of all business-type activities this year was \$13.1 million, a decrease of \$203,274 from the prior year. Costs decreased slightly due to personnel and operational cost savings in the Water Utility and Stormwater departments.
- Federal and State governments, developer contributions, and charges for services subsidized certain governmental programs and business-type programs with revenues of \$34.5 million.
- Net cost of governmental activities of \$18.2 million was financed by general revenues, which are made up of primarily sales taxes and state shared revenues of \$ 20.5 million.

**TOWN OF ORO VALLEY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2011**

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

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

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

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 \$21.0 million, a decrease of \$2.7 million. This was primarily due to costs related to the energy efficiency and solar project of \$900,000, street improvement projects of \$800,000 and \$300,000 for police vehicles and computer replacements.

The General Fund is the principal operating fund of the Town. The fund balance decreased by \$897,291 in the General Fund to \$11.0 million for the current fiscal year.

The fund balance of the Highway User Revenue Fund showed a decrease of \$541,020 to \$3.7 million for the current fiscal year.

The Townwide Roadway Development Impact Fees Fund showed an increase of \$224,188 to \$2.5 million for the current fiscal year.

Proprietary funds. Net assets of the Enterprise Funds at the end of the year amounted to \$60.4 million. The increase of \$4.6 million from the prior fiscal year was primarily due to operating income of \$4.8 million from the Water Utility Fund.

**TOWN OF ORO VALLEY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2011**

BUDGETARY HIGHLIGHTS

There were no amendments to the Town of Oro Valley's fiscal year 2010-11 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 unfavorable variance of \$1.9 million in revenues was primarily a result of a decline in construction sales taxes and building permit revenues.
- The favorable variance of \$314,625 in expenditures was a result of salary and operational cost savings in all departments.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. At year end, the Town had invested \$240.8 million in capital assets (net of accumulated depreciation), including buildings, facilities, vehicles, computers, equipment, and infrastructure assets. This amount represents a net increase of \$8.0 million from last year. In governmental activities, this was primarily due to the completion of the energy efficiency and solar project of \$4.2 million and the addition of \$7.4 million in street improvements and developer contributions for subdivisions. In business-type activities this was due to water system expansion of \$2.0 million and \$1.4 million in stormwater drainage facilities. Total depreciation expense for the year was \$9.8 million.

The following schedule presents capital asset balances for the fiscal years ended June 30, 2011 and June 30, 2010.

<u>Governmental Activities</u>	As of <u>June 30, 2011</u>	As of <u>June 30, 2010</u>
Land	\$ 18,878,468	\$ 18,878,468
Infrastructure	151,204,783	143,835,153
Buildings and improvements	24,218,778	19,962,664
Machinery, equipment, and vehicles	10,654,213	9,147,800
Construction in progress	1,778,211	3,913,137
Less: Accumulated depreciation	<u>(61,195,384)</u>	<u>(54,427,282)</u>
Total	<u>\$ 145,539,069</u>	<u>\$141,309,940</u>

**TOWN OF ORO VALLEY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2011**

CAPITAL ASSETS AND DEBT ADMINISTRATION (Concl'd)

<u>Business-type Activities</u>	As of June 30, 2011	As of June 30, 2010
Land	\$ 2,410,660	\$ 2,410,660
Water rights	8,534,490	8,534,490
Water system	100,847,841	98,839,269
Stormwater system	2,474,862	1,044,302
Equipment and vehicles	3,835,184	3,411,001
Construction in progress	4,397,627	1,699,004
Less: Accumulated depreciation	<u>(27,218,030)</u>	<u>(24,432,860)</u>
Total	<u>\$ 95,282,634</u>	<u>\$ 91,505,866</u>

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

Debt Administration. At year end, the Town had \$67.9 million in long-term debt outstanding, \$5.7 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, 2011 and June 30, 2010.

	<u>Governmental Activities</u>	
	2011	2010
Revenue bonds	\$ 7,149,780	\$ 4,939,750
Special assessment bonds	2,920,000	3,145,000
Loan payable	2,513,133	5,513,133
Total	<u>\$ 12,582,913</u>	<u>\$ 13,597,883</u>

	<u>Business-type Activities</u>	
	2011	2010
Revenue bonds	\$ 49,803,970	\$ 52,305,500
Loan payable	5,473,096	6,305,650
Capital leases	35,392	123,883
	<u>\$ 55,312,458</u>	<u>\$ 58,735,033</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 \$134.5 million.

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

Additional information on the Town's long-term debt can be found in Notes 6 through 10.

**TOWN OF ORO VALLEY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2011**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- The unemployment rate for the Town of Oro Valley is currently 6%. Pima County's and the State of Arizona's unemployment rates are 8.9% and 9.7%, respectively.
- The Town's secondary assessed valuation for the current year is \$672,309,368.
- Single family residential (SFR) building permits issued in this fiscal year totaled 47, as compared to 65 SFR building permits issued last fiscal year. Projections for SFR building permits are 35 for fiscal year 2011-12.

The adopted combined operating and capital expenditure budget for fiscal year 2011-12 totals \$94.0 million, a decrease of 19% over last year's budget of \$116.2 million. This decrease is primarily attributed to a decrease in capital related projects that were completed in fiscal year 2010-11. The budget for fiscal year 2011-12 continues to place emphasis on the following: streamlining service delivery, increasing operating efficiencies, and improving the structural balance of the Town's budget by reducing recurring expenditures to align with continued revenue reductions.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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TOWN OF ORO VALLEY, ARIZONA
STATEMENT OF NET ASSETS
JUNE 30, 2011

	Governmental Activites	Business-type Activites	Total
<u>ASSETS</u>			
Current assets:			
Cash and cash equivalents	\$ 23,065,362	\$ 19,532,099	\$ 42,597,461
Taxes receivable	718,368		718,368
Accounts receivable	362,153	2,190,093	2,552,246
Intergovernmental receivable	969,057	458,909	1,427,966
Special assessments	2,920,000		2,920,000
Prepaid items	11,180		11,180
Total current assets	28,046,120	22,181,101	50,227,221
Noncurrent assets:			
Deferred bond charges	392,398	2,472,096	2,864,494
Capital assets, non-depreciable	20,656,679	15,342,777	35,999,456
Capital assets, depreciable (net)	124,882,390	79,939,857	204,822,247
Total noncurrent assets	145,931,467	97,754,730	243,686,197
Total assets	173,977,587	119,935,831	293,913,418
<u>LIABILITIES</u>			
Current liabilities:			
Accounts payable	2,781,875	697,374	3,479,249
Accrued wages and benefits	782,563	95,129	877,692
Intergovernmental payable	361,283	886,096	1,247,379
Interest payable		1,229,769	1,229,769
Unearned revenue	128,180		128,180
Customer deposits payable	95,872	231,171	327,043
Compensated absences	1,234,551	114,293	1,348,844
Capital leases payable		35,392	35,392
Loans payable	2,513,133	307,670	2,820,803
Special assessment bonds	235,000		235,000
Revenue bonds	304,820	2,370,180	2,675,000
Total current liabilities	8,437,277	5,967,074	14,404,351
Noncurrent liabilities:			
Compensated absences	348,206	58,878	407,084
Loans payable		5,165,426	5,165,426
Special assessment bonds	2,685,000		2,685,000
Revenue bonds	6,914,283	48,367,660	55,281,943
Total noncurrent liabilities	9,947,489	53,591,964	63,539,453
Total liabilities	18,384,766	59,559,038	77,943,804
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	132,956,156	40,005,568	172,961,724
Restricted for:			
Public safety	626,098		626,098
Highways and streets	3,654,948		3,654,948
Capital Outlay	3,341,388		3,341,388
Debt service	4,426,071		4,426,071
Unrestricted	10,588,160	20,371,225	30,959,385
Total net assets	\$ 155,592,821	\$ 60,376,793	\$ 215,969,614

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

**TOWN OF ORO VALLEY, ARIZONA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
Primary Government						
Governmental activities:						
General government	\$ 9,887,523	\$ 2,455,182	\$ 272,826	\$ 243,100	\$ (6,916,415)	
Public safety	12,509,201	33,976	980,062		(11,495,163)	
Highway and streets	8,895,987	400,977	3,012,320	8,737,139	3,254,449	
Culture and recreation	3,375,281	126,290	622,075		(2,626,916)	
Interest on long-term debt	430,570				(430,570)	
Total governmental activities	<u>35,098,562</u>	<u>3,016,425</u>	<u>4,887,283</u>	<u>8,980,239</u>	<u>(18,214,615)</u>	
Business-type activities:						
Water	12,527,851	15,119,065		202,173		
Stormwater drainage	586,006	888,391		1,453,134		
Total business-type activities	<u>13,113,857</u>	<u>16,007,456</u>		<u>1,655,307</u>		
Total primary government	<u>\$ 48,212,419</u>	<u>\$ 19,023,881</u>	<u>\$ 4,887,283</u>	<u>\$ 10,635,546</u>	<u>(18,214,615)</u>	
General revenues:						
Taxes:						
Sales taxes						11,572,148
Franchise taxes						514,814
Unrestricted state shared revenues						8,409,590
Investment earnings						39,124
Total general revenues						<u>20,535,676</u>
Changes in net assets						2,321,061
Net assets, beginning of year						<u>153,271,760</u>
Net assets, end of year						<u>\$ 155,592,821</u>

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

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FUND FINANCIAL STATEMENTS

TOWN OF ORO VALLEY, ARIZONA
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2011

	<u>General Fund</u>	<u>HURF</u>	<u>Oracle Road Debt Service</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 12,562,684	\$ 3,887,479	\$ 4,987
Taxes receivable	718,368		
Accounts receivable	354,602	7,551	
Intergovernmental receivable	577,804	248,074	
Special assessments			2,920,000
Prepaid items	11,180		
Total assets	<u>\$ 14,224,638</u>	<u>\$ 4,143,104</u>	<u>\$ 2,924,987</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ 1,944,997	\$ 414,236	\$
Accrued wages and benefits	687,168	73,920	
Intergovernmental payable	361,283		
Deferred revenue	128,180		2,920,000
Customer deposits payable	95,872		
Total liabilities	<u>3,217,500</u>	<u>488,156</u>	<u>2,920,000</u>
Fund balances:			
Restricted		3,654,948	4,987
Committed			
Assigned	1,769,333		
Unassigned	9,237,805		
Total fund balances	<u>11,007,138</u>	<u>3,654,948</u>	<u>4,987</u>
Total liabilities and fund balances	<u>\$ 14,224,638</u>	<u>\$ 4,143,104</u>	<u>\$ 2,924,987</u>

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

Townwide Roadway Development Impact Fees	Non-Major Governmental Funds	Total Governmental Funds
\$ 2,414,724	\$ 4,138,674	\$ 23,008,548
		718,368
		362,153
128,186	14,993	969,057
		2,920,000
		11,180
<u>\$ 2,542,910</u>	<u>\$ 4,153,667</u>	<u>\$ 27,989,306</u>
\$ 46,364	\$ 324,735	\$ 2,730,332
	16,204	777,292
		361,283
		3,048,180
		95,872
<u>46,364</u>	<u>340,939</u>	<u>7,012,959</u>
2,496,546	2,972,024	9,128,505
	840,704	840,704
		1,769,333
		9,237,805
<u>2,496,546</u>	<u>3,812,728</u>	<u>20,976,347</u>
<u>\$ 2,542,910</u>	<u>\$ 4,153,667</u>	<u>\$ 27,989,306</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, 2011**

Total governmental fund balances		\$ 20,976,347
<p>Amounts reported for <i>governmental activities</i> in the Statement of Net Assets are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.</p>		
Governmental capital assets	\$ 206,734,453	
Less accumulated depreciation	<u>(61,195,384)</u>	145,539,069
<p>Special assessments receivable are not available to pay for current period expenditures and therefore are not reported in the funds.</p>		
		2,920,000
<p>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.</p>		
Deferred bond charges	392,398	
Deferred bond premium	<u>(69,323)</u>	323,075
<p>Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.</p>		
Special assessment bonds	(2,920,000)	
Revenue bonds	(7,149,780)	
Loans payable	(2,513,133)	
Compensated absences	<u>(1,582,757)</u>	<u>(14,165,670)</u>
Net assets of governmental activities		<u>\$ 155,592,821</u>

TOWN OF ORO VALLEY, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011

	<u>General Fund</u>	<u>HURF</u>	<u>Oracle Road Debt Service</u>
Revenues:			
Sales taxes	\$ 11,060,860	\$ 291,349	\$
Franchise taxes	514,814		
Impact fees			
Special assessments			365,811
Intergovernmental	9,960,865	2,826,662	
Licenses, fees & permits	1,013,392	45,917	
Fines, forfeitures & penalties	195,993		
Charges for services	875,881		
Contributions and donations	15,000		
Investment earnings	29,305	8,832	
Other	255,605	22,513	
Total revenues	<u>23,921,715</u>	<u>3,195,273</u>	<u>365,811</u>
Expenditures:			
Current -			
General government	9,415,109		
Public safety	11,784,077		
Highway and streets		2,817,516	
Culture and recreation	3,031,520		
Capital outlay	1,025,956	983,581	
Debt service -			
Principal retirement			225,000
Interest and fiscal charges			147,548
Total expenditures	<u>25,256,662</u>	<u>3,801,097</u>	<u>372,548</u>
Excess (deficiency) of revenues over expenditures	<u>(1,334,947)</u>	<u>(605,824)</u>	<u>(6,737)</u>
Other financing sources (uses):			
Issuance of revenue bonds			
Transfers in	616,338	64,804	
Transfers out	(178,682)		
Total other financing sources (uses):	<u>437,656</u>	<u>64,804</u>	
Changes in fund balances	<u>(897,291)</u>	<u>(541,020)</u>	<u>(6,737)</u>
Fund balances, beginning of year	11,904,429	4,195,968	11,724
Fund balances, end of year	<u>\$ 11,007,138</u>	<u>\$ 3,654,948</u>	<u>\$ 4,987</u>

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

Townwide Roadway Development Impact Fees	Non-Major Governmental Funds	Total Governmental Funds
\$	\$ 219,939	\$ 11,572,148
		514,814
263,302	218,317	481,619
		365,811
4,824,334	428,758	18,040,619
		1,059,309
	364,948	560,941
	50,254	926,135
		15,000
3,182	(2,195)	39,124
18,000	991	297,109
<u>5,108,818</u>	<u>1,281,012</u>	<u>33,872,629</u>
	433,284	9,848,393
	144,490	11,928,567
	470,833	3,288,349
		3,031,520
1,884,630	3,120,492	7,014,659
3,000,000	234,970	3,459,970
	323,030	470,578
<u>4,884,630</u>	<u>4,727,099</u>	<u>39,042,036</u>
<u>224,188</u>	<u>(3,446,087)</u>	<u>(5,169,407)</u>
	2,445,000	2,445,000
	179,001	860,143
	(616,338)	(795,020)
	<u>2,007,663</u>	<u>2,510,123</u>
<u>224,188</u>	<u>(1,438,424)</u>	<u>(2,659,284)</u>
2,272,358	5,251,152	23,635,631
<u>\$ 2,496,546</u>	<u>\$ 3,812,728</u>	<u>\$ 20,976,347</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, 2011**

Net changes in fund balances - total governmental funds **\$ (2,659,284)**

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	\$ 7,249,382	
Less current year depreciation	<u>(7,035,347)</u>	214,035

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.		4,015,094
---	--	-----------

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.		(225,000)
---	--	-----------

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	3,000,000	
Revenue bond principal retirement	234,970	
Special assessment bond principal retirement	<u>225,000</u>	3,459,970

Issuance of revenue bonds provides current financial resources to governmental funds, but the issuance increases long term liabilities in the Statement of Net Assets.		(2,445,000)
--	--	-------------

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	(18,688)	
Compensated absences	<u>(20,066)</u>	<u>(38,754)</u>

Change in net assets in governmental activities **\$ 2,321,061**

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, 2011

	Enterprise Funds		
	Water	Stormwater Drainage	Totals
<u>ASSETS</u>			
Current assets:			
Cash and cash equivalents	\$ 19,157,147	\$ 374,952	\$ 19,532,099
Accounts receivable	2,142,204	47,889	2,190,093
Due from federal government		458,909	458,909
Total current assets	<u>21,299,351</u>	<u>881,750</u>	<u>22,181,101</u>
Noncurrent assets:			
Deferred bond charges	2,472,096		2,472,096
Capital assets, non-depreciable	15,282,676	60,101	15,342,777
Capital assets, depreciable (net)	77,110,223	2,829,634	79,939,857
Total noncurrent assets	<u>94,864,995</u>	<u>2,889,735</u>	<u>97,754,730</u>
Total assets	<u>116,164,346</u>	<u>3,771,485</u>	<u>119,935,831</u>
<u>LIABILITIES</u>			
Current liabilities:			
Accounts payable	576,260	121,114	697,374
Accrued wages and benefits	88,349	6,780	95,129
Intergovernmental payable	886,096		886,096
Interest payable	1,229,769		1,229,769
Customer deposits payable	231,171		231,171
Compensated absences	112,227	2,066	114,293
Capital leases payable		35,392	35,392
Loans payable	307,670		307,670
Revenue bonds	2,370,180		2,370,180
Total current liabilities	<u>5,801,722</u>	<u>165,352</u>	<u>5,967,074</u>
Noncurrent liabilities:			
Compensated absences	57,814	1,064	58,878
Loans payable	5,165,426		5,165,426
Revenue bonds	48,367,660		48,367,660
Total noncurrent liabilities	<u>53,590,900</u>	<u>1,064</u>	<u>53,591,964</u>
Total liabilities	<u>59,392,622</u>	<u>166,416</u>	<u>59,559,038</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	37,115,833	2,889,735	40,005,568
Unrestricted	19,655,891	715,334	20,371,225
Total net assets	<u>\$ 56,771,724</u>	<u>\$ 3,605,069</u>	<u>\$ 60,376,793</u>

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

Governmental
Activities:
Internal Service
Funds

\$ 56,814

56,814

56,814

51,543
5,271

56,814

56,814

\$

TOWN OF ORO VALLEY, ARIZONA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	Enterprise Funds		
	Water	Stormwater Drainage	Totals
Operating revenues:			
Charges for services	\$ 14,664,761	\$ 751,341	\$ 15,416,102
Other	11,113		11,113
Total operating revenues	<u>14,675,874</u>	<u>751,341</u>	<u>15,427,215</u>
Operating expenses:			
Costs of sales and services	7,042,821	519,514	7,562,335
Depreciation and amortization	2,883,478	60,351	2,943,829
Total operating expenses	<u>9,926,299</u>	<u>579,865</u>	<u>10,506,164</u>
Operating income (loss)	<u>4,749,575</u>	<u>171,476</u>	<u>4,921,051</u>
Nonoperating revenues (expenses):			
Impact fees	400,988		400,988
Intergovernmental		1,453,134	1,453,134
Connection fees	244,376		244,376
Investment earnings	38,443	1,302	39,745
Interest expense	(2,601,552)	(6,141)	(2,607,693)
Total nonoperating revenues (expenses)	<u>(1,917,745)</u>	<u>1,448,295</u>	<u>(469,450)</u>
Income (loss) before capital contributions and transfers	<u>2,831,830</u>	<u>1,619,771</u>	<u>4,451,601</u>
Capital contributions	202,173		202,173
Transfers out	<u>(319)</u>	<u>(64,804)</u>	<u>(65,123)</u>
Changes in net assets	<u>3,033,684</u>	<u>1,554,967</u>	<u>4,588,651</u>
Total net assets, beginning of year	53,738,040	2,050,102	55,788,142
Total net assets, end of year	<u>\$ 56,771,724</u>	<u>\$ 3,605,069</u>	<u>\$ 60,376,793</u>

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

Governmental
Activities:
Internal Service
Funds

\$ 874,968

874,968

874,968

874,968

\$

**TOWN OF ORO VALLEY, ARIZONA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011**

	Enterprise Funds			Governmental Activities
	Water	Stormwater Drainage	Total	Internal Service Fund
<u>Increase (Decrease) in Cash and Cash Equivalents</u>				
Cash flows from operating activities:				
Cash received from customers	\$ 14,681,851	\$ 955,159	\$ 15,637,010	\$ 874,968
Cash payments to suppliers for goods and services	(4,431,902)	(254,758)	(4,686,660)	(726,111)
Cash payments to employees for services	(2,411,191)	(276,949)	(2,688,140)	(146,310)
Net cash provided by (used for) operating activities	7,838,758	423,452	8,262,210	2,547
Cash flows from noncapital and related financing activities:				
Connection fees	244,376		244,376	
Grants received		994,225	994,225	
Interfund transfers	(319)	(64,804)	(65,123)	
Net cash provided by noncapital financing activities	244,057	929,421	1,173,478	
Cash flows from capital and related financing activities:				
Development impact fees	400,988		400,988	
Acquisition of capital assets	(5,022,680)	(1,337,086)	(6,359,766)	
Proceeds from loans	553,979		553,979	
Principal paid on long-term debt	(3,766,063)	(88,491)	(3,854,554)	
Interest on long-term debt	(2,640,888)	(6,141)	(2,647,029)	
Net cash used for capital and related financing activities	(10,474,664)	(1,431,718)	(11,906,382)	
Cash flows from investing activities:				
Investment income	38,443	1,302	39,745	
Net cash provided by investing activities	38,443	1,302	39,745	
Net increase (decrease) in cash and cash equivalents	(2,353,406)	(77,543)	(2,430,949)	2,547
Cash and cash equivalents, beginning of year	21,510,553	452,495	21,963,048	54,267
Cash and cash equivalents, end of year	\$ 19,157,147	\$ 374,952	\$ 19,532,099	\$ 56,814
<u>Reconciliation of Operating Income to</u>				
<u>Net Cash Provided by (used for) Operating Activities</u>				
Operating income	\$ 4,749,575	\$ 171,476	\$ 4,921,051	\$
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:				
Depreciation and amortization	2,883,478	60,351	2,943,829	
Change in assets and liabilities:				
(Increase) decrease in accounts receivable	(45,005)	203,818	158,813	
Increase (decrease) in accounts payable	192,801	(10,508)	182,293	3,017
Increase (decrease) in accrued payroll and employee benefits	6,927	(1,690)	5,237	(470)
Increase in compensated absences payable		5	5	
Increase in deposits held for others	50,982		50,982	
Total adjustments	3,089,183	251,976	3,341,159	2,547
Net cash provided by operating activities	\$ 7,838,758	\$ 423,452	\$ 8,262,210	\$ 2,547
<u>Non-cash capital and financing activities</u>				
Contribution of assets from developers	\$ 202,173		\$ 202,173	

TOWN OF ORO VALLEY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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.

During the year ended June 30, 2011, the Town implemented the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. GASB Statement No. 54 establishes standards for financial reporting, including note disclosure requirements, for fund balance classifications of the governmental funds, and clarifies existing governmental fund type definitions.

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.

TOWN OF ORO VALLEY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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

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, 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 MPC's Municipal Facilities Revenue Bonds, Series 2003, 2005, and 2007. The activity of the 2003 MPC is reported in the applicable water enterprise fund and the activity of the Series 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.

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.

TOWN OF ORO VALLEY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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

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

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

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

Sales taxes, franchise taxes, licenses and permits, charges for services, special assessments and investment income associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. 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 arises when resources are received by the Town before it has legal claim to them, as when grant monies are received prior to meeting all eligibility requirements imposed by the provider.

The Council adopts the budget at the fund level as a total amount of expenditures. Financial control is administered by fund, with budgetary control for operating performance regulated at the departmental level, e.g., finance, economic development, police, and parks and recreation.

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.

TOWN OF ORO VALLEY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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

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.

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

The Town reports the following major proprietary funds.

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

Stormwater Drainage Fund – This fund accounts for the provisions of stormwater services to the residents of the Town and certain county residents within the Town's municipal boundaries. All activities necessary to provide such services are accounted for in this fund.

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 internal service fund are charges to user departments for fleet maintenance services. The principal operating revenues of the Town's enterprise fund are charges to customers for water and stormwater drainage services. Operating expenses for these funds include the cost of sales and services, depreciation, and amortization. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

TOWN OF ORO VALLEY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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

D. Cash and Investments

For purposes of the Statement of Cash Flows, the Town considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents at June 30, 2011 were cash in bank and investments held by the County and State Treasurers.

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

E. Investment Income

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

F. Receivables and Payables

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

All trade receivables are shown net of an 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. Prepaid items are recorded as expenses when consumed 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.

**TOWN OF ORO VALLEY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

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

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

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

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

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

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.

TOWN OF ORO VALLEY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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

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.

K. 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.

L. Estimates

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

NOTE 2 – FUND BALANCE CLASSIFICATIONS

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

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

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

TOWN OF ORO VALLEY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 2 – FUND BALANCE CLASSIFICATIONS (Concl'd)

Committed. The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action of the Town Council. Those committed amounts cannot be used for any other purpose unless the Town Council removes or changes the specified use by taking the same type of action it employed to previously commit those accounts.

Assigned. Amounts in the assigned fund balance classification are intended to be used by the Town for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Town Council or a management official delegated that authority by the formal Town Council action.

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

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

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

	General Fund	Highway User Revenue Fund	Oracle Road Debt Service Fund	Townwide Roadway Development Impact Fees	Non-Major Governmental Funds
Fund Balances:					
Restricted:					
Highways and streets	\$	\$ 3,654,948	\$	\$	\$
Debt service			4,987		1,501,084
Capital projects				2,496,546	844,842
Public safety					626,098
Committed					840,704
Assigned	1,769,333				
Unassigned	9,237,805				
Total fund balances	\$11,007,138	\$ 3,654,948	\$ 4,987	\$ 2,496,546	\$ 3,812,728

TOWN OF ORO VALLEY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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. The activity and performance of the pools are reviewed monthly by the State Board of Investment. The fair value of each participant’s position in the State Treasurer investment pools approximates the value of the participant’s shares in the pool and the participants’ shares are not identified with specific investments. No regulatory oversight is provided for the County Treasurer’s investment pool and that pool’s structure does not provide for shares.

Custodial Credit Risk – Deposits. Custodial Credit risk is the risk that in the event of bank failure the Town’s deposits may not be returned to the Town. The Town does not have a deposit policy for custodial credit risk. At year end, the carrying value of the Town’s deposits was \$1,199,315 and the bank balance was \$1,005,226.

At year end, the Town’s investments consisted of the following.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investments Maturities</u>	
		<u>(in Years)</u>	
		<u>Less than 1</u>	<u>1-5</u>
Money Market - U.S. Treasuries	\$ 5,352,389	\$5,352,389	\$
U.S Treasury Bonds/Notes	4,806,668	1,505,865	3,300,803
U.S. Agencies Bonds/Notes	20,218,682	2,560,527	17,658,155
		<u>\$9,418,781</u>	<u>\$ 20,958,958</u>
County Treasurer’s investment pool	738,586	198 days average maturities	
State Treasurer’s investment pool 5	10,276,477	27 days average maturities	
Total	<u>\$41,392,802</u>		

TOWN OF ORO VALLEY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 3 – CASH AND INVESTMENTS (Concl'd)

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

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

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

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

As of year end, the Town's investment in the State and County Treasurers' investment pools did not receive a credit quality rating from a national rating agency. The State Treasurer's investment pool 5 was rated AAA/S1+ by Standard and Poor's at year end. The Town's investments in U.S. agencies were rated AAA by Standard and Poor's.

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

Concentration of Credit Risk. The Town places no limit on the amount the Town may invest in any one issuer. More than 5 percent of the Town's investments are in FHLMC and FNMA notes. These investments are 19% and 18% of the Town's total investments, respectively.

TOWN OF ORO VALLEY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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.

	<u>General Fund</u>	<u>Highway User Revenue Fund</u>	<u>Townwide Roadway Development Impact Fees</u>
Due from other governmental entities:			
Due from Federal government	\$ 174,017	\$	\$
Due from State government	403,787	248,074	
Due from other governments			128,186
Net due from governmental entities	<u>\$ 577,804</u>	<u>\$ 248,074</u>	<u>\$ 128,186</u>

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.

	<u>Unavailable</u>	<u>Unearned</u>
Prepaid developer fees (General Fund)	\$	\$ 128,180
Special assessments (Oracle Road Debt Service Fund)	2,920,000	
Total deferred revenue for governmental funds	<u>\$ 2,920,000</u>	<u>\$ 128,180</u>

TOWN OF ORO VALLEY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 5 – CAPITAL ASSETS

A summary of capital asset activity for the current fiscal year 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	\$ 18,878,468	\$	\$	\$ 18,878,468
Construction in progress	3,913,137	2,333,523	4,468,449	1,778,211
Total capital assets, not being depreciated	<u>22,791,605</u>	<u>2,333,523</u>	<u>4,468,449</u>	<u>20,656,679</u>
Capital assets, being depreciated:				
Infrastructure	143,835,153	7,369,630		151,204,783
Buildings and improvements	19,962,664	4,256,114		24,218,778
Machinery, equipment, and vehicles	9,147,800	1,784,916	278,503	10,654,213
Total capital assets being depreciated	<u>172,945,617</u>	<u>13,410,660</u>	<u>278,503</u>	<u>186,077,774</u>
Less accumulated depreciation for:				
Infrastructure	(43,788,702)	(5,605,687)		(49,394,389)
Buildings and improvements	(4,551,392)	(468,251)		(5,019,643)
Machinery, equipment, and vehicles	(6,087,188)	(961,409)	(267,245)	(6,781,352)
Total accumulated depreciation	<u>(54,427,282)</u>	<u>(7,035,347)</u>	<u>(267,245)</u>	<u>(61,195,384)</u>
Total capital assets, being depreciated, net	<u>118,518,335</u>	<u>6,375,313</u>	<u>11,258</u>	<u>124,882,390</u>
Governmental activities capital assets, net	<u>\$ 141,309,940</u>	<u>\$ 8,708,836</u>	<u>\$ 4,479,707</u>	<u>\$ 145,539,069</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	8,534,490			8,534,490
Construction in progress	1,699,004	3,719,501	1,020,878	4,397,627
Total	<u>12,644,154</u>	<u>3,719,501</u>	<u>1,020,878</u>	<u>15,342,777</u>
Capital assets, being depreciated:				
Water system	98,839,269	2,008,572		100,847,841
Stormwater system	1,044,302	1,430,560		2,474,862
Equipment and vehicles	3,411,001	424,183		3,835,184
Total capital assets being depreciated	<u>103,294,572</u>	<u>3,863,315</u>		<u>107,157,887</u>
Less accumulated depreciation for:				
Water system	(22,403,381)	(2,511,616)		(24,914,997)
Stormwater system	(53,045)	(23,391)		(76,436)
Equipment and vehicles	(1,976,434)	(250,163)		(2,226,597)
Total accumulated depreciation	<u>(24,432,860)</u>	<u>(2,785,170)</u>		<u>(27,218,030)</u>
Total capital assets, being depreciated, net	<u>78,861,712</u>	<u>1,078,145</u>		<u>79,939,857</u>
Business-type activities capital assets, net	<u>\$ 91,505,866</u>	<u>\$ 4,797,646</u>	<u>\$ 1,020,878</u>	<u>\$ 95,282,634</u>

**TOWN OF ORO VALLEY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 5 – CAPITAL ASSETS (Concl'd)

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 417,082
Public Safety	560,972
Highways and streets	5,714,260
Culture and recreation	<u>343,033</u>
Total depreciation expense – governmental activities	<u>\$7,035,347</u>
Business-type activities:	
Water	2,728,070
Stormwater	<u>57,100</u>
Total depreciation expense – business-type activities	<u>\$2,785,170</u>

Construction Commitments – As of year end, the Town was involved in several construction projects. The estimated cost to complete the construction projects is \$15.0 million.

NOTE 6 – LOANS PAYABLE

The Town received an \$8,000,000 loan from the Arizona Department of Transportation (ADOT) for streets projects. The loan payable at current fiscal year end 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, 2011</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
ADOT HELP Loan	3.50%	7/30/11	\$ 2,513,133	\$2,513,133
Total			<u>\$ 2,513,133</u>	<u>\$2,513,133</u>

As of June 30, 2011, principal payments on the governmental activities loans payable were \$2,513,133, due in fiscal year 2012, and the interest due is \$102,334.

TOWN OF ORO VALLEY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 6 – LOANS PAYABLE (Concl'd)

The Town received two loans 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 Town (CAWCD) to be paid back over five years. The loans payable at current fiscal year end are presented below.

Business-type activities:	Interest Rate (Including Fees)	Maturity	Outstanding Principal June 30, 2011	Due Within One Year
WIFA Loan, 2007	2.04%	7/1/11-27	\$ 3,981,268	\$ 179,266
WIFA Loan, 2009	2.75%	7/1/11-18	1,491,828	128,404
Total			<u>\$ 5,473,096</u>	<u>\$ 307,670</u>

Principal and interest payments on the business-type activities loans payable at June 30, 2011 are summarized as follows.

Year ending June 30:	Business-type Activities	
	Principal	Interest
2012	\$ 307,670	\$ 190,369
2013	318,081	186,287
2014	328,844	173,889
2015	339,973	161,073
2016	351,481	147,826
2017-21	1,944,250	460,660
2022-26	1,369,803	214,589
2027-28	512,994	16,534
Total	<u>\$ 5,473,096</u>	<u>\$ 1,551,227</u>

TOWN OF ORO VALLEY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 7 – BONDS PAYABLE

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

Purpose	Original Amount Issued	Interest Rates	Maturity	Outstanding Principal June 30, 2011	Due Within One Year
Governmental activities:					
Revenue Bonds, 2005	\$ 4,164,050	3.50-4.75%	7/1/11-25	\$ 3,417,000	\$ 170,850
Refunding Revenue Bonds, 2007	1,389,180	4.25-5.00%	7/1/11-26	1,287,780	8,970
Excise Tax Revenue Obligations, 2010	2,445,000	2.00-6.59%	7/1/11-27	2,445,000	125,000
Total				<u>\$ 7,149,780</u>	<u>\$ 304,820</u>

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

Year ending June 30:	Governmental Activities	
	Principal	Interest
2012	\$ 304,820	\$ 314,703
2013	321,910	304,107
2014	329,000	291,971
2015	339,440	279,873
2016	385,920	266,168
2017-21	2,218,950	1,064,786
2022-26	2,772,640	477,301
2027-28	477,100	24,735
Total	<u>\$ 7,149,780</u>	<u>\$ 3,023,644</u>

Purpose	Original Amount Issued	Interest Rates	Maturity	Outstanding Principal June 30, 2011	Due Within One Year
Business-type activities:					
Revenue Bonds, 2003	\$ 31,750,000	3.25-5.00%	7/1/11-28	\$ 25,132,500	\$ 1,400,000
Refunding Revenue Bonds, 2003	10,225,080	3.50-5.00%	7/1/11-19	7,766,250	780,000
Revenue Bonds, 2005	2,050,950	3.13-4.75%	7/1/11-25	1,683,000	84,150
Refunding Revenue Bonds, 2007	16,420,820	4.25-5.00%	7/1/11-26	15,222,220	106,030
Total				<u>\$ 49,803,970</u>	<u>\$ 2,370,180</u>

TOWN OF ORO VALLEY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 7 – BONDS PAYABLE (Concl'd)

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

Year ending June 30:	Business-type Activities	
	Principal	Interest
2012	\$ 2,370,180	\$ 2,231,020
2013	2,536,840	2,131,609
2014	2,128,500	2,026,368
2015	2,535,310	1,931,432
2016	2,771,080	1,821,203
2017-21	15,361,800	7,089,396
2022-26	15,552,360	3,390,708
2027-29	6,547,900	402,455
Total	<u>\$ 49,803,970</u>	<u>\$ 21,024,191</u>

Pledged revenues – governmental activities. The Town has pledged future sales (excise) tax revenues to repay outstanding revenue bonds and refunding revenue bonds of \$7.1 million as of June 30, 2011. 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 2028. Total annual principal and interest payments for all sales tax revenue bonds are expected to require less than 7% of gross revenues. The total principal and interest to be paid on the bonds is \$10.2 million. The current total sales tax revenues were \$11.3 million and the total principal and interest paid on the bonds was \$488,954, or 4% 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 \$49.8 million as of June 30, 2011. 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 \$70.8 million. The current total customer gross revenues were \$15.4 million and the total principal and interest paid on the bonds was \$3.6 million or 24% of gross revenues.

TOWN OF ORO VALLEY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 8 – SPECIAL ASSESSMENT BONDS

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

<u>Purpose</u>	<u>Original Amount Issued</u>	<u>Interest Rates</u>	<u>Maturity</u>	<u>Outstanding Principal June 30, 2011</u>	<u>Due Within One Year</u>
Governmental activities:					
Special assessments debt	\$3,945,000	4.20-5.00%	1/1/11-21	\$ 2,920,000	\$ 235,000
Total				<u>\$ 2,920,000</u>	<u>\$ 235,000</u>

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

Year ending June 30:	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2012	\$ 235,000	\$ 129,701
2013	250,000	117,578
2014	260,000	105,867
2015	270,000	94,602
2016	280,000	82,637
2017-21	<u>1,625,000</u>	<u>235,360</u>
Total	<u>\$ 2,920,000</u>	<u>\$ 765,745</u>

TOWN OF ORO VALLEY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 9 – OBLIGATIONS UNDER CAPITAL LEASES

The business-type activities of the Town have acquired a street sweeper and dump truck under the provisions of long-term lease agreements classified as a capital leases. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. Revenues from the Stormwater Fund are used to pay the capital lease obligations.

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

	Business-type Activities
Asset:	
Machinery, equipment, and vehicles	\$ 270,464
Less: Accumulated depreciation	23,665
Total	\$ 246,799

As of June 30, 2011, the future minimum lease obligation was \$35,392, due in fiscal year 2012, and the net present value of this minimum lease payment was \$35,392.

NOTE 10 – CHANGES IN LONG-TERM LIABILITIES

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Revenue bonds payable	\$ 5,014,388	\$ 2,445,000	\$ 240,285	\$ 7,219,103	\$ 304,820
Special assessments payable	3,145,000		225,000	2,920,000	235,000
Loan payable	5,513,133		3,000,000	2,513,133	2,513,133
Compensated absences payable	1,562,691	1,480,920	1,460,854	1,582,757	1,234,551
Governmental activity long-term liabilities	\$ 15,235,212	\$ 3,925,920	\$ 4,926,139	\$ 14,234,993	\$ 4,287,504
 Business-type activities:					
Revenue bonds payable	\$ 53,299,064	\$	\$ 2,461,224	\$ 50,737,840	\$ 2,370,180
Loan payable	6,305,650	431,979	1,264,533	5,473,096	307,670
Capital lease payable	123,883		88,491	35,392	35,392
Compensated absences payable	173,166	172,326	172,321	173,171	114,293
Business-type activities long-term liabilities	\$ 59,901,763	\$ 604,305	\$ 4,086,569	\$ 56,419,499	\$ 2,827,535

**TOWN OF ORO VALLEY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 11 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund transfers:

	Transfers in			Total
	General Fund	HURF Fund	Non-Major Governmental Funds	
Transfers out				
General Fund	\$	\$	\$ 178,682	\$ 178,682
Non-Major Governmental Funds	616,338			616,338
Water Fund			319	319
Stormwater Drainage Fund		64,804		64,804
Total	<u>\$ 616,338</u>	<u>\$ 64,804</u>	<u>\$ 179,001</u>	<u>\$ 860,143</u>

Transfers were made from the General Fund to subsidize the Public Transportation and Pima County Bond Projects Funds and transferred out to the General Fund to properly collapse funds into the General Fund in accordance with Town Resolution No. (R) 11-30. Transfers out of the indicated capital projects funds were to close out the fund as the project for which the fund was created was completed at fiscal year end.

NOTE 12 – 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.

NOTE 13 – 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.

**TOWN OF ORO VALLEY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 13 – RISK MANAGEMENT (Concl'd)

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 14 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

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.

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.

**TOWN OF ORO VALLEY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 14 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Cont'd)

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. The reports are also available on their websites at www.azasrs.gov and www.psprs.com.

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 current fiscal year, active ASRS members were required by statute to contribute at the actuarially determined rate of 9.85 percent (9.60 percent for retirement and 0.25 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 9.85 percent (9.01 percent for retirement, 0.59 percent for health insurance premium, and 0.25 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.

	<u>Retirement Fund</u>	<u>Health Benefit Supplement Fund</u>	<u>Long-Term Disability Fund</u>
Year ending June 30:			
2011	\$ 985,116	\$ 77,959	\$ 47,248
2010	949,928	75,174	45,560
2009	996,346	119,711	62,350

Agent plan – For the current fiscal year, active PSPRS and CORP members were required by statute to contribute 7.65 and 7.96 percent of the members’ annual covered payroll, and the Town was required to contribute at the actuarially determined rate of 15.63 and 9.52 percent. The health insurance premium portion of the contribution rate was actuarially set at 0.65 percent of covered payroll for PSPRS and 0.37 percent for CORP.

TOWN OF ORO VALLEY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 14 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Cont'd)

Actuarial methods and assumptions – The contribution requirements for the year ended June 30, 2011 were established by the June 30, 2009 actuarial valuations, and those actuarial valuations were based on the following actuarial methods and assumptions. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. The required schedule of funding programs which follows provides multi-year trend information that shows whether the actuarial value of the plans' assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

	<u>PSPRS</u>	<u>CORP</u>
Contribution rates:		
Town	15.63%	9.52%
Plan members	7.65%	7.96%
Actuarial valuation date	June 30, 2009	June 30, 2009
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%	5.5% - 8.5%
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	27 years for unfunded actuarial accrued liability, 20 years for excess	27 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value	7-year smoothed market value

Annual Pension/OPEB Cost – The Town's pension/OPEB cost for the agent plans for the current fiscal year end and related information follows.

	<u>PSPRS</u>		<u>CORP</u>	
	<u>Pension</u>	<u>Health Insurance</u>	<u>Pension</u>	<u>Health Insurance</u>
Annual pension/OPEB cost	\$ 874,605	\$ 36,442	\$ 39,629	\$ 9,907
Contributions made	874,605	36,442	39,629	9,907

**TOWN OF ORO VALLEY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 14 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Cont'd)

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

Oro Valley Police Plan (PSPRS):

Year Ended <u>June 30,</u>	Annual Pension <u>Cost (APC)</u>	Percentage of APC <u>Contributed</u>	Net Pension <u>Obligation</u>
<i>Pension</i>			
2010	\$ 891,682	100%	-0-
2009	1,005,600	100%	-0-
2008	577,551	100%	-0-
<i>Health Insurance</i>			
2010	\$ 88,075	100%	-0-
2009	77,502	100%	-0-
2008	59,146	100%	-0-

Oro Valley ACORP Dispatchers Plan (CORP):

Year Ended <u>June 30,</u>	Annual Pension <u>Cost (APC)</u>	Percentage of APC <u>Contributed</u>	Net Pension <u>Obligation</u>
<i>Pension</i>			
2010	\$ 52,845	100%	-0-
2009	57,404	100%	-0-
2008	36,214	100%	-0-
<i>Health Insurance</i>			
2010	\$ 5,085	100%	-0-
2009	5,447	100%	-0-
2008	6,126	100%	-0-

**TOWN OF ORO VALLEY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 14 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Concl'd)

Funding Progress – An analysis of funding progress for each of the agent plans as of the most recent actuarial valuations follows. For this valuation, which was prior to the implementation of GASB Statement No. 45, the pension and health insurance benefit amounts were aggregated. In future years these benefits will be disaggregated and reported separately.

Oro Valley Police Plan (PSPRS):

Pension

Valuation Date <u>June 30,</u>	Actuarial Value of Plan Assets <u>(a)</u>	Actuarial Accrued Liability <u>(b)</u>	Funding Liability <u>(a-b)</u>	Funded Ratio <u>(a/b)</u>	Annual Covered Payroll <u>(c)</u>	Unfunded Liability as Percentage of Covered Payroll <u>[(a-b)/c]</u>
2010	\$17,152,906	\$21,796,927	\$(4,644,021)	78.7%	\$5,994,879	77.47%
2009	15,727,624	20,322,658	(4,595,034)	77.4%	5,951,423	77.21%
2008	13,644,758	18,167,094	(4,522,336)	75.1%	5,856,015	77.23%

Health Insurance

2010	\$ -0-	\$715,698	\$(715,698)	0.0%	\$5,994,879	11.94%
2009	-0-	628,965	(628,965)	0.0%	5,951,423	10.57%
2008	-0-	563,998	(563,998)	0.0%	5,856,015	9.63%

Oro Valley Dispatchers Plan (CORP):

Pension

Valuation Date <u>June 30,</u>	Actuarial Value of Plan Assets <u>(a)</u>	Actuarial Accrued Liability <u>(b)</u>	Funding Liability <u>(a-b)</u>	Funded Ratio <u>(a/b)</u>	Annual Covered Payroll <u>(c)</u>	Unfunded Liability as Percentage of Covered Payroll <u>[a-b]/c]</u>
2010	\$ 1,057,358	\$ 1,349,198	\$ (291,840)	78.4%	\$ 513,337	56.85%
2009	1,082,181	1,581,254	(499,073)	68.4%	604,184	82.60%
2008	1,026,134	1,594,642	(568,508)	64.3%	729,262	77.90%

Health Insurance

2010	\$ -0-	\$ 45,521	\$ (45,521)	0.0%	\$ 513,337	8.87%
2009	-0-	54,580	(54,580)	0.0%	604,184	9.03%
2008	-0-	71,711	(71,711)	0.0 %	729,262	9.83%

**SCHEDULE 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, 2011

	Budgeted Amounts	Actual	Variance with Final Budget Positive (Negative)
	Original & Final		
Revenues:			
Sales taxes	\$ 12,564,250	\$ 11,060,860	\$ (1,503,390)
Franchise taxes	500,000	514,814	14,814
Intergovernmental	9,995,135	9,960,865	(34,270)
Licenses, fees & permits	1,276,510	1,013,392	(263,118)
Fines, forfeitures & penalties	195,000	195,993	993
Charges for services	1,021,715	875,881	(145,834)
Contributions and donations		15,000	15,000
Investment earnings	151,374	29,305	(122,069)
Other	145,000	255,605	110,605
Total revenues	<u>25,848,984</u>	<u>23,921,715</u>	<u>(1,927,269)</u>
Expenditures:			
Current -			
General government	11,056,999	9,415,109	1,641,890
Public safety	11,566,573	11,784,077	(217,504)
Culture and recreation	2,947,715	3,031,520	(83,805)
Capital outlay		1,025,956	(1,025,956)
Total expenditures	<u>25,571,287</u>	<u>25,256,662</u>	<u>314,625</u>
Excess (deficiency) of revenues over expenditures	<u>277,697</u>	<u>(1,334,947)</u>	<u>(1,612,644)</u>
Other financing sources (uses):			
Transfers in	367,000	616,338	249,338
Transfers out	(989,047)	(178,682)	810,365
Total other financing sources (uses):	<u>(622,047)</u>	<u>437,656</u>	<u>1,059,703</u>
Changes in fund balances	<u>(344,350)</u>	<u>(897,291)</u>	<u>(552,941)</u>
Fund balances, beginning of year	1,683,130	11,904,429	10,221,299
Fund balances, end of year	<u>\$ 1,338,780</u>	<u>\$ 11,007,138</u>	<u>\$ 9,668,358</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, 2011

	Budgeted Amounts	Actual	Variance with Final Budget Positive (Negative)
	Original & Final		
Revenues:			
Sales taxes	\$ 630,188	\$ 291,349	\$ (338,839)
Intergovernmental	2,669,767	2,826,662	156,895
Licenses, fees & permits		45,917	45,917
Investment earnings		8,832	8,832
Other	433,083	22,513	(410,570)
Total revenues	<u>3,733,038</u>	<u>3,195,273</u>	<u>(537,765)</u>
Expenditures:			
Current -			
Highway and streets	3,902,198	2,817,516	1,084,682
Capital outlay		983,581	(983,581)
Total expenditures	<u>3,902,198</u>	<u>3,801,097</u>	<u>101,101</u>
Excess (deficiency) of revenues over expenditures	<u>(169,160)</u>	<u>(605,824)</u>	<u>(436,664)</u>
Other financing sources (uses):			
Transfers in	64,804	64,804	
Transfers out	(203,033)		203,033
Total other financing sources (uses):	<u>(138,229)</u>	<u>64,804</u>	<u>203,033</u>
Changes in fund balances	<u>(307,389)</u>	<u>(541,020)</u>	<u>(233,631)</u>
Fund balances, beginning of year	4,079,533	4,195,968	116,435
Fund balances, end of year	<u>\$ 3,772,144</u>	<u>\$ 3,654,948</u>	<u>\$ (117,196)</u>

See accompanying notes to this schedule.

TOWN OF ORO VALLEY, ARIZONA
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2011

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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GOVERNMENTAL FUNDS

TOWN OF ORO VALLEY, ARIZONA
COMBINING BALANCE SHEET - ALL NON-MAJOR GOVERNMENTAL FUNDS - BY FUND TYPE
JUNE 30, 2011

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 1,521,307	\$ 1,501,084	\$ 1,116,283
Intergovernmental receivable	14,993		
Total assets	<u>\$ 1,536,300</u>	<u>\$ 1,501,084</u>	<u>\$ 1,116,283</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ 53,294	\$	\$ 271,441
Accrued wages and benefits	16,204		
Total liabilities	<u>69,498</u>	<u></u>	<u>271,441</u>
Fund balances:			
Restricted	626,098	1,501,084	844,842
Committed	840,704		
Total fund balances	<u>1,466,802</u>	<u>1,501,084</u>	<u>844,842</u>
Total liabilities and fund balances	<u>\$ 1,536,300</u>	<u>\$ 1,501,084</u>	<u>\$ 1,116,283</u>

Total Non-Major
Governmental
Fund

\$	4,138,674
	<u>14,993</u>
\$	<u>4,153,667</u>

\$	324,735
	<u>16,204</u>
	<u>340,939</u>

	2,972,024
	<u>840,704</u>
	<u>3,812,728</u>

\$	<u>4,153,667</u>
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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, 2011

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Revenues:			
Sales taxes	\$ 219,939	\$	\$
Impact fees			218,317
Intergovernmental	103,847	81,811	243,100
Fines, forfeitures & penalties	364,948		
Charges for services	50,254		
Investment earnings	(3,254)	347	712
Other	991		
Total revenues	<u>736,725</u>	<u>82,158</u>	<u>462,129</u>
Expenditures:			
Current -			
General government	413,523		19,761
Public safety	144,490		
Highway and streets	470,833		
Capital Outlay	30,778		3,089,714
Debt service -			
Principal retirement		234,970	
Interest and fiscal charges		264,334	58,696
Total expenditures	<u>1,059,624</u>	<u>499,304</u>	<u>3,168,171</u>
Excess (deficiency) of revenues over expenditures	<u>(322,899)</u>	<u>(417,146)</u>	<u>(2,706,042)</u>
Other financing sources (uses):			
Issuance of refunding bonds			2,445,000
Transfers in	167,132	319	11,550
Transfers out	(49,986)		(566,352)
Total other financing sources (uses):	<u>117,146</u>	<u>319</u>	<u>1,890,198</u>
Changes in fund balances	<u>(205,753)</u>	<u>(416,827)</u>	<u>(815,844)</u>
Fund balances, beginning of year	1,672,555	1,917,911	1,660,686
Fund balances, end of year	<u>\$ 1,466,802</u>	<u>\$ 1,501,084</u>	<u>\$ 844,842</u>

Total Non-Major
Governmental
Funds

\$	219,939
	218,317
	428,758
	364,948
	50,254
	(2,195)
	991
	<u>1,281,012</u>

433,284
144,490
470,833
3,120,492

234,970
323,030
<u>4,727,099</u>

(3,446,087)

2,445,000
179,001
<u>(616,338)</u>
<u>2,007,663</u>

(1,438,424)

5,251,152

\$	<u>3,812,728</u>
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SPECIAL REVENUE FUNDS

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

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 economic development and tourism initiatives.

Regional Transportation Authority – accounts for funding received from the Regional Transportation Authority used to maintain Park n' Ride facilities in town.

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

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

TOWN OF ORO VALLEY, ARIZONA
COMBINING BALANCE SHEET - NON-MAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2011

	<u>State Seizures and Forfeitures</u>	<u>Federal Seizures and Forfeitures</u>	<u>Bed Tax</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 170,957	\$ 466,003	\$ 879,235
Intergovernmental receivable			
Total assets	<u>\$ 170,957</u>	<u>\$ 466,003</u>	<u>\$ 879,235</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ 2,365	\$ 8,497	\$ 38,531
Accrued wages and benefits			
Total liabilities	<u>2,365</u>	<u>8,497</u>	<u>38,531</u>
Fund balances:			
Restricted	168,592	457,506	
Committed			840,704
Total fund balances	<u>168,592</u>	<u>457,506</u>	<u>840,704</u>
Total liabilities and fund balances	<u>\$ 170,957</u>	<u>\$ 466,003</u>	<u>\$ 879,235</u>

<u>Public Transportation</u>	<u>Impound Fee</u>	<u>Totals</u>
\$ 3,321	\$ 1,791	\$ 1,521,307
14,993		14,993
<u>\$ 18,314</u>	<u>\$ 1,791</u>	<u>\$ 1,536,300</u>
\$ 3,842	\$ 59	\$ 53,294
14,472	1,732	16,204
<u>18,314</u>	<u>1,791</u>	<u>69,498</u>
		626,098
		840,704
		<u>1,466,802</u>
<u>\$ 18,314</u>	<u>\$ 1,791</u>	<u>\$ 1,536,300</u>

TOWN OF ORO VALLEY, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2011

	<u>Revegetation Assurances</u>	<u>State Seizures and Forfeitures</u>	<u>Federal Seizures and Forfeitures</u>
Revenues:			
Sales taxes	\$	\$	\$
Intergovernmental			
Fines, forfeitures & penalties		10,595	313,093
Charges for services			
Investment earnings	(11,123)	3,028	2,467
Other			
Total revenues	<u>(11,123)</u>	<u>13,623</u>	<u>315,560</u>
Expenditures:			
Current -			
General government			
Public safety		36,153	108,337
Highway and streets			
Capital Outlay			30,778
Total expenditures		<u>36,153</u>	<u>139,115</u>
Excess (deficiency) of revenues over expenditures	<u>(11,123)</u>	<u>(22,530)</u>	<u>176,445</u>
Other financing sources (uses):			
Transfers in			
Transfers out	(49,986)		
Total other financing sources (uses):	<u>(49,986)</u>		
Changes in fund balances	<u>(61,109)</u>	<u>(22,530)</u>	<u>176,445</u>
Fund balances, beginning of year	61,109	191,122	281,061
Fund balances, end of year	<u>\$</u> <u> </u>	<u>\$</u> <u>168,592</u>	<u>\$</u> <u>457,506</u>

<u>Bed Tax</u>	<u>Regional Transportation Authority</u>	<u>Public Transportation</u>	<u>Impound Fee</u>	<u>Totals</u>
\$ 219,939	\$ 1,256	\$ 102,591	\$	\$ 219,939
			41,260	103,847
		50,254		364,948
2,227		147		50,254
		991		(3,254)
<u>222,166</u>	<u>1,256</u>	<u>153,983</u>	<u>41,260</u>	<u>736,725</u>
371,007	1,256		41,260	413,523
		470,833		144,490
				470,833
<u>371,007</u>	<u>1,256</u>	<u>470,833</u>	<u>41,260</u>	<u>30,778</u>
				<u>1,059,624</u>
<u>(148,841)</u>		<u>(316,850)</u>		<u>(322,899)</u>
		167,132		167,132
		<u>167,132</u>		<u>(49,986)</u>
				<u>117,146</u>
<u>(148,841)</u>		<u>(149,718)</u>		<u>(205,753)</u>
989,545		149,718		1,672,555
<u>\$ 840,704</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 1,466,802</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, 2011

	Revegetation Assurances		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Sales taxes	\$	\$	\$
Intergovernmental			
Fines, forfeitures & penalties			
Charges for services			
Investment earnings		(11,123)	(11,123)
Other			
Total revenues		(11,123)	(11,123)
Expenditures:			
Current -			
General government			
Public safety			
Highway and streets			
Capital outlay			
Total expenditures			
Excess (deficiency) of revenues over expenditures		(11,123)	(11,123)
Other financing sources (uses):			
Transfers in			
Transfers out		(49,986)	(49,986)
Total other financing sources (uses):		(49,986)	(49,986)
Changes in fund balances		(61,109)	(61,109)
Fund balances, beginning of year		61,109	61,109
Fund balances, end of year	\$	\$	\$

State Seizures and Forfeitures			Federal Seizures and Forfeitures		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$	\$	\$	\$	\$	\$
102,800	10,595	(92,205)	253,600	313,093	59,493
	3,028	3,028		2,467	2,467
<u>102,800</u>	<u>13,623</u>	<u>(89,177)</u>	<u>253,600</u>	<u>315,560</u>	<u>61,960</u>
217,473	36,153	181,320	652,234	108,337	543,897
				30,778	(30,778)
<u>217,473</u>	<u>36,153</u>	<u>181,320</u>	<u>652,234</u>	<u>139,115</u>	<u>513,119</u>
<u>(114,673)</u>	<u>(22,530)</u>	<u>92,143</u>	<u>(398,634)</u>	<u>176,445</u>	<u>575,079</u>
<u>(114,673)</u>	<u>(22,530)</u>	<u>92,143</u>	<u>(398,634)</u>	<u>176,445</u>	<u>575,079</u>
114,673	191,122	76,449	398,634	281,061	(117,573)
<u>\$</u>	<u>\$ 168,592</u>	<u>\$ 168,592</u>	<u>\$</u>	<u>\$ 457,506</u>	<u>\$ 457,506</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, 2011

	Bed Tax		Variance - Positive (Negative)
	Budget	Actual	
Revenues:			
Sales taxes	\$ 261,569	\$ 219,939	\$ (41,630)
Intergovernmental			
Fines, forfeitures & penalties			
Charges for services			
Investment earnings		2,227	2,227
Other	9,000		(9,000)
Total revenues	<u>270,569</u>	<u>222,166</u>	<u>(48,403)</u>
Expenditures:			
Current -			
General government	358,869	371,007	(12,138)
Public safety			
Highway and streets			
Capital outlay			
Total expenditures	<u>358,869</u>	<u>371,007</u>	<u>(12,138)</u>
Excess (deficiency) of revenues over expenditures	<u>(88,300)</u>	<u>(148,841)</u>	<u>(60,541)</u>
Other financing sources (uses):			
Transfers in			
Transfers out			
Total other financing sources (uses):			
Changes in fund balances	<u>(88,300)</u>	<u>(148,841)</u>	<u>(60,541)</u>
Fund balances, beginning of year	1,032,649	989,545	(43,104)
Fund balances, end of year	<u>\$ 944,349</u>	<u>\$ 840,704</u>	<u>\$ (103,645)</u>

Regional Transportation Authority			Public Transportation		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$	\$ 1,256	\$ 1,256	\$ 54,845	\$ 102,591	\$ 47,746
				50,254	50,254
				147	147
				991	991
	<u>1,256</u>	<u>1,256</u>	<u>54,845</u>	<u>153,983</u>	<u>99,138</u>
	1,256	(1,256)	456,852	470,833	(13,981)
	<u>1,256</u>	<u>(1,256)</u>	<u>456,852</u>	<u>470,833</u>	<u>(13,981)</u>
			<u>(402,007)</u>	<u>(316,850)</u>	<u>85,157</u>
			400,000	167,132	(232,868)
			<u>(80,000)</u>	<u>167,132</u>	<u>80,000</u>
			<u>320,000</u>	<u>167,132</u>	<u>(152,868)</u>
			<u>(82,007)</u>	<u>(149,718)</u>	<u>(67,711)</u>
			82,007	149,718	67,711
<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

TOWN OF ORO VALLEY, ARIZONA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2011

	Impound Fee		Variance - Positive (Negative)
	Budget	Actual	
Revenues:			
Sales taxes	\$	\$	\$
Intergovernmental			
Fines, forfeitures & penalties	60,000	41,260	(18,740)
Charges for services			
Investment earnings			
Other			
Total revenues	<u>60,000</u>	<u>41,260</u>	<u>(18,740)</u>
Expenditures:			
Current -			
General government	66,124	41,260	24,864
Public safety			
Highway and streets			
Capital outlay			
Total expenditures	<u>66,124</u>	<u>41,260</u>	<u>24,864</u>
Excess (deficiency) of revenues over expenditures	<u>(6,124)</u>		<u>6,124</u>
Other financing sources (uses):			
Transfers in			
Transfers out			
Total other financing sources (uses):			
Changes in fund balances	<u>(6,124)</u>		<u>6,124</u>
Fund balances, beginning of year	6,124		(6,124)
Fund balances, end of year	<u>\$</u>	<u>\$</u>	<u>\$</u>

Totals		
Budget	Actual	Variance - Positive (Negative)
\$ 261,569	\$ 219,939	\$ (41,630)
54,845	103,847	49,002
416,400	364,948	(51,452)
	50,254	50,254
	(3,254)	(3,254)
9,000	991	(8,009)
<u>741,814</u>	<u>736,725</u>	<u>(5,089)</u>
424,993	413,523	11,470
869,707	144,490	725,217
456,852	470,833	(13,981)
	30,778	(30,778)
<u>1,751,552</u>	<u>1,059,624</u>	<u>691,928</u>
<u>(1,009,738)</u>	<u>(322,899)</u>	<u>686,839</u>
400,000	167,132	(232,868)
<u>(80,000)</u>	<u>(49,986)</u>	<u>30,014</u>
<u>320,000</u>	<u>117,146</u>	<u>(202,854)</u>
<u>(689,738)</u>	<u>(205,753)</u>	<u>483,985</u>
1,634,087	1,672,555	38,468
<u>\$ 944,349</u>	<u>\$ 1,466,802</u>	<u>\$ 522,453</u>

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MUNICIPAL DEBT SERVICE FUND

Municipal Debt Service - to account for the payments of debt service on the Municipal Property Corporation Revenue Bonds of 2003 Refunding, 2005 and 2007 Refunding, and Series 2010 Excise Tax Revenue Obligations.

**TOWN OF ORO VALLEY, ARIZONA
 COMBINING BALANCE SHEET - NON-MAJOR DEBT SERVICE FUNDS
 JUNE 30, 2011**

	Municipal Debt Service	Totals
<u>ASSETS</u>		
Cash and cash equivalents	\$ 1,501,084	\$ 1,501,084
Total assets	\$ 1,501,084	\$ 1,501,084
 Fund balances:		
Restricted	1,501,084	1,501,084
Total fund balances	1,501,084	1,501,084
 Total liabilities and fund balances	\$ 1,501,084	\$ 1,501,084

TOWN OF ORO VALLEY, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NON-MAJOR DEBT SERVICE FUNDS
YEAR ENDED JUNE 30, 2011

	Municipal Debt Service	Totals
Revenues:		
Intergovernmental	\$ 81,811	\$ 81,811
Investment earnings	347	347
Total revenues	82,158	82,158
Expenditures:		
Debt service -		
Principal retirement	234,970	234,970
Interest and fiscal charges	264,334	264,334
Total expenditures	499,304	499,304
Excess (deficiency) of revenues over expenditures	(417,146)	(417,146)
Other financing sources (uses):		
Transfers in	319	319
Total other financing sources (uses):	319	319
Changes in fund balances	(416,827)	(416,827)
Fund balances, beginning of year	1,917,911	1,917,911
Fund balances, end of year	\$ 1,501,084	\$ 1,501,084

TOWN OF ORO VALLEY, ARIZONA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
ALL DEBT SERVICE FUNDS
YEAR ENDED JUNE 30, 2011

	Municipal Debt Service		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Special assessments	\$	\$	\$
Intergovernmental		81,811	81,811
Investment earnings	15,605	347	(15,258)
Total revenues	<u>15,605</u>	<u>82,158</u>	<u>66,553</u>
Expenditures:			
Debt service -			
Principal retirement	2,061,607	234,970	1,826,637
Interest and fiscal charges		264,334	(264,334)
Total expenditures	<u>2,061,607</u>	<u>499,304</u>	<u>1,562,303</u>
Excess (deficiency) of revenues over expenditures	<u>(2,046,002)</u>	<u>(417,146)</u>	<u>1,628,856</u>
Other financing sources (uses):			
Transfers in	136,754	319	(136,435)
Total other financing sources (uses):	<u>136,754</u>	<u>319</u>	<u>(136,435)</u>
Changes in fund balances	<u>(1,909,248)</u>	<u>(416,827)</u>	<u>1,492,421</u>
Fund balances, beginning of year	1,909,248	1,917,911	8,663
Fund balances, end of year	<u>\$</u>	<u>\$ 1,501,084</u>	<u>\$ 1,501,084</u>

Oracle Road Debt Service			Totals		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$	\$ 365,811	\$ 365,811	\$	\$ 365,811	\$ 365,811
366,203		(366,203)	381,808	81,811	81,811
<u>366,203</u>	<u>365,811</u>	<u>(392)</u>	<u>381,808</u>	<u>347</u>	<u>(381,461)</u>
378,012	225,000	153,012	2,439,619	459,970	1,979,649
	147,548	(147,548)		411,882	(411,882)
<u>378,012</u>	<u>372,548</u>	<u>5,464</u>	<u>2,439,619</u>	<u>871,852</u>	<u>1,567,767</u>
<u>(11,809)</u>	<u>(6,737)</u>	<u>5,072</u>	<u>(2,057,811)</u>	<u>(423,883)</u>	<u>1,633,928</u>
			136,754	319	(136,435)
			<u>136,754</u>	<u>319</u>	<u>(136,435)</u>
<u>(11,809)</u>	<u>(6,737)</u>	<u>5,072</u>	<u>(1,921,057)</u>	<u>(423,564)</u>	<u>1,497,493</u>
11,809	11,724	(85)	1,921,057	1,929,635	8,578
<u>\$</u>	<u>\$ 4,987</u>	<u>\$ 4,987</u>	<u>\$</u>	<u>\$ 1,506,071</u>	<u>\$ 1,506,071</u>

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CAPITAL PROJECTS FUNDS

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

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

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

Townwide Facilities Projects – accounts for revenues dedicated to constructing solar facilities, improvements to Town parks, and historic properties.

TOWN OF ORO VALLEY, ARIZONA
COMBINING BALANCE SHEET - NON-MAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2011

	<u>Capital Asset Replacement</u>	<u>General Impact Fees</u>	<u>Townwide Facilities Projects</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 31,469	\$ 586,020	\$ 498,794
Total assets	<u>\$ 31,469</u>	<u>\$ 586,020</u>	<u>\$ 498,794</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ 31,469	\$	\$ 239,972
Total liabilities	<u>31,469</u>	<u></u>	<u>239,972</u>
Fund balances:			
Restricted	<u></u>	586,020	258,822
Total fund balances	<u></u>	<u>586,020</u>	<u>258,822</u>
Total liabilities and fund balances	<u>\$ 31,469</u>	<u>\$ 586,020</u>	<u>\$ 498,794</u>

Totals

\$ 1,116,283
\$ 1,116,283

\$ 271,441
271,441

844,842
844,842

\$ 1,116,283
1,116,283

TOWN OF ORO VALLEY, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NON-MAJOR CAPITAL PROJECTS FUNDS
YEAR ENDED JUNE 30, 2011

	Capital Asset Replacement	General Impact Fees	Townwide Facilities Projects
Revenues:			
Impact fees	\$	\$ 218,317	\$
Intergovernmental			243,100
Investment earnings		558	154
Total revenues	(321,583)	218,875	243,254
Expenditures:			
Current -			
General government			19,761
Capital outlay	321,583		2,768,131
Debt service -			
Interest and fiscal charges			58,696
Total expenditures	321,583	218,875	2,846,588
Excess (deficiency) of revenues over expenditures	(321,583)	218,875	(2,603,334)
Other financing sources (uses):			
Issuance of revenue bonds			2,445,000
Transfers in			11,550
Transfers out	(178,056)		(388,296)
Total other financing sources (uses):	(178,056)		2,068,254
Changes in fund balances	(499,639)	218,875	(535,080)
Fund balances, beginning of year	499,639	367,145	793,902
Fund balances, end of year	\$	\$ 586,020	\$ 258,822

Totals

\$	218,317
	243,100
	712
	<u>462,129</u>

19,761
3,089,714

58,696
3,168,171

(2,706,042)

2,445,000
11,550
(566,352)
1,890,198

(815,844)

1,660,686

\$ 844,842

TOWN OF ORO VALLEY, ARIZONA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
ALL CAPITAL PROJECTS FUNDS
YEAR ENDED JUNE 30, 2011

	Capital Asset Replacement		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Impact fees	\$	\$	\$
Intergovernmental			
Unrestricted state shared revenues			
Investment earnings			
Other			
Total revenues			
Expenditures:			
Current -			
General government			
Capital outlay	499,639	321,583	178,056
Debt service -			
Principal retirement			
Interest and fiscal charges			
Total expenditures	499,639	321,583	178,056
Excess (deficiency) of revenues over expenditures	(499,639)	(321,583)	178,056
Other financing sources (uses):			
Issuance of revenue bonds			
Transfers in			
Transfers out		(178,056)	(178,056)
Total other financing sources (uses):		(178,056)	(178,056)
Changes in fund balances	(499,639)	(499,639)	
Fund balances, beginning of year	499,639	499,639	
Fund balances, end of year	\$	\$	\$

Townwide Roadway Development Impact Fees			General Impact Fees		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$	\$ 263,302	\$ 263,302	\$ 375,838	\$ 218,317	\$ (157,521)
9,474,000	4,824,334	(4,649,666)			
384,839		(384,839)			
	3,182	3,182		558	558
33,000	18,000	(15,000)			
<u>9,891,839</u>	<u>5,108,818</u>	<u>(4,783,021)</u>	<u>375,838</u>	<u>218,875</u>	<u>(156,963)</u>
21,957,121	1,884,630	20,072,491	764,466		764,466
	3,000,000	(3,000,000)			
<u>21,957,121</u>	<u>4,884,630</u>	<u>17,072,491</u>	<u>764,466</u>		<u>764,466</u>
<u>(12,065,282)</u>	<u>224,188</u>	<u>12,289,470</u>	<u>(388,628)</u>	<u>218,875</u>	<u>607,503</u>
<u>(12,065,282)</u>	<u>224,188</u>	<u>12,289,470</u>	<u>(388,628)</u>	<u>218,875</u>	<u>607,503</u>
12,065,282	2,272,358	(9,792,924)	388,628	367,145	(21,483)
<u>\$</u>	<u>\$ 2,496,546</u>	<u>\$ 2,496,546</u>	<u>\$</u>	<u>\$ 586,020</u>	<u>\$ 586,020</u>

(Continued)

TOWN OF ORO VALLEY, ARIZONA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
ALL CAPITAL PROJECTS FUNDS
YEAR ENDED JUNE 30, 2011

	Townwide Facilities Projects		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Impact fees	\$	\$	\$
Intergovernmental	525,000	243,100	(281,900)
Unrestricted state shared revenues			
Investment earnings		154	154
Other			
Total revenues	<u>525,000</u>	<u>243,254</u>	<u>(281,746)</u>
Expenditures:			
Current -			
General government		19,761	(19,761)
Capital outlay	3,412,354	2,768,131	644,223
Debt service -			
Principal retirement			
Interest and fiscal charges		58,696	(58,696)
Total expenditures	<u>3,412,354</u>	<u>2,846,588</u>	<u>565,766</u>
Excess (deficiency) of revenues over expenditures	<u>(2,887,354)</u>	<u>(2,603,334)</u>	<u>284,020</u>
Other financing sources (uses):			
Issuance of revenue bonds		2,445,000	2,445,000
Transfers in		11,550	11,550
Transfers out	(467,000)	(388,296)	78,704
Total other financing sources (uses):	<u>(467,000)</u>	<u>2,068,254</u>	<u>2,535,254</u>
Changes in fund balances	<u>(3,354,354)</u>	<u>(535,080)</u>	<u>2,819,274</u>
Fund balances, beginning of year	3,354,354	793,902	(2,560,452)
Fund balances, end of year	<u>\$</u>	<u>\$ 258,822</u>	<u>\$ 258,822</u>

Totals		
Budget	Actual	Variance - Positive (Negative)
\$ 375,838	\$ 481,619	\$ 105,781
9,999,000	5,067,434	(4,931,566)
384,839		(384,839)
	3,894	3,894
33,000	18,000	(15,000)
<u>10,792,677</u>	<u>5,570,947</u>	<u>(5,221,730)</u>
	19,761	(19,761)
26,633,580	4,974,344	21,659,236
	3,000,000	(3,000,000)
	58,696	(58,696)
<u>26,633,580</u>	<u>8,052,801</u>	<u>18,580,779</u>
<u>(15,840,903)</u>	<u>(2,481,854)</u>	<u>13,359,049</u>
	2,445,000	2,445,000
	11,550	11,550
(467,000)	(566,352)	(99,352)
<u>(467,000)</u>	<u>1,890,198</u>	<u>2,357,198</u>
<u>(16,307,903)</u>	<u>(591,656)</u>	<u>15,716,247</u>
16,307,903	3,933,044	(12,374,859)
<u>\$</u>	<u>\$ 3,341,388</u>	<u>\$ 3,341,388</u>

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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 municipalities.

Operating Information

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

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

	Fiscal Year								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
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	\$ 120,515,962	\$ 127,712,057	\$ 132,956,156
Restricted	2,303,550	3,958,033	15,360,660	8,919,398	8,326,731	14,072,781	7,537,331	9,580,610	9,048,505
Unrestricted	13,828,711	19,248,712	15,394,707	15,063,081	23,571,109	26,698,611	26,135,593	15,979,093	10,588,160
Total governmental activities net assets	<u>\$ 37,320,276</u>	<u>\$ 53,753,027</u>	<u>\$ 123,296,590</u>	<u>\$ 131,395,965</u>	<u>\$ 138,542,687</u>	<u>\$ 155,948,736</u>	<u>\$ 154,188,886</u>	<u>\$ 153,271,760</u>	<u>\$ 152,592,821</u>
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	\$ 28,212,750	\$ 31,383,715	\$ 40,005,568
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	24,393,984	24,404,427	20,371,225
Total business-type activities net assets	<u>\$ 17,583,476</u>	<u>\$ 21,686,697</u>	<u>\$ 27,356,632</u>	<u>\$ 32,530,328</u>	<u>\$ 38,786,790</u>	<u>\$ 45,925,971</u>	<u>\$ 52,606,734</u>	<u>\$ 55,788,142</u>	<u>\$ 60,376,793</u>
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	\$ 148,728,712	\$ 159,095,772	\$ 172,961,724
Restricted	5,879,339	7,450,521	17,671,640	11,250,399	8,326,731	14,072,781	7,537,331	9,580,610	9,048,505
Unrestricted	24,091,245	52,356,493	39,893,757	38,021,617	46,823,856	51,350,559	50,529,577	40,383,520	30,959,385
Total primary government net assets	<u>\$ 54,903,752</u>	<u>\$ 75,439,724</u>	<u>\$ 150,653,222</u>	<u>\$ 163,926,293</u>	<u>\$ 177,329,477</u>	<u>\$ 201,874,707</u>	<u>\$ 206,795,620</u>	<u>\$ 209,059,902</u>	<u>\$ 212,969,614</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
 CHANGES IN NET ASSETS
 LAST NINE FISCAL YEARS
 (ACCRUAL BASIS OF ACCOUNTING)
 (UNAUDITED)

	Fiscal Year								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
Expenses									
Governmental activities:									
General government	\$ 5,592,498	\$ 5,971,319	\$ 5,997,864	\$ 7,162,732	\$ 7,529,245	\$ 9,080,766	\$ 9,936,639	\$ 9,950,053	\$ 9,887,523
Public Safety	9,013,391	9,520,219	10,309,453	11,155,542	12,352,671	14,347,250	15,019,980	13,730,593	12,509,201
Highways and streets	2,613,170	2,850,172	4,789,234	5,732,026	7,757,276	7,292,972	9,481,040	9,353,689	8,895,987
Culture and recreation	2,352,445	2,566,173	2,631,306	3,014,341	3,375,314	3,644,973	3,806,555	3,527,949	3,375,281
Interest on long-term debt	564,798	456,107	653,331	805,123	996,336	987,074	954,645	1,767,155	430,570
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>	<u>39,198,859</u>	<u>38,329,439</u>	<u>35,098,562</u>
Business-type activities:									
Water	9,025,235	8,957,988	9,642,592	10,438,869	11,446,958	12,676,275	13,495,124	12,830,137	12,527,851
Stormwater drainage	104,948	45,551	271,469	111,695	74,235	177,673	494,166	486,994	586,006
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>	<u>13,989,290</u>	<u>13,317,131</u>	<u>13,113,857</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>	<u>\$ 53,188,149</u>	<u>\$ 51,646,570</u>	<u>\$ 48,212,419</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	\$ 3,291,983	\$ 3,830,060	\$ 2,835,884	\$ 2,261,815	\$ 2,455,182
Public Safety	-	-	-	-	229,546	69,256	83,279	28,785	33,976
Highways and streets	121,484	170,543	396,602	183,842	122,124	211,088	119,847	137,436	400,977
Culture and recreation	-	-	-	-	121,358	73,149	110,857	119,273	126,290
Operating grants and contributions	3,512,097	3,675,674	4,216,642	4,558,864	4,893,869	5,619,003	5,392,667	4,728,050	4,887,283
Capital grants and contributions	1,520,898	13,437,638	13,834,121	3,994,640	8,321,691	10,264,829	1,781,571	6,514,602	8,980,239
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>	<u>10,324,105</u>	<u>13,789,961</u>	<u>16,883,947</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	16,098,086	15,136,784	15,119,065
Stormwater Utility	75	-	14,710	21,401	125	357,602	746,655	927,238	888,391
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	3,697,229	362,273	1,655,307
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>	<u>20,541,970</u>	<u>16,426,295</u>	<u>17,662,763</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>	<u>\$ 30,866,075</u>	<u>\$ 30,216,256</u>	<u>\$ 34,546,710</u>

	Fiscal Year								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
Net (Expense)/Revenues									
Governmental activities	\$ (11,990,718)	\$ (178,111)	\$ (2,149,774)	\$ (15,119,050)	\$ (15,030,271)	\$ (15,285,650)	\$ (28,874,754)	\$ (24,539,478)	\$ (18,214,615)
Business-type activities	3,404,263	3,754,103	4,986,809	4,137,729	5,162,438	7,874,687	6,552,680	3,109,164	4,548,906
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>	<u>\$ (22,322,074)</u>	<u>\$ (21,430,314)</u>	<u>\$ (13,665,709)</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	\$ 15,376,408	\$ 12,970,865	\$ 11,572,148
Franchise taxes	341,489	371,697	402,482	435,428	478,175	516,652	506,685	509,285	514,814
Impact fees*	885,371	1,189,848	1,547,819	1,098,977	1,038,217	910,741	441,020	584,113	-
Unrestricted state revenue sharing	3,161,005	2,845,866	2,935,615	3,343,471	4,473,305	5,544,763	5,886,132	5,086,953	4,520,935
Unrestricted state sales tax revenue sharing	2,322,772	2,686,614	2,958,376	3,432,007	3,744,864	3,621,016	3,134,789	2,891,386	2,569,666
Unrestricted auto lieu tax revenue sharing	1,307,305	1,374,464	1,395,094	1,541,560	1,726,149	1,738,875	1,655,875	1,484,125	1,318,989
Special assessments	-	-	5,433,301	-	-	-	-	-	-
Investment earnings (loss)	(244,770)	281,518	557,238	991,151	1,471,641	1,590,654	113,995	95,625	39,124
Special item - Loss on sale of fixed assets	(30,525)	-	-	-	-	-	-	-	-
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>	<u>27,114,904</u>	<u>23,622,352</u>	<u>20,535,676</u>
Business-type activities:									
Investment earnings (loss)	(50,977)	285,118	591,932	956,189	1,163,837	864,494	128,083	72,244	39,745
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>	<u>128,083</u>	<u>72,244</u>	<u>39,745</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>	<u>\$ 27,242,987</u>	<u>\$ 23,694,596</u>	<u>\$ 20,575,421</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	\$ (1,759,850)	\$ (917,126)	\$ 2,321,061
Business-type activities	3,353,286	4,103,221	5,669,935	5,173,696	6,256,462	7,139,181	6,680,763	3,181,408	4,588,651
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>	<u>\$ 4,920,913</u>	<u>\$ 2,264,282</u>	<u>\$ 6,909,712</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.

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

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

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Fund										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	1,769,333
Unassigned	-	-	-	-	-	-	-	-	-	9,237,805
Reserved	333,285	354,091	7,172	112	7,267	-	-	-	-	-
Unreserved	10,063,909	8,087,246	9,377,367	11,744,160	14,356,224	18,477,706	16,666,388	15,940,438	11,904,429	-
Total general fund	<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>	<u>\$ 15,940,438</u>	<u>\$ 11,904,429</u>	<u>\$ 11,007,138</u>
All Other Governmental Funds										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-	-	-	-	-	9,128,505
Committed	-	-	-	-	-	-	-	-	-	840,704
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-	-
Reserved	-	5,079	17,912	36,076	80,624	-	-	-	-	-
Unreserved, reported in:	-	-	-	-	-	-	-	-	-	-
Special revenue funds	2,251,914	2,100,204	2,720,472	3,856,925	4,439,573	4,891,095	5,534,192	5,887,082	5,868,523	-
Capital projects funds	15,107,510	5,438,128	10,573,180	10,972,912	4,985,836	4,520,718	15,396,024	9,071,398	3,933,044	-
Debt service funds	793,433	176,514	314,301	403,332	280,055	245,208	263,478	158,816	1,929,635	-
Total all other governmental funds	<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>	<u>\$ 15,117,296</u>	<u>\$ 11,731,202</u>	<u>\$ 9,969,209</u>

Source: Town of Oro Valley Finance Department

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

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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									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Revenues										
Taxes	\$ 6,674,725	\$ 6,217,798	\$ 8,296,552	\$ 9,939,273	\$ 12,891,037	\$ 17,351,805	\$ 17,685,650	\$ 15,883,093	\$ 13,480,150	\$ 12,086,962
Intergovernmental	12,991,454	11,786,746	23,990,005	25,339,848	16,773,215	18,405,713	21,863,875	17,616,213	17,940,749	18,040,619
Fines and forfeitures	316,339	307,570	463,150	326,427	462,246	429,458	391,921	413,720	612,031	560,941
Licenses and permits	1,430,157	1,784,568	2,536,576	2,524,484	2,433,264	2,368,851	2,792,684	1,507,930	1,108,411	1,059,309
Charges for services	549,440	633,406	823,287	880,582	942,676	1,026,921	1,040,694	1,066,376	965,455	926,135
Contributions and donations	-	37,331	30,251	-	97,327	19,171	249,999	1,000	59	15,000
Special assessments	2,412,888	885,371	-	1,547,819	-	189,820	193,023	367,539	368,152	365,811
Impact fees	-	-	1,189,848	1,488,301	1,098,977	1,038,217	910,741	441,020	584,113	481,619
Investment earnings	875,361	(244,770)	281,518	557,238	991,151	1,471,641	1,590,654	113,995	95,625	39,124
Other revenues	150,444	178,376	229,411	458,034	325,428	135,261	555,790	233,123	216,030	297,109
Total revenues	\$ 25,400,808	\$ 21,586,396	\$ 37,840,598	\$ 43,062,006	\$ 36,015,321	\$ 42,436,858	\$ 47,275,031	\$ 37,644,009	\$ 35,370,775	\$ 33,872,629
Expenditures										
General government	6,055,062	6,698,052	5,800,477	5,676,217	9,988,956	7,019,030	8,767,496	9,586,029	9,452,778	9,848,393
Public safety	8,586,634	8,796,643	9,426,215	10,089,128	11,636,915	11,808,799	13,549,170	14,289,423	12,979,291	11,928,567
Highways and streets	3,144,676	8,892,030	17,193,322	21,727,223	13,773,561	3,768,851	4,107,871	3,848,725	3,475,556	3,288,349
Culture and recreation	1,474,667	2,394,212	2,540,949	2,640,777	3,868,249	3,109,228	3,324,066	3,416,305	3,157,369	3,031,520
Capital Outlay	8,094,782	-	-	-	-	10,662,190	13,090,313	11,332,914	3,189,765	7,014,659
Debt Service										
Principal retirement	1,596,456	516,960	541,290	2,559,190	2,856,595	1,077,813	3,403,102	938,900	3,400,877	3,459,970
Interest and fiscal charges	932,124	564,798	426,472	589,725	731,358	921,205	907,658	1,034,061	831,580	470,578
Payment to bond escrow agent	-	-	-	-	-	-	-	-	6,279,112	-
Bond Issuance costs	-	-	93,415	251,327	107,897	28,868	-	-	26,550	-
Total expenditures	29,884,401	27,862,695	36,022,140	43,533,587	42,963,531	38,395,984	47,149,676	44,446,357	42,792,878	39,042,036
Excess of revenues over (under) expenditures	\$ (4,483,593)	\$ (6,276,299)	\$ 1,911,873	\$ (220,254)	\$ (6,840,313)	\$ 4,069,742	\$ 125,355	\$ (6,802,348)	\$ (7,395,553)	\$ (5,169,407)

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Other Financing Sources (Uses)										
Premium on bonds issued	-	-	-	-	-	25,719	-	-	-	-
Proceeds from sale of bonds	-	-	-	-	-	-	-	-	-	-
Proceeds from loan	-	1,716,000	-	-	-	-	-	-	-	-
Issuance of long-term loan payable	-	-	5,000,000	4,030,033	-	-	8,000,000	-	-	-
Issuance of refunding debt	-	-	5,572,700	-	-	1,389,180	-	-	-	-
Payment to bond escrow agent	-	-	(5,478,016)	-	-	(1,540,438)	-	-	-	-
Issuance of long-term debt	-	-	-	-	4,164,050	-	-	-	-	2,445,000
Transfers in	1,155,104	1,328,148	1,182,168	1,105,422	1,248,569	2,927,754	8,447,951	1,950,898	10,012,679	860,143
Transfers out	(1,155,104)	(1,328,148)	(1,246,168)	(1,196,616)	(1,328,347)	(2,857,941)	(6,847,951)	(1,950,898)	(10,012,679)	(795,020)
Total other financing sources (uses)	-	1,716,000	5,030,684	3,938,839	4,084,272	(55,726)	9,600,000	-	-	2,510,123
Net change in fund balances	\$ (4,483,593)	\$ (4,560,299)	\$ 6,942,557	\$ 3,718,585	\$ (2,756,041)	\$ 4,014,016	\$ 9,725,355	\$ (6,802,348)	\$ (7,395,553)	\$ (2,659,284)
Debt service as a percentage of noncapital expenditures	10.56%	4.45%	5.06%	14.09%	13.41%	7.27%	12.51%	5.88%	26.38%	10.86%

Source: Town of Oro Valley Finance Department

TOWN OF ORO VALLEY, ARIZONA
 PRINCIPAL EMPLOYERS
 JUNE 30, 2011
 (UNAUDITED)

<u>Employer</u>	2011			2002		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Town Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Town Employment</u>
Ventana Medical Systems	1300	1	7.61%	350	2	2.55%
Amphitheater Public Schools	673	2	3.94%	175	5	1.27%
Hilton El Conquistador Golf & Tennis Resort	486	3	2.84%	460	1	3.35%
Oro Valley Hospital	470	4	2.75%			
Town of Oro Valley	324	5	1.90%	300	3	2.18%
Fry's Food & Drug Store	260	6	1.52%	137	6	1.00%
Wal-Mart Supercenter	250	7	1.46%			
Target	125	8	0.73%	150	8	1.09%
Kohls	100	9	0.59%			
Sanofi-Aventis	73	10	0.43%			
Home Depot				137	7	1.00%
El Conquistador Country Club				230	4	1.67%
Securplane				110	9	0.80%
Oro Valley Country Club				100	10	0.73%
Total	4,061		23.77%	2,149		15.64%

Source: Principal Employers Arizona Workforce Informer

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

Taxpayer	Business Type	Fiscal Year 2011			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	\$ 1,026,810	1	8.95%	\$ 1,086,800	1	11.66%
Taxpayer B	Utility	839,817	2	7.32%			
Taxpayer C	Retail Trade	763,115	3	6.65%			
Taxpayer D	Construction	540,074	4	4.71%			
Taxpayer E	Retail Trade	404,511	5	3.52%	584,705	3	6.27%
Taxpayer F	Retail Trade	337,952	6	2.94%	532,775	4	5.72%
Taxpayer G	Retail Trade	276,173	7	2.41%	221,823	5	2.38%
Taxpayer H	Retail Trade	250,501	8	2.18%			
Taxpayer I	Construction	240,724	9	2.10%			
Taxpayer J	Utility	212,456	10	1.85%			
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		<u>\$ 4,892,132</u>		<u>42.63%</u>	<u>\$ 3,991,071</u>		<u>42.82%</u>

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									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Construction	\$ 2,779	\$ 1,978	\$ 3,014	\$ 3,594	\$ 5,602	\$ 6,895	\$ 7,038	\$ 5,143	\$ 2,110	\$ 1,707
Manufacturing	6	4	29	137	165	181	280	230	230	266
Transportation, Warehousing, Communications & Utilities	55	101	50	116	91	226	1,279	1,632	1,554	1,534
Wholesale Trade	61	31	46	54	56	58	69	54	75	93
Retail Trade	1,877	2,086	2,722	2,942	3,229	3,665	4,017	4,264	4,544	4,720
Restaurants, Bars & Lodging	1,250	1,354	1,556	1,888	2,392	2,720	2,775	2,333	2,283	2,314
Finance, Insurance & Real Estate	45	62	101	142	155	859	496	324	381	324
Services	258	285	393	379	262	313	312	322	378	417
All Other	42	50	(13)	68	197	167	337	896	627	102
Cable Franchise	302	342	372	402	435	478	517	507	509	515
Total	\$ 6,675	\$ 6,293	\$ 8,270	\$ 9,722	\$ 12,584	\$ 15,562	\$ 17,120	\$ 15,705	\$ 12,691	\$ 11,992
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
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%
2009	2.00%	6.00%	4.00%	2.00%	6.10%
2010	2.00%	6.00%	4.00%	2.00%	7.10%
2011	2.00%	6.00%	4.00%	2.00%	7.10%

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				Total Primary Government	Percentage of Personal Income	Per Capita
	Capital Leases	Certificates of Participation	Loan Payable	Excise Tax Bonds	Special Assessment Bonds	Revenue Bonds	Notes Payable	Capital Leases	Loan Payable			
2002	-	4,340,000	-	11,936,076	-	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
2009	-	-	8,000,000	11,449,146	3,360,000	57,575,854	-	107,046	5,788,122	86,280,168	4.72%	1,975
2010	-	-	5,513,133	4,939,750	3,145,000	52,305,500	-	123,883	6,305,650	72,332,916	3.86%	1,662
2011	-	-	2,513,133	7,149,780	2,920,000	49,803,970	-	35,392	5,473,096	67,895,371	3.73%	1,656

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, 2011
(UNAUDITED)

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Pima County	\$ 455,856,000	7.19%	\$ 32,776,046
Pima County Community College District	15,967,664	7.19%	1,148,075
Amphitheater Unified School District No. 10	95,967,664	18.20%	<u>17,466,115</u>
Total Overlapping			51,390,236
Town of Oro Valley	12,582,913	100.00%	<u>12,582,913</u>
Total Direct			12,582,913
Total direct and overlapping debt			<u><u>\$ 63,973,149</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 2010-11.

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

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Debt Limit	\$ 66,881,032	\$ 76,608,850	\$ 84,941,970	\$ 93,101,081	\$ 108,807,180	\$ 120,435,053	\$ 151,537,994	\$ 178,543,952	\$ 180,420,396	\$ 174,800,436
Total net debt applicable to limit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Legal debt margin	<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>	<u>\$ 180,420,396</u>	<u>\$ 174,800,436</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, 2011
 (UNAUDITED)

Net secondary assessed valuation		\$ 672,309,368
<u>Water, Sewer, Light, Parks, Open Space and Recreational Facility Bonds</u>		
Debt limit - 20% of secondary net assessed valuation		\$ 134,461,874
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		\$ 134,461,874
<u>All other general obligation bonds</u>		
Debt Limit - 6% of secondary net assessed valuation		40,338,562
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		40,338,562
Total legal debt margin		\$ 174,800,436

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	
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
2009	16,223,544	2,011,100	2,784,444	4,795,544	3.38
2010	15,207,113	5,270,354	2,689,427	7,959,781	1.91
2011	15,359,681	2,501,530	2,505,960	5,007,490	3.07

Governmental Revenue Bonds

Fiscal Year	Gross Revenues	Debt Service			Coverage
		Principal	Interest	Total	
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	788,670	642,711	1,431,381	20.40
2008	30,629,130	708,102	501,150	1,209,252	25.33
2009	28,084,482	733,900	486,372	1,220,272	23.01
2010	25,695,598	6,510,516	933,536	7,444,052	3.45
2011	23,921,715	234,970	253,984	488,954	48.92

Certificates of Participation

Fiscal Year	Gross Revenues	Debt Service			Coverage
		Principal	Interest	Total	
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	-	-	-	0.00
2008	30,629,130	-	-	-	0.00
2009	28,084,482	-	-	-	0.00
2010	25,695,598	-	-	-	0.00
2011	23,921,715	-	-	-	0.00

Special Assessment

Fiscal Year	Gross Revenues	Debt Service			Coverage
		Principal	Interest	Total	
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	0.00
2008	365,810	195,000	177,577	372,577	0.98
2009	367,539	205,000	248,429	453,429	0.81
2010	368,152	215,000	152,203	367,203	1.00
2011	365,811	225,000	147,548	372,548	0.98

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
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%
2009	43,694	1,828,222,176	41,841	5.1%
2010	43,521	1,875,613,105	43,097	6.2%
2011	41,011	1,820,460,164	44,390	6.0%

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

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

<u>Function/Program</u>	Full-time Equivalent Employees as of June 30									
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Administration										
Town Clerk	4.60	4.00	4.60	4.60	4.60	4.50	4.50	4.00	4.00	4.00
Town Manager	7.10	8.10	8.50	8.10	6.00	6.00	5.00	4.00	4.00	3.00
Human Resources	5.00	4.00	4.00	4.00	4.00	3.00	3.00	3.00	3.00	2.50
Economic Development	1.00	1.40	1.40	2.25	2.25	2.00	2.00	2.00	2.00	2.00
Finance	7.00	7.00	9.00	9.00	8.00	7.50	7.50	7.50	7.50	7.50
Information Systems	8.00	8.00	7.00	8.00	5.00	4.00	4.00	2.00	2.00	2.00
Legal	8.00	7.00	10.00	10.25	10.25	10.25	6.25	8.00	9.00	9.00
Community Development										
Building Safety	0.00	13.00	16.00	18.00	17.00	16.00	16.00	17.00	17.00	17.00
Community Development Admin.	0.00	0.00	0.00	0.00	0.00	4.00	4.00	4.00	4.00	4.00
Planning & Zoning	0.00	13.00	16.00	16.00	14.00	13.50	13.50	13.50	14.00	14.50
Development & Infrastructure Services										
	73.10	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Parks and Recreation										
	22.70	27.50	27.60	28.10	27.00	20.80	20.80	20.30	20.30	20.30
Cultural Resources										
	1.30	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Library										
	18.40	18.50	18.70	19.40	19.30	19.43	14.00	14.00	14.00	14.00
Police										
Civilians	29.70	30.70	33.00	34.00	34.00	29.00	28.00	29.00	29.00	26.00
Officers	95.00	97.90	102.40	108.00	105.00	96.00	92.00	88.00	74.00	74.00
Magistrate Court										
	9.00	9.00	9.00	8.50	8.50	8.50	8.50	7.50	7.50	7.50
Public Works										
	0.00	47.70	52.90	56.10	53.13	54.00	51.50	28.50	33.00	33.00
Water Utility										
	34.00	35.00	36.30	35.50	35.50	34.00	34.00	33.00	33.00	32.00
Total	323.90	331.80	356.40	369.8	353.53	332.48	314.55	285.30	277.30	272.30

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
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
2009	7,573,960	749,019	1,093,852	9,007	349,994	3,757	265,413	1,389,783	-	11,434,785
2010	8,040,762	902,432	1,152,529	14,240	222,447	720	354,308	1,383,592	-	12,071,030
2011	8,043,658	921,825	1,166,921	13,258	92,257	814	130,704	1,669,045	-	12,038,482

Source: Town of Oro Valley Water Utility Department

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

<u>Function/Program</u>	<u>Fiscal Year</u>									
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Police										
Burglaries	52	69	94	124	97	112	125	125	120	100
Citations (traffic)	5,237	8,195	9,413	8,660	8,203	8,183	7,497	9,256	6,736	5,244
Investigations	6,350	4,719	3,788	4,216	5,106	6,656	6,892	917	732	746
Total Arrests	2,011	2,156	2,184	2,076	2,053	2,236	2,254	2,478	2,176	1,932
Thefts	432	448	572	580	568	575	577	528	567	656
Public Works										
Street resurfacing (miles)	16.4	14.0	8.0	17.3	5.4	7.7	10.5	53.4	14.8	13.9
Parks and Recreation										
Recreation Programs Held Annually	16	21	23	30	38	42	46	46	40	47
Months of Public Pool Operations	10	10	10	10	10	10	10	10	12	12
Parks Maintenance Man-Hours Worked	13,520	13,520	13,520	13,520	13,520	15,600	17,472	16,288	16,120	18,680
Library										
Collection volume	65,000	70,000	75,000	80,000	86,000	90,000	96,000	95,750	100,142	100,652
Water										
New connections	507	470	533	377	508	367	346	196	68	61
Total connections	15,575	16,045	16,578	16,955	17,463	17,830	18,177	18,373	18,441	18,502
Transit										
Total route miles	180,087	167,313	177,283	190,609	165,202	165,202	175,841	163,964	138,752	138,333
Passengers	13,524	12,486	13,991	15,937	14,387	14,858	16,908	17,101	15,573	14,873

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>
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
2009	13.91	2.18	2.95	3.95	5.25	0.55
2010	14.19	2.20	2.99	4.03	5.38	0.75
2011	14.19	2.20	2.99	4.03	5.38	0.75

Source: Town of Oro Valley Water Utility

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

<u>Function/Program</u>	<u>Fiscal Year</u>									
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Substations	2	2	3	3	3	2	2	2	3	3
Patrol units	78	83	93	103	105	105	113	109	108	53
Other fleet	0	0	0	0	0	0	0	0	0	55
Public works										
Streets (miles)	167.5	175.7	182.7	188.0	191.3	201.9	220.1	220.1	214.0	203.8
Streetlights	163	163	171	187	187	193	218	253	272	234
Traffic signals	7	7	8	10	10	15	16	16	18	16
Parks and recreation										
Acreage	87	87	87	87	300	300	300	300	374	374
Playgrounds	2	2	2	2	2	2	2	2	2	2
Baseball/softball diamonds	7	7	7	7	7	7	7	7	7	7
Water										
Wells	25	25	21	22	22	22	19	22	18	22
Storage capacity (MG)	13	14	16	17	17	17.5	18	19	19	20
Booster capacity	24	26	29	28	28	28	27	27	26	25
Transit										
Transit vans	8	8	8	9	9	9	9	9	9	5
Transit mini buses	0	0	0	0	0	0	0	0	0	5

Source: Town of Oro Valley Finance Department