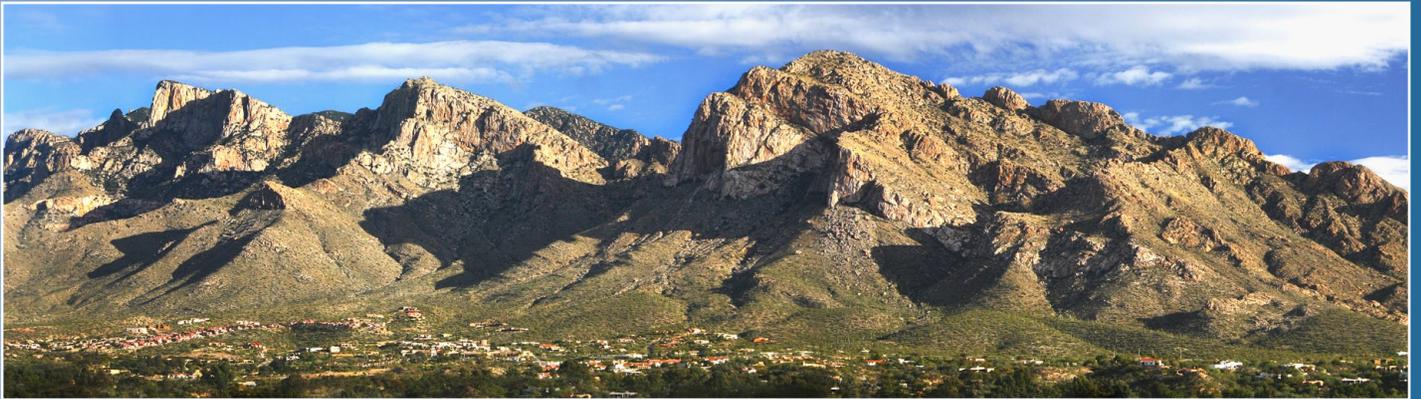




COMPREHENSIVE ANNUAL FINANCIAL REPORT 2008-2009



**TOWN OF ORO VALLEY, ARIZONA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**TOWN OF ORO VALLEY, ARIZONA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Prepared by:

Finance Department

Stacey Lemos, CPA
Finance Director

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**TOWN OF ORO VALLEY, ARIZONA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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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

November 16, 2009

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, 2009.

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 from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The Town's financial statements have been audited by Heinfeld, Meech & Co., P.C., a certified public accounting firm. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Town for the fiscal year ended June 30, 2009, 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, 2009, 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 and has a land area of 34.85 square miles. The Town's current population is estimated at 43,694.

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 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 2006.

The annual operating budget serves as the foundation for the Town's financial planning and control. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual operating budget approved by the Town Council. The Town's proposed operating budget is presented to the Town Council for review throughout the budget cycle starting in January and tentatively approved in June or July. The Town Council is required to hold a public hearing on the proposed budget and to adopt the final budget by no later than the second Monday in August. The Town Manager, subject to Town Council approval, may at any time transfer various unencumbered appropriation balances or portions thereof between a department or activity. The adopted budget cannot be amended in any way without Town Council approval.

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

MAJOR INITIATIVES AND ACCOMPLISHMENTS FOR THE YEAR

During fiscal year 2008-09, the Town continued to invest in programs and amenities that keep Oro Valley the Community of Excellence it strives to be. During this time, the Mayor and Town Council adopted a strategic plan which identified the following focus areas:

- Financial & Economic Sustainability
- Quality of Life
- Community Infrastructure
- Leadership and Communication

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

Town Council

- Held a general obligation bond election for the development of Naranja Town Site park
- Adopted the Arroyo Grande State Land Annexation General Plan Amendment
- Began working to draft a pre-annexation development agreement for the area known as Arroyo Grande, a proposed State Land annexation of 14 square miles north of Oro Valley's boundaries
- Developed a long-term financial sustainability plan

Town Clerk

- All regular Council meetings are video streamed and all other public meetings are now audio streamed using Granicus system

Town Manager

- Initiated "Council on your Corner" meetings with Council Members to increase public outreach
- Formalized a state and federal legislative intergovernmental affairs program

Police

- Adopt-A-Business program became operational in August of 2008. 36 patrol officers have adopted 124 businesses within the Oro Valley community as of January 1, 2009
- Citizen Volunteer Assistance Program members contributed 15,173 volunteer hours
- Bicycle Officer program was reinstated in an effort to 'go green' and assist in effectively patrolling parks, businesses, schools, and neighborhoods
- Digital Imaging Management System (DIMS) was implemented through capital improvement projects and allows digital storage and sharing of photos and vital case information

Planning and Zoning

- Steam Pump Ranch Awarded "Best Historic Planning Landmark" by Arizona Planning Association
- Assisted Ventana Medical Systems with expansion plans
- Started Environmentally Sensitive Lands (ESL) project
- Established Green Team and developed Sustainability Plan

Parks and Recreation

- Converted from bromine to chlorine system at Oro Valley Municipal Pool resulting in significant savings
- Added 3.7 miles of shared use paths (CDO Linear Park and La Canada Dr.) and 1 mile of paved shoulders (La Canada Dr.) to Town inventory
- Implemented a Recycling Program at all Town parks
- Installed new irrigation system at James D. Kriegh Park which reduced irrigation use by 40% compared to old system

Public Works

- Crack sealed 115 lane miles of paved streets
- Worked with the Regional Transportation Authority to launch two new commuter express bus services in February of 2009
- Secured Federal Stimulus funding for roadway projects within the Town
- Town's first Park and Ride facility opened to public on March 2, 2009
- Received FEMA approval of \$1.8 million wash mitigation/roadway crossing project

Water Utility

- The Utility took 1,421 water quality samples with all results meeting federal, state, and local water quality regulations
- Increased customer base in calendar year 2008 by 295 new connections for a total of 18,330 connections in 12/31/08
- Phase 2 of the reclaimed water delivery system was completed in October 2008
- Total reclaimed water deliveries in 2008 were 574,769,000 gallons
- Utility performed 145 residential water use audits in calendar year 2008

ECONOMIC CONDITIONS AND OUTLOOK

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

Local Economy. The local economic outlook for the Town of Oro Valley saw a marked slowdown in residential and commercial construction activity during fiscal year 2008-09 as a result of the economic recession felt both nationwide and globally. The Town currently does not have a property tax in place, therefore the Town's budget is very dependent on sales taxes and state shared revenues to fund ongoing programs and services. Sales tax collections from construction, retail trade, restaurants and bars and hotel/motel lodging are the major industries which accounted for 83% of all sales tax receipts for fiscal year 2008-09. As the Town nears build-out within its incorporated boundaries and transitions from "growth" mode to "maintenance" mode over the next five to ten years, efforts continue to be made to diversify our revenues, explore the feasibility of additional revenue sources and cost control efforts.

Construction sales tax collections for fiscal year 2008-09 decreased by \$1.6 million, or 21%, as compared to fiscal year 2007-08. Demonstrating the decline in residential development, single family residential building permits issued during fiscal year 2008-09 totaled 120, down from 285 permits issued in fiscal year 2007-08.

Sales tax collections from retail trade totaled \$4,264,554 for this fiscal year. This is an increase of \$247,798, or 6%, over last fiscal year. A major retail center, Oro Valley Marketplace, opened mid-year during fiscal year 2008-09 with over a million square feet of retail and restaurant space. It includes a Wal-Mart Supercenter, a 12-screen movie theater complex, a Best Buy electronics store, and a selection of many other smaller shops and restaurants. With its opening, the Town realized a significant drop in one-time construction-related revenues, which was somewhat offset by the gain in new retail sales tax dollars.

In order to broaden the diversity of the Town's revenue base, the Town Council renewed its 2% transaction privilege tax on gas, water and electric utilities during fiscal year 2008-09. This tax was originally enacted in fiscal year 2006-07 with a 2-year sunset clause. Given the economic recessionary conditions and the significant shortfall in revenues the Town expects over the next 2 to 3 years from local and state-shared sources, the utility tax was renewed indefinitely to help bolster the Town's available funding resources. The utility tax generated approximately \$1.4 million during fiscal year 2008-09.

The Town of Oro Valley also saw further expansion of its flourishing biotechnology sector during fiscal year 2008-09 with the leading global pharmaceutical company, Sanofi-aventis, completing its \$60 million research and development facility in Town. The new 110,350 square foot research and development facility has the capacity to almost double its current workforce over the next few years. Another leading biotech firm in Oro Valley, Ventana Medical Systems, owned by the Swiss pharmaceutical company, Roche, continues to move forward on a major expansion of its tissue diagnostics business expected to take place over the next five to ten years.

Finally, the Town continues to hold as a priority the potential annexation of 14 square miles of undeveloped land north of the Town that is owned by the Arizona State Land Department. Proposed land use designations target the development in this area to consist of just less than 16,000 dwelling units, along with commercial, resort and employment center development. The continued growth in the retail, service, tourism and biotechnology sectors in Oro Valley provide further evidence of the Town's growing, diversified economy where local residents can live, work and shop within the Town boundaries.

Long-term financial planning. On an annual basis, the Town performs a comprehensive update to its long-term Financial Sustainability Plan. Given the current unpredictable nature of the local, state and national economies, this plan was revised from a 10-year projection to a 5-year projection of the costs of existing Town service levels, expected revenue shortfalls and/or surpluses, and recommended service level changes or additional revenue solutions to meet the Town's needs over the long term. The scope of this analysis focuses primarily on the tax-based funds of the budget: the General Fund, Highway User Revenue Fund, Bed Tax Fund, and the Public Transportation Fund. Over the next three to four fiscal years, the Town is expecting its most significant revenue decline from its state-shared revenue sources, which include income taxes, sales taxes and vehicle license taxes. This revenue category made up roughly 38% of the Town's General Fund revenues during fiscal year 2008-09. This revenue category is expected to decline by approximately 9% for fiscal year 2009-10, another 15% for fiscal year 2010-11, and another 6% for fiscal year 2011-12 before beginning to recover in fiscal year 2012-13. Proposed measures to mitigate the impacts of these significant revenue shortfalls include increased use of the Town's 6% bed tax funds previously targeted for parks and recreation operations and

maintenance and economic development marketing efforts; and an increased focus on the need to reevaluate program service levels and identify core essential services versus non-core essential services. Also, during fiscal year 2008-09, the Town implemented a hiring freeze, which resulted in 8.96 full-time equivalent positions remaining unfilled through year-end. In addition, several capital infrastructure and Town facility projects were placed on hold due to the failure of the November 2008 bond election to request authorization to issue \$48.6 million in bonds to construct multi-purpose recreation facilities at the Naranja Town Site. The Town had also budgeted for the capacity to construct a new municipal operations center estimated at \$33 million to accommodate Police, Public Works and Water Utility operations in fiscal year 2008-09. This facility expansion was placed on hold by the Town Council due to budgetary concerns.

Meanwhile, the Town continues to maintain healthy cash reserves in its major operating funds, with the General Fund's ending fund balance of \$15.9 million equaling 53% of that fund's adopted expenditure budget of \$29.9 million (excluding the contingency reserve budget).

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

Cash Management. The Town uses a system of consolidated cash management. Cash from all funds is pooled in a central disbursement fund. Cash to be used for payment of current expenditures is maintained in a checking account; the balance of cash is maintained on deposit with the Arizona State Treasurer's Local Government Investment Pool. Cash in the Local Government Investment Pool (LGIP) is available upon 24 hours notice. The LGIP invests in U.S. Treasury Notes, U.S. Treasury Bills and federally guaranteed insurance contracts. The average interest rate for the fiscal year 2007-08 was 4.096% and 1.201% in fiscal year 2008-09. Investments held in the LGIP earned \$725,059 in interest revenue for the year ended June 30, 2009. The account at LGIP for the construction of the reclaimed water system improvement project and potable water system improvements and expansion earned \$18,325 in interest revenue. There was an investment loss on September 14, 2008 for \$682,338 due to LGIP investments with Lehman Brothers.

Trust accounts are held with Wells Fargo Bank for annual debt service payments. Funds on deposit in the trust accounts are invested solely in obligations that are issued or guaranteed by the U.S. Treasury, such as U.S. Treasury bills, bonds and notes ("U.S. Treasury Securities"). Interest on investments held with the trustee earned \$21,847 for fiscal year 2008-09.

A debt service reserve fund was established in 2005 for the construction of the Municipal Operations Center land and building construction. These funds are maintained in trust accounts with the Bank of New York Trust Co. N.A. Funds on deposit in the trust accounts are invested solely in obligations that are issued or guaranteed by the U.S. Treasury, such as U.S. Treasury bills, bonds and notes ("U.S. Treasury Securities"). Interest on investments held with the trustee earned \$9,511 for fiscal year 2008-09.

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

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

The Town of Oro Valley is self-insured for unemployment compensation. Unemployment reserves totaled \$228,593 as of June 30, 2009 for the Town's 416 full-time, part-time and seasonal employees. The Town did not make an unemployment contribution in fiscal year 2008-09.

AWARDS AND ACKNOWLEDGMENTS

Awards. 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, 2008. This was the fifteenth 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,

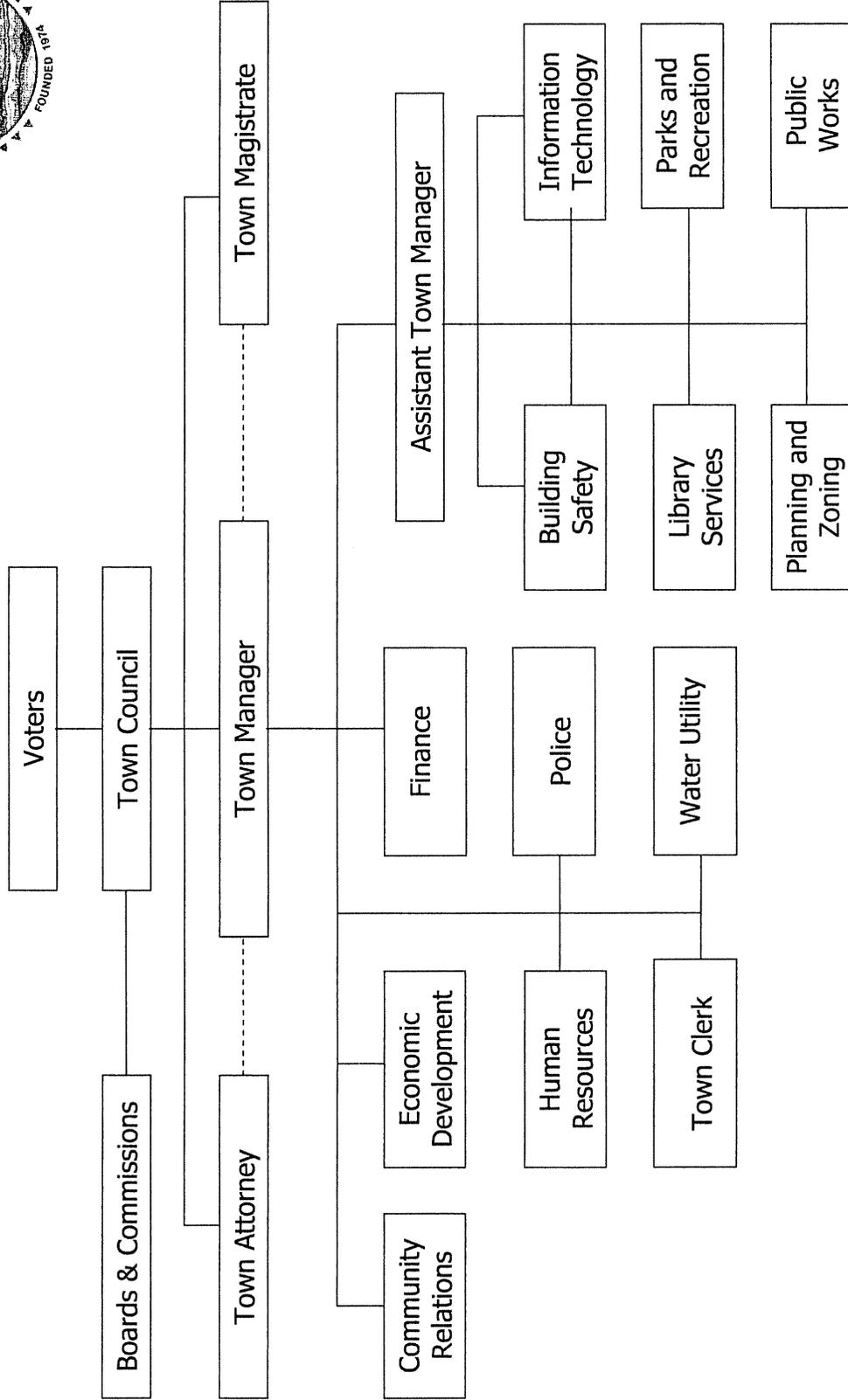


Jerene Watson
Interim Town Manager



Stacey Lemos, CPA
Finance Director

Town of Oro Valley Organization Chart FY 2008 - 2009



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

ELECTED OFFICIALS

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

DEPARTMENT HEADS

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

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Town of Oro Valley
Arizona

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2008

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.



A handwritten signature in black ink, appearing to read "M. L. Post".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

Executive Director

FINANCIAL SECTION

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

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

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Oro Valley, Arizona (Town), as of and for the year ended June 30, 2009, 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, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2009 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Town's basic financial statements. The accompanying supplementary information such as the introductory section, combining and individual fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Heinfeld, Meech & Co., P.C.

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

November 16, 2009

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, 2009**

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, 2009. 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 2008-09 as follows.

- The Town's total net assets of governmental activities decreased \$1.8 million to \$154.2 million and business-type activities increased \$6.7 million to \$52.6 million representing 75 percent and 25 percent respectively, of the total net assets of \$206.8 million.
- General revenues from governmental activities accounted for \$27.1 million in revenue, or 72 percent of all revenues from governmental activities. Program specific revenues in the form of charges for services and grants and contributions accounted for \$10.3 million or 28 percent of total governmental activities revenues. The Town had \$20.5 million of program revenues and \$128,083 in general revenues related to business-type activities.
- The Town had \$39.2 million in expenses related to governmental activities, an increase of 11 percent from the prior fiscal year. The Town had \$14.0 million in expenses related to business-type activities an increase of 9 percent from the prior fiscal year.
- Among major funds, the General Fund had \$28.1 million in revenues, which primarily consisted of sales taxes and intergovernmental revenues. The total expenditures of the General Fund were \$27.1 million. The General Fund's fund balance decreased from \$16.7 million to \$15.9 million, due primarily to sales tax and commercial and residential building permit revenues not meeting budget.
- The Highway User Revenue Fund, had \$5.0 million in revenues, which primarily consisted of sales taxes and intergovernmental revenues. The total expenditures of the Highway User Revenue Fund were \$4.6 million.
- The Townwide Roadway Development Impact Fee Fund had \$1.8 million in revenues, which primarily consisted of intergovernmental revenues. The total expenditures of the Townwide Roadway Development Impact Fee Fund were \$8.1 million. The Townwide Roadway Development Impact Fee Fund's fund balance decreased from \$8.6 million to \$2.3 million, due primarily to the completion of the La Canada Drive widening and several street improvement projects.
- The Water Fund operating revenues of \$13.7 million exceeded operating expenses of \$10.7 million. The change in net assets of \$6.4 million was due to operating income of \$3.0 million and capital contributions from line extension agreements of \$3.7 million.

**TOWN OF ORO VALLEY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2009**

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, 2009**

OVERVIEW OF FINANCIAL STATEMENTS (Concl'd)

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Town's near-term financing decision. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General, Highway User Revenue, Oracle Road Debt Service, Townwide Roadway Development Impact Fees, and the Municipal Building Funds, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements and schedules.

Proprietary funds. The Town of Oro Valley maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Oro Valley uses enterprise funds to account for its Oro Valley Water Utility and Stormwater Utility.

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

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Town's budget process. The Town adopts an annual expenditure budget for all governmental funds. A schedule of revenues, expenditures and changes in fund balances – budget and actual has been provided for the General Fund and major Special Revenue Fund as required supplementary information.

**TOWN OF ORO VALLEY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2009**

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 \$206.8 million as of June 30, 2009.

The largest portion of the Town's net assets (72 percent) reflects its investment in capital assets (e.g., land, buildings and improvements, improvements other than buildings, infrastructure, vehicles, machinery and equipment and construction in progress), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The Town's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

The following table presents a summary of the Town's net assets for the fiscal years ended June 30, 2009 and June 30, 2008.

	2009	2008	2009	2008		
	Governmental	Governmental	Business-type	Business-type	2009 Total	2008 Total
	Activities	Activities	Activities	Activities		
Current and other assets	\$ 39,513,022	\$ 46,391,734	\$ 28,435,788	\$ 29,530,278	\$ 67,948,810	\$ 75,922,012
Capital assets, net	143,325,108	138,925,390	91,683,772	86,592,743	235,008,880	225,518,133
Total assets, net	<u>182,838,130</u>	<u>185,317,124</u>	<u>120,119,560</u>	<u>116,123,021</u>	<u>302,957,690</u>	<u>301,440,145</u>
Current and other liabilities	6,291,123	6,241,535	6,011,823	6,430,049	12,302,946	12,671,584
Long-term liabilities	22,358,121	23,126,853	61,501,003	63,767,001	83,859,124	86,893,854
Total liabilities	<u>28,649,244</u>	<u>29,368,388</u>	<u>67,512,826</u>	<u>70,197,050</u>	<u>96,162,070</u>	<u>99,565,438</u>
Invested in capital assets, net of related debt	120,515,962	115,177,344	28,212,750	21,274,023	148,728,712	136,451,367
Restricted	7,537,331	14,072,781			7,537,331	14,072,781
Unrestricted	26,135,593	26,698,611	24,393,984	24,651,948	50,529,577	51,350,559
Total net assets	<u>\$ 154,188,886</u>	<u>\$155,948,736</u>	<u>\$ 52,606,734</u>	<u>\$ 45,925,971</u>	<u>\$ 206,795,620</u>	<u>\$ 201,874,707</u>

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 potable water system and expansion of the reclaimed water system.
- The addition of \$10.9 million in governmental activities capital assets, including \$1.3 million for vehicles and equipment, and \$12.5 million for infrastructure. Additions to infrastructure assets consisted of La Canada Widening (\$6.8 million), CDO Linear Shared Use Path (\$2.4 million) and a Park and Ride Facility (\$795,000) along with several subdivision improvements.

**TOWN OF ORO VALLEY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2009**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Cont'd)

Changes in net assets. The Town's total revenues for the fiscal year ended June 30, 2009, were \$58.1 million. The total cost of all programs and services was \$53.2 million. The following table presents a summary of the changes in net assets for the fiscal years ended June 30, 2009 and June 30, 2008.

	2009 Governmental Activities	2008 Governmental Activities	2009 Business-type Activities	2008 Business-type Activities	2009 Total	2008 Total
Revenues:						
Program revenues:						
Charges for services	\$ 3,149,867	\$ 4,183,553	\$ 16,844,741	\$ 17,161,552	\$ 19,994,608	\$21,345,105
Operating grants and contributions	5,392,667	5,619,003			5,392,667	5,619,003
Capital grants and contributions	1,781,571	10,264,829	3,697,229	3,567,083	5,478,800	13,831,912
General revenues:						
Sales taxes	15,376,408	17,168,998			15,376,408	17,168,998
Franchise taxes	506,685	516,652			506,685	516,652
Impact fees	441,020	910,741			441,020	910,741
Unrestricted state shared revenues	10,676,796	10,904,654			10,676,796	10,904,654
Investment earnings	113,995	1,590,654	128,083	864,494	242,078	2,455,148
Total revenues	<u>37,439,009</u>	<u>51,159,084</u>	<u>20,670,053</u>	<u>21,593,129</u>	<u>58,109,062</u>	<u>72,752,213</u>
Expenses:						
General government	9,936,639	9,080,766			9,936,639	9,080,766
Public safety	15,019,980	14,347,250			15,019,980	14,347,250
Highways and streets	9,481,040	7,292,972			9,481,040	7,292,972
Culture and recreation	3,806,555	3,644,973			3,806,555	3,644,973
Interest on long-term debt	954,645	987,074			954,645	987,074
Water			13,495,124	12,676,275	13,495,124	12,676,275
Stormwater drainage			494,166	177,673	494,166	177,673
Total expenses	<u>39,198,859</u>	<u>35,353,035</u>	<u>13,989,290</u>	<u>12,853,948</u>	<u>53,188,149</u>	<u>48,206,983</u>
Change in net assets before transfers	<u>(1,759,850)</u>	<u>15,806,049</u>	<u>6,680,763</u>	<u>8,739,181</u>	<u>4,920,913</u>	<u>24,545,230</u>
Transfers		1,600,000		(1,600,000)		
Increase (decrease) in net assets	<u>\$ (1,759,850)</u>	<u>\$ 17,406,049</u>	<u>\$ 6,680,763</u>	<u>\$ 7,139,181</u>	<u>\$ 4,920,913</u>	<u>\$24,545,230</u>

Total revenues decreased \$14.6 million, or 20 percent, primarily due to a reduction in collections in local sales taxes, building permit fees, capital grants and investment earnings. A decrease of \$1.8 million in sales tax was largely due to a decline in construction sales tax collections. Commercial and residential building permit fee collections decreased by \$1.3 million compared to last fiscal year. A decrease in capital grants of \$8.4 million was due to HELP loan funds received in fiscal year 2007-08 for the La Canada Drive widening project. Interest investments decreased by \$2.2 million due to significantly lower interest rates paid on investments at the Local Government Investment Pool (LGIP).

Expenses increased \$5.0 million primarily due to increased salary and benefit costs, operational costs and an increase in depreciation expense due to the completion of several major roadway projects.

**TOWN OF ORO VALLEY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2009**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Concl'd)

Governmental and Business-type activities. The following table presents the cost of the 7 major Town functional activities. The table also shows each function's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the State and Town's taxpayers by each of these functions.

	2009		2008	
	Total Expenses	Net (Expense)/ Revenue	Total Expenses	Net (Expense)/ Revenue
Governmental Activities				
General government	\$ 9,936,639	\$ (6,900,795)	\$ 9,080,766	\$ (251,600)
Public safety	15,019,980	(14,442,958)	14,347,250	(12,843,190)
Highways and streets	9,481,040	(3,536,920)	7,292,972	1,969,833
Culture and recreation	3,806,555	(3,039,436)	3,644,973	(3,173,619)
Interest on long-term debt	954,645	(954,645)	987,074	(987,074)
Total	\$39,198,859	\$(28,874,754)	\$ 35,353,035	\$(15,285,650)
Business-type Activities				
Water	\$13,495,124	\$ 6,300,191	\$ 12,676,275	\$ 6,973,578
Stormwater drainage	494,166	252,489	177,673	901,109
Total	\$13,989,290	\$ 6,552,680	\$ 12,853,948	\$ 7,874,687

- The cost of all governmental activities this year was \$39.2 million. The increase of \$3.8 million from the prior year was due primarily to personnel and operating and maintenance costs.
- The cost of all business-type activities this year was \$14.0 million. The increase of \$1.1 million from the prior year was primarily due to personnel and operating and maintenance costs.
- Federal and State governments, developer contributions, and charges for services subsidized certain governmental programs and business-type programs with revenues of \$30.9 million.
- Net cost of governmental activities of \$28.9 million was financed by general revenues, which are made up of primarily sales taxes and state shared revenues of \$26.1 million.

**TOWN OF ORO VALLEY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2009**

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

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

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

The financial performance of the Town as a whole is reflected in its governmental funds. As the Town completed the year, its governmental funds reported a combined fund balance of \$31.1 million, a decrease of \$6.8 million due to operational costs and the completion of several roadway projects.

The General Fund is the principal operating fund of the Town. The decrease in fund balance of \$725,950 in the General Fund for the fiscal year to \$15.9 million, was due primarily to revenues from sales taxes and building permit fees not meeting budget.

The fund balance of the Highway User Revenue Fund showed an increase of \$210,533 primarily due to cost savings in operational costs.

The Townwide Roadway Fund showed a decrease of \$6.3 million due primarily to the completion of La Canada Road widening and several street improvement projects.

Proprietary funds. Net assets of the Enterprise Funds at the end of the year amounted to \$52.6 million. The increase of \$6.7 million from fiscal year 2007-08 was primarily due to operating income of \$3.2 million and \$3.7 million in capital contributions from line extension agreements.

**TOWN OF ORO VALLEY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2009**

BUDGETARY HIGHLIGHTS

There were no amendments to the Town of Oro Valley's fiscal year 2008-09 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 \$2.5 million in revenues was a result of a decline in construction sales taxes, residential and commercial building permit fees and interest on investments.
- The favorable variance of \$15.7 million (includes unutilized contingency reserves of \$13.0 million) in expenditures was a result of a hiring freeze and operational cost savings in all departments.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2009, the Town had invested \$304.1 million in capital assets, including buildings, facilities, vehicles, computers, equipment, and infrastructure assets. This amount represents a net increase prior to depreciation of \$18.1 million from last year, primarily due to the completion of several roadway projects, reclaimed water system projects, and expansion of the potable water and stormwater systems. Total depreciation expense for the year was \$9.0 million. Total depreciation expense for the year was \$9.0 million.

The following schedule presents capital asset balances for the fiscal years ended June 30, 2009 and June 30, 2008.

<u>Governmental Activities</u>	As of June 30, 2009	As of June 30, 2008
Land	\$ 18,878,468	\$ 18,038,076
Infrastructure	139,428,821	126,949,031
Buildings and improvements	19,871,218	19,832,560
Vehicles, machinery and equipment	8,954,814	8,036,706
Construction in progress	3,569,261	7,359,025
Less: Accumulated depreciation	(47,377,474)	(41,290,008)
Total	<u>\$ 143,325,108</u>	<u>\$138,925,390</u>

**TOWN OF ORO VALLEY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2009**

CAPITAL ASSETS AND DEBT ADMINISTRATION (Concl'd)

<u>Business-type Activities</u>	As of June 30, 2009	As of June 30, 2008
Land	\$ 2,410,660	\$ 2,410,660
Water rights	8,534,490	8,534,490
Water system	97,496,342	84,555,171
Stormwater system	1,028,602	1,028,602
Equipment and vehicles	3,264,268	2,766,095
Construction in progress	613,499	6,423,996
Less: Accumulated depreciation	<u>(21,664,089)</u>	<u>(19,126,269)</u>
Total	<u>\$ 91,683,772</u>	<u>\$ 86,592,745</u>

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

Debt Administration. At year-end, the Town had \$86.3 million in long-term debt outstanding, \$4.0 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, 2009 and June 30, 2008.

	<u>Governmental Activities</u>	
	2009	2008
Revenue bonds	\$ 11,449,146	\$ 12,183,046
Special assessment bonds	3,360,000	3,565,000
Loan payable	8,000,000	8,000,000
Total	<u>\$ 22,809,146</u>	<u>\$ 23,748,046</u>

	<u>Business-type Activities</u>	
	2009	2008
Revenue bonds	\$ 57,575,854	\$ 59,586,954
Loan payable	5,788,122	5,731,766
Capital leases	107,046	
	<u>\$ 63,471,022</u>	<u>\$ 65,318,720</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 \$138.8 million.

The Town of Oro Valley has a bond rating of "AA-" rating from Standard & Poor's and an "A+" rating from Fitch 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, 2009**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- The unemployment rate for the Town of Oro Valley is currently 5.1%. Pima County's and the State of Arizona's unemployment rates are 8.1% and 9.2%, respectively.
- The Town's secondary assessed valuation for the current year is \$693,924,598, an increase of 1% over last fiscal year.
- Single family residential (SFR) building permits issued in this fiscal year totaled 120, which is down from 285 SFR building permits issued last year. Projections for SFR building permits are 60 for fiscal year 2009-10 which is reflective of the slowdown in the housing industry.
- In October 2008, the Oro Valley Marketplace was opened and includes a Wal-Mart Supercenter, Best Buy, a multi-screen movie theater complex, and several other restaurants and retail tenants.

The adopted combined operating and capital expenditure budget for fiscal year 2009-10 totals \$121.5 million, a decrease of 40% over last year's budget of \$203.1 million. This decrease is attributed to the current economic recession which caused a decline in major revenue sources such as local sales taxes, state shared revenues and residential and commercial building permit fees. Another major area of budget reduction occurred in the Town's capital expenditure budget. This portion of the adopted budget declined by \$83.3 million, from \$107.7 million in fiscal year 2008-09 to \$24.4 million in fiscal year 2009-10. This was mainly due to the failure at the November 2008 election of the \$48.6 million bond package to build the Naranja Town Site park facilities. In addition, the Town Council voted to place on hold the construction of a \$33 million Municipal Operations Center to house Police, Public Works and Water Utility operations due to the recessionary economy.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

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

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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TOWN OF ORO VALLEY, ARIZONA
STATEMENT OF NET ASSETS
JUNE 30, 2009

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Current assets:			
Cash and cash equivalents	\$ 32,414,545	\$ 23,499,360	\$ 55,913,905
Taxes receivable	1,029,373		1,029,373
Accounts receivable	360,117	1,906,531	2,266,648
Intergovernmental receivable	1,404,065		1,404,065
Special assessments	3,360,000		3,360,000
Interest receivable	41,385	25,971	67,356
Prepaid items	2,682		2,682
Total current assets	38,612,167	25,431,862	64,044,029
Noncurrent assets:			
Deferred bond charges	900,855	3,003,926	3,904,781
Capital assets, non-depreciable	22,447,729	11,558,649	34,006,378
Capital assets, depreciable (net)	120,877,379	80,125,123	201,002,502
Total noncurrent assets	144,225,963	94,687,698	238,913,661
Total assets	182,838,130	120,119,560	302,957,690
<u>LIABILITIES</u>			
Current liabilities:			
Accounts payable	1,759,491	444,501	2,203,992
Accrued wages and benefits	1,022,426	100,489	1,122,915
Intergovernmental payable	715,811	767,417	1,483,228
Interest payable	255,760	1,383,680	1,639,440
Unearned revenue	209,319		209,319
Customer deposits payable	231,626	131,039	362,665
Compensated absences	1,182,680	105,678	1,288,358
Capital leases payable		52,252	52,252
Loans payable		540,777	540,777
Special assessment bonds	215,000		215,000
Revenue bonds	699,010	2,485,990	3,185,000
Total current liabilities	6,291,123	6,011,823	12,302,946
Noncurrent liabilities:			
Compensated absences	344,192	55,742	399,934
Capital leases payable		54,794	54,794
Loans payable	8,000,000	5,247,345	13,247,345
Special assessment bonds	3,145,000		3,145,000
Deferred bond premium	118,793	1,053,258	1,172,051
Revenue bonds	10,750,136	55,089,864	65,840,000
Total non-current liabilities	22,358,121	61,501,003	83,859,124
Total liabilities	28,649,244	67,512,826	96,162,070
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	120,515,962	28,212,750	148,728,712
Restricted for:			
Public safety	242,499		242,499
Highways and streets	4,305,417		4,305,417
Capital outlay	2,764,919		2,764,919
Debt service	158,816		158,816
Other	65,680		65,680
Unrestricted	26,135,593	24,393,984	50,529,577
Total net assets	\$ 154,188,886	\$ 52,606,734	\$ 206,795,620

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

**TOWN OF ORO VALLEY, ARIZONA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2009**

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	\$ 9,936,639	\$ 2,835,884	\$ 104,248	\$ 95,712	\$ (6,900,795)
Public safety	15,019,980	83,279	493,743		(14,442,958)
Highway and streets	9,481,040	119,847	4,138,414	1,685,859	(3,536,920)
Culture and recreation	3,806,555	110,857	656,262		(3,039,436)
Interest on long-term debt	954,645				(954,645)
Total governmental activities	39,198,859	3,149,867	5,392,667	1,781,571	(28,874,754)
Business-type activities:					
Water	13,495,124	16,098,086		3,697,229	
Stormwater drainage	494,166	746,655			
Total business-type activities	13,989,290	16,844,741		3,697,229	
Total primary government	\$ 53,188,149	\$ 19,994,608	\$ 5,392,667	\$ 5,478,800	(28,874,754)
General revenues:					
Taxes:					
Sales taxes					
					15,376,408
Franchise taxes					
					506,685
Impact fees					
					441,020
Unrestricted state shared revenues					
					10,676,796
Investment earnings					
					113,995
					27,114,904
Changes in net assets					
					(1,759,850)
Net assets, beginning of year					
					155,948,736
Net assets, end of year					
					\$154,188,886

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

Net (Expense) Revenue
and Changes in Net Assets

Business-type Activities	Totals
\$	\$ (6,900,795)
	(14,442,958)
	(3,536,920)
	(3,039,436)
	(954,645)
	(28,874,754)
6,300,191	6,300,191
252,489	252,489
6,552,680	6,552,680
6,552,680	(22,322,074)
	15,376,408
	506,685
	441,020
	10,676,796
128,083	242,078
128,083	27,242,987
6,680,763	4,920,913
45,925,971	201,874,707
\$ 52,606,734	\$206,795,620

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FUND FINANCIAL STATEMENTS

TOWN OF ORO VALLEY, ARIZONA
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2009

	<u>General Fund</u>	<u>HURF</u>	<u>Oracle Road Debt Service</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 16,352,188	\$ 4,416,915	\$ 4,465
Taxes receivable	1,029,373		
Accounts receivable	353,513		6,604
Intergovernmental receivable	579,560	239,178	
Special assessments			3,360,000
Interest receivable	27,593	6,485	
Prepaid items	2,682		
Total assets	<u>\$ 18,344,909</u>	<u>\$ 4,662,578</u>	<u>\$ 3,371,069</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ 535,192	\$ 346,144	\$
Accrued wages and benefits	904,006	89,128	
Intergovernmental payable	715,811		
Interest payable			
Deferred revenue	209,319		3,360,000
Customer deposits payable	40,143		
Total liabilities	<u>2,404,471</u>	<u>435,272</u>	<u>3,360,000</u>
Fund balances:			
Unreserved:			
Undesignated	15,940,438	4,227,306	11,069
Unreserved reported in:			
Special revenue funds			
Debt service funds			
Capital projects funds			
Total fund balances	<u>15,940,438</u>	<u>4,227,306</u>	<u>11,069</u>
Total liabilities and fund balances	<u>\$ 18,344,909</u>	<u>\$ 4,662,578</u>	<u>\$ 3,371,069</u>

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

Townwide Roadway Development Impact Fees	Municipal Building	Non-Major Governmental Funds	Total Governmental Funds
\$ 2,474,658	\$ 5,851,750	\$ 3,314,569	\$ 32,414,545
			1,029,373
585,327			360,117
			1,404,065
4,283		3,024	3,360,000
			41,385
			2,682
<u>\$ 3,064,268</u>	<u>\$ 5,851,750</u>	<u>\$ 3,317,593</u>	<u>\$ 38,612,167</u>
\$ 542,281	\$ 21,290	\$ 314,584	\$ 1,759,491
	11,901	17,391	1,022,426
255,760			715,811
			255,760
947		190,536	3,569,319
<u>798,988</u>	<u>33,191</u>	<u>522,511</u>	<u>231,626</u>
2,265,280	5,818,559		28,262,652
		1,659,776	1,659,776
		147,747	147,747
		987,559	987,559
<u>2,265,280</u>	<u>5,818,559</u>	<u>2,795,082</u>	<u>31,057,734</u>
<u>\$ 3,064,268</u>	<u>\$ 5,851,750</u>	<u>\$ 3,317,593</u>	<u>\$ 38,612,167</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, 2009**

Total governmental fund balances **\$ 31,057,734**

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

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

Governmental capital assets	\$ 190,702,582	
Less accumulated depreciation	<u>(47,377,474)</u>	143,325,108

Special assessments receivable are not available to pay for current period expenditures and therefore are not reported in the funds.		3,360,000
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Deferred items related to the issuance of bonds are amortized over the life of the associated issuance in the government-wide statements but not reported in the funds.

Deferred bond charges	900,855	
Deferred bond premium	<u>(118,793)</u>	782,062

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

Special assessment bonds	(3,360,000)	
Revenue bonds	(11,449,146)	
Loans payable	(8,000,000)	
Compensated absences	<u>(1,526,872)</u>	<u>(24,336,018)</u>

Net assets of governmental activities **\$ 154,188,886**

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

TOWN OF ORO VALLEY, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2009

	General Fund	HURF	Oracle Road Debt Service
Revenues:			
Sales taxes	\$ 12,462,740	\$ 1,928,546	\$
Franchise taxes	506,685		
Impact fees			
Special assessments			367,539
Intergovernmental	11,858,767	2,970,496	
Licenses, fees & permits	1,482,735	25,195	
Fines, forfeitures & penalties	341,438		
Charges for services	1,011,182		
Contributions and donations	1,000		
Investment earnings	226,270	72,470	
Other	193,665	11,603	
Total revenues	28,084,482	5,008,310	367,539
Expenditures:			
Current -			
General government	8,925,224		
Public safety	14,200,797		
Highway and streets		3,286,053	
Culture and recreation	3,382,023		
Capital outlay	581,122	1,282,092	
Debt service -			
Principal retirement			205,000
Interest and fiscal charges			248,429
Total expenditures	27,089,166	4,568,145	453,429
Excess (deficiency) of revenues over expenditures	995,316	440,165	(85,890)
Transfers in			
Transfers out	(1,721,266)	(229,632)	
Total other financing sources (uses)	(1,721,266)	(229,632)	
Changes in fund balances	(725,950)	210,533	(85,890)
Fund balances, beginning of year	16,666,388	4,016,773	96,959
Fund balances, end of year	\$ 15,940,438	\$ 4,227,306	\$ 11,069

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

Townwide Roadway Development Impact Fees	Municipal Building	Non-Major Governmental Funds	Total Governmental Funds
\$	\$	\$ 985,122	\$ 15,376,408
			506,685
316,954		124,066	441,020
			367,539
1,523,320		1,263,630	17,616,213
			1,507,930
		72,282	413,720
		55,194	1,066,376
			1,000
(38,980)	9,511	(155,276)	113,995
18,000		9,855	233,123
<u>1,819,294</u>	<u>9,511</u>	<u>2,354,873</u>	<u>37,644,009</u>
	65,209	595,596	9,586,029
		88,626	14,289,423
		562,672	3,848,725
		34,282	3,416,305
7,855,983	23,976	1,589,741	11,332,914
		733,900	938,900
287,260		498,372	1,034,061
<u>8,143,243</u>	<u>89,185</u>	<u>4,103,189</u>	<u>44,446,357</u>
<u>(6,323,949)</u>	<u>(79,674)</u>	<u>(1,748,316)</u>	<u>(6,802,348)</u>
		1,950,898	1,950,898
			(1,950,898)
		1,950,898	
<u>(6,323,949)</u>	<u>(79,674)</u>	<u>202,582</u>	<u>(6,802,348)</u>
8,589,229	5,898,233	2,592,500	37,860,082
<u>\$ 2,265,280</u>	<u>\$ 5,818,559</u>	<u>\$ 2,795,082</u>	<u>\$ 31,057,734</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, 2009**

Net changes in fund balances - total governmental funds **\$ (6,802,348)**

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	\$ 10,875,510	
Less current year depreciation	<u>(6,475,792)</u>	4,399,718

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. (205,000)

Repayment of debt principal are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 938,900

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Amortization of deferred charges	79,416	
Compensated absences	<u>(170,536)</u>	<u>(91,120)</u>

Change in net assets in governmental activities **\$ (1,759,850)**

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, 2009

	Enterprise Funds		
	Water	Non-Major Enterprise Fund	Total
<u>ASSETS</u>			
Current assets:			
Cash and cash equivalents	\$ 23,189,855	\$ 309,505	\$ 23,499,360
Accounts receivable	1,825,087	81,444	1,906,531
Interest receivable	25,448	523	25,971
Total current assets	25,040,390	391,472	25,431,862
Noncurrent assets:			
Deferred bond charges	3,003,926		3,003,926
Capital assets, non-depreciable	11,472,037	86,612	11,558,649
Capital assets, depreciable (net)	78,830,445	1,294,678	80,125,123
Total noncurrent assets	93,306,408	1,381,290	94,687,698
Total assets	118,346,798	1,772,762	120,119,560
<u>LIABILITIES</u>			
Current liabilities:			
Accounts payable	398,824	45,677	444,501
Accrued wages and benefits	94,020	6,469	100,489
Intergovernmental payable	767,417		767,417
Interest payable	1,383,680		1,383,680
Customer deposits payable	131,039		131,039
Compensated absences	104,065	1,613	105,678
Capital leases payable		52,252	52,252
Loans payable	540,777		540,777
Revenue bonds	2,485,990		2,485,990
Total current liabilities	5,905,812	106,011	6,011,823
Noncurrent liabilities:			
Compensated absences	51,728	4,014	55,742
Capital leases payable		54,794	54,794
Loans payable	5,247,345		5,247,345
Deferred bond premium	1,053,258		1,053,258
Revenue bonds	55,089,864		55,089,864
Total non-current liabilities	61,442,195	58,808	61,501,003
Total liabilities	67,348,007	164,819	67,512,826
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	26,938,506	1,274,244	28,212,750
Unrestricted	24,060,285	333,699	24,393,984
Total net assets	\$ 50,998,791	\$ 1,607,943	\$ 52,606,734

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

TOWN OF ORO VALLEY, ARIZONA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	Enterprise Funds		
	Water	Non-Major Enterprise Fund	Total
Operating revenues:			
Charges for services	\$ 13,376,193	\$ 734,599	\$ 14,110,792
Other	321,069		321,069
Total operating revenues	<u>13,697,262</u>	<u>734,599</u>	<u>14,431,861</u>
Operating expenses:			
Costs of sales and services	8,048,555	450,321	8,498,876
Depreciation and amortization	2,662,125	43,845	2,705,970
Total operating expenses	<u>10,710,680</u>	<u>494,166</u>	<u>11,204,846</u>
Operating income	<u>2,986,582</u>	<u>240,433</u>	<u>3,227,015</u>
Nonoperating revenues (expenses):			
Impact fees	812,740		812,740
Intergovernmental		12,056	12,056
Connection fees	1,588,084		1,588,084
Investment earnings	125,458	2,625	128,083
Interest expense	(2,784,444)		(2,784,444)
Total nonoperating revenues (expenses)	<u>(258,162)</u>	<u>14,681</u>	<u>(243,481)</u>
Income before capital contributions and transfers	<u>2,728,420</u>	<u>255,114</u>	<u>2,983,534</u>
Capital contributions	<u>3,697,229</u>		<u>3,697,229</u>
Changes in net assets	<u>6,425,649</u>	<u>255,114</u>	<u>6,680,763</u>
Total net assets, beginning of year	44,573,142	1,352,829	45,925,971
Total net assets, end of year	<u>\$ 50,998,791</u>	<u>\$ 1,607,943</u>	<u>\$ 52,606,734</u>

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

**TOWN OF ORO VALLEY, ARIZONA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2009**

	Enterprise Funds		
	Water	Non-Major Enterprise Fund	Total
<u>Increase (Decrease) in Cash and Cash Equivalents</u>			
Cash flows from operating activities:			
Cash received from customers	\$ 14,345,410	\$ 791,725	\$ 15,137,135
Cash payments to suppliers for goods and services	(6,496,424)	(252,189)	(6,748,613)
Cash payments to employees for services	(2,378,545)	(152,086)	(2,530,631)
Net cash provided by operating activities	5,470,441	387,450	5,857,891
Cash flows from noncapital and related financing activities:			
Connection fees	1,588,084		1,588,084
Grants received		12,056	12,056
Net cash provided by noncapital financing activities	1,588,084	12,056	1,600,140
Cash flows from capital and related financing activities:			
Development impact fees	812,740		812,740
Acquisition of capital assets	(3,795,118)	(103,266)	(3,898,384)
Proceeds from loans	693,521		693,521
Principal paid on long-term debt	(2,648,264)	(94,340)	(2,742,604)
Interest on long-term debt	(2,643,714)		(2,643,714)
Net cash used for capital and related financing activities	(7,580,835)	(197,606)	(7,778,441)
Cash flows from investing activities:			
Investment income	141,225	2,312	143,537
Net cash provided by investing activities	141,225	2,312	143,537
Net increase (decrease) in cash and cash equivalents	(381,085)	204,212	(176,873)
Cash and cash equivalents, beginning of year	23,570,940	105,293	23,676,233
Cash and cash equivalents, end of year	\$ 23,189,855	\$ 309,505	\$ 23,499,360
<u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</u>			
Operating income	\$ 2,986,582	\$ 240,433	\$ 3,227,015
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	2,662,125	43,845	2,705,970
Change in assets and liabilities:			
Decrease in accounts receivable	676,887	57,126	734,013
Increase (decrease) in accounts payable	(883,330)	38,483	(844,847)
Increase in accrued payroll and employee benefits	44,734	4,212	48,946
Increase in compensated absences payable	12,182	3,351	15,533
Decrease in deposits held for others	(28,739)		(28,739)
Total adjustments	2,483,859	147,017	2,630,876
Net cash provided by operating activities	\$ 5,470,441	\$ 387,450	\$ 5,857,891

TOWN OF ORO VALLEY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Oro Valley, Arizona have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

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

A. Reporting Entity

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

The financial reporting entity consists of a primary government and its component units. A component unit is a legally separate entity that must be included in the reporting entity in conformity with generally accepted accounting principles. The Town is a primary government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. Furthermore, component units combined with the Town for financial statement presentation purposes, and the Town, are not included in any other governmental reporting entity. Consequently, the Town's financial statements include the funds of those organizational entities for which its elected governing body is financially accountable.

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

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

**TOWN OF ORO VALLEY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

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

B. Government-Wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Sales taxes, unrestricted state shared revenues, investment income and other items not included among program revenues are reported instead as general revenues.

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

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

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

TOWN OF ORO VALLEY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

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

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

Sales taxes, franchise taxes, licenses and permits, charges for services, special assessments and investment income associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Grants and similar awards are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met. Miscellaneous revenue is not susceptible to accrual because generally they are not measurable until received in cash. Grants and similar awards are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met. Deferred revenue arise when resources are received by the Town before it has legal claim to them, as when grant monies are received prior to meeting all eligibility requirements imposed by the provider.

The 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 Town reports the following major governmental funds.

General Fund – This fund accounts for all financial resources of the Town, except those required to be accounted for in other funds.

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

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

TOWN OF ORO VALLEY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

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

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

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

The Town reports the following major proprietary fund.

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's enterprise fund are charges to customers for water and stormwater drainage services. Operating expenses for these funds include the cost of sales and services, depreciation, and amortization. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

D. Investments

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

TOWN OF ORO VALLEY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

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

E. Investment Income

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

F. Receivables and Payables

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

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

G. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the government-wide and fund financial statements. 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.

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

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

**TOWN OF ORO VALLEY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

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

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

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

I. Compensated Absences

The Town's employee annual and sick leave policies generally provide for granting annual and sick leave with pay. Full-time employees accrue annual leave based on the number of years employed. Employees who terminate employment shall be paid in a lump sum. Full-time employees accumulate sick leave at the rate of one work day per month. Part-time employees whose normal week is twenty hours or more receive sick leave at half the rate of full-time employees. Once an employee has exceeded 480 hours of accrued sick leave, one half of the sick leave balance in excess of the 480 hours shall be paid to the employee upon separation from employment. The current and long-term liabilities, including related benefits, for accumulated vacation and sick leave are reported on the government-wide financial statements. A liability for these amounts, including related benefits, is reported in governmental funds only if they have matured, for example, as a result of employee leave, resignations and retirements. Generally, resources from the General Fund are used to pay for compensated absences.

J. Long-term Obligations

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

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

**TOWN OF ORO VALLEY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

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

K. Fund Equity

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

L. Interfund Activity

Flows of cash from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers between governmental funds are eliminated in the Statement of Activities. Interfund transfers in the fund statements are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds.

M. Estimates

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

N. Statement of Cash Flows

For purposes of the Statement of Cash Flows, the Town considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents at June 30, 2009 were cash in bank and investments held by the County and State Treasurers.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Excess Expenditures Over Budget – At June 30, 2009, the Town had expenditures in a fund that exceeded the budget, however, this does not constitute a violation of any legal provisions.

**TOWN OF ORO VALLEY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 3 – CASH AND INVESTMENTS

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

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

Custodial Credit Risk – Deposits. Custodial Credit risk is the risk that in the event of bank failure the Town’s deposits may not be returned to the Town. The Town does not have a deposit policy for custodial credit risk. As of June 30, 2009, the carrying value of the Town’s deposits was \$539,805 and the bank balance was \$639,004. At June 30, 2009, the Town’s deposits were entirely covered by Federal depository insurance.

At June 30, 2009, the Town’s investments consisted of the following.

<u>Investment Type</u>	<u>Maturities</u>	<u>Fair Value</u>
Money Market – U.S. Treasuries	Less than one year	\$ 7,837,785
County Treasurer’s investment pool	227 days average	314,150
State Treasurer’s investment pool 5	40 days average	45,475,038
State Treasurer’s investment pool 7	11 days average	<u>1,741,827</u>
Total		<u>\$55,368,800</u>

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

Credit Risk. The Town has no investment policy that would further limit its investment choices. As of June 30, 2009, the Town’s investment in the State and County Treasurers’ investment pools did not receive a credit quality rating from a national rating agency. All of the investments in the State Treasurer’s investment pool 7 were rated AAA by Standard and Poor’s. For investments in the State Treasurer’s investment pool 5, 77% of the securities were rated AAA, A+, or A1 by Standard and Poor’s.

TOWN OF ORO VALLEY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 3 – CASH AND INVESTMENTS (Concl'd)

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.

NOTE 4 – RECEIVABLES

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

	General Fund	Highway User Revenue Fund	Townwide Roadway Development Impact Fees Fund
Due from Federal government	\$ 174,351	\$	\$
Due from State government	405,209	239,178	
Due from other governments			585,327
Net due from governmental entities	<u>\$ 579,560</u>	<u>\$ 239,178</u>	<u>\$ 585,327</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.

	Unavailable	Unearned
Prepaid developer fees (General Fund)	\$	\$ 209,319
Special assessments (Oracle Road Debt Service Fund)	3,360,000	
Total deferred revenue for governmental funds	<u>\$ 3,360,000</u>	<u>\$ 209,319</u>

TOWN OF ORO VALLEY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 5 – CAPITAL ASSETS

A summary of capital asset activity for the fiscal year ended June 30, 2009 follows.

<u>Governmental Activities</u>	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 18,038,076	\$ 840,392	\$	\$ 18,878,468
Construction in progress	7,359,025	9,152,022	12,941,786	3,569,261
Total capital assets, not being depreciated	<u>25,397,101</u>	<u>9,992,414</u>	<u>12,941,786</u>	<u>22,447,729</u>
Capital assets, being depreciated:				
Infrastructure	126,949,031	12,479,790		139,428,821
Buildings and improvements	19,832,560	38,658		19,871,218
Machinery, equipment, and vehicles	8,036,706	1,321,308	403,200	8,954,814
Total capital assets being depreciated	<u>154,818,297</u>	<u>13,839,756</u>	<u>403,200</u>	<u>168,254,853</u>
Less accumulated depreciation for:				
Infrastructure	(33,286,971)	(5,032,112)		(38,319,083)
Buildings and improvements	(3,632,864)	(458,491)		(4,091,355)
Machinery, equipment, and vehicles	(4,370,173)	(985,189)	(388,326)	(4,967,036)
Total accumulated depreciation	<u>(41,290,008)</u>	<u>(6,475,792)</u>	<u>(388,326)</u>	<u>(47,377,474)</u>
Total capital assets, being depreciated, net	<u>113,528,289</u>	<u>7,363,964</u>	<u>14,874</u>	<u>120,877,379</u>
Governmental activities capital assets, net	<u>\$ 138,925,390</u>	<u>\$ 17,356,378</u>	<u>\$ 12,956,660</u>	<u>\$ 143,325,108</u>
<u>Business-Type Activities</u>	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 2,410,660	\$	\$	\$ 2,410,660
Water rights	8,534,490			8,534,490
Construction in progress	6,423,996	3,060,079	8,870,576	613,499
Total	<u>17,369,146</u>	<u>3,060,079</u>	<u>8,870,576</u>	<u>11,558,649</u>
Capital assets, being depreciated:				
Water system	84,555,171	12,941,171		97,496,342
Stormwater system	1,028,602			1,028,602
Equipment and vehicles	2,766,095	498,173		3,264,268
Total capital assets being depreciated	<u>88,349,868</u>	<u>13,439,344</u>		<u>101,789,212</u>
Less accumulated depreciation for:				
Water system	(17,625,425)	(2,283,239)		(19,908,664)
Stormwater system	(11,639)	(20,572)		(32,211)
Equipment and vehicles	(1,489,205)	(234,009)		(1,723,214)
Total accumulated depreciation	<u>(19,126,269)</u>	<u>(2,537,820)</u>		<u>(21,664,089)</u>
Total capital assets, being depreciated, net	<u>69,223,599</u>	<u>10,901,524</u>		<u>80,125,123</u>
Business-type activities capital assets, net	<u>\$ 86,592,745</u>	<u>\$ 13,961,603</u>	<u>\$ 8,870,576</u>	<u>\$ 91,683,772</u>

**TOWN OF ORO VALLEY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 5 – CAPITAL ASSETS (Concl'd)

Depreciation expense was charged to functions/programs as follows:

Governmental activities:		
General government	\$	263,247
Public Safety		649,867
Highways and streets		5,198,948
Culture and recreation		<u>363,730</u>
Total depreciation expense – governmental activities		<u>\$6,475,792</u>
Business-type activities:		
Water	\$	2,493,975
Stormwater		<u>43,845</u>
Total depreciation expense – business-type activities		<u>\$2,537,820</u>

Construction Commitments – As of June 30, 2009, the Town was involved in several construction projects. The estimated cost to complete the construction projects is \$12.0 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 June 30, 2009, is presented below.

Governmental activities:	Interest Rate (Including Fees)	Maturity	Outstanding Principal June 30, 2009	Due Within One Year
ADOT HELP Loan	3.50%	8/15/11-12	\$ 8,000,000	\$
Total			<u>\$ 8,000,000</u>	<u>\$</u>

**TOWN OF ORO VALLEY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 6 – LOANS PAYABLE (Concl'd)

Principal and interest payments on the governmental activities loans payable at June 30, 2009 are summarized as follows.

Year ending June 30:	Governmental Activities	
	Principal	Interest
2010	\$	\$ 280,000
2011		280,000
2012	6,000,000	280,000
2013	2,000,000	70,000
Total	<u>\$ 8,000,000</u>	<u>\$ 910,000</u>

The Town received a loan from the Water Infrastructure Finance Authority of Arizona for water system projects. The Town also received loan financing for water rights from the Central Arizona Water Conservation Town (CAWCD) to be paid back over five years. The loans payable at June 30, 2009 are presented below.

Business-type activities:	Interest Rate (Including Fees)	Maturity	Outstanding Principal June 30, 2009	Due Within One Year
WIFA Loan	2.04%	7/1/09-24	\$ 4,373,268	\$ 92,855
CAWCD Loan	5.20%	12/1/09-11	1,414,854	447,922
Total			<u>\$ 5,788,122</u>	<u>\$ 540,777</u>

Principal and interest payments on the business-type activities loans payable at June 30, 2009 are summarized as follows.

Year ending June 30:	Business-type Activities	
	Principal	Interest
2010	\$ 540,777	\$ 160,384
2011	697,810	132,557
2012	730,327	103,359
2013	242,904	72,721
2014	251,493	67,688
2015-19	1,397,317	256,492
2020-24	1,662,463	101,124
2025-28	265,031	1,415
Total	<u>\$ 5,788,122</u>	<u>\$ 895,740</u>

TOWN OF ORO VALLEY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 7 – BONDS PAYABLE

Bonds payable at June 30, 2009, 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, 2009	Due Within One Year
Governmental activities:					
Revenue Bonds, 1999	\$ 2,730,462	4.50%	7/1/09	\$ 105,000	\$ 105,000
Revenue Bonds, 2000	2,580,000	4.90-5.20%	7/1/09-11	345,000	110,000
Revenue Bonds, 2001	3,362,532	4.30-4.63%	7/1/09-13	794,916	149,280
Refunding Revenue Bonds, 2003	5,494,920	3.00-5.00%	7/1/09-19	5,069,750	140,000
Revenue Bonds, 2005	4,164,050	3.25-4.75%	7/1/09-25	3,745,300	160,800
Refunding Revenue Bonds, 2007	1,389,180	4.00-5.00%	7/1/09-26	1,389,180	33,930
Total				<u>\$ 11,449,146</u>	<u>\$ 699,010</u>

Annual debt service requirements to maturity on revenue and refunding bonds for governmental activities at June 30, 2009, are summarized as follows.

Year ending June 30:	Governmental Activities	
	Principal	Interest
2010	\$ 699,010	\$ 462,840
2011	642,750	436,805
2012	878,430	407,287
2013	832,368	371,006
2014	875,038	329,273
2015-19	4,160,210	1,129,299
2020-24	2,354,740	427,807
2025-27	1,006,600	52,653
Total	<u>\$ 11,449,146</u>	<u>\$ 3,616,970</u>

Purpose	Original Amount Issued	Interest Rates	Maturity	Outstanding Principal June 30, 2009	Due Within One Year
Business-type activities:					
Revenue Bonds, 1999	\$ 2,199,538	4.50-5.00%	7/1/09-19	\$ 1,880,000	\$ 180,000
Revenue Bonds, 2001	5,647,468	4.30-4.63%	7/1/09-13	1,335,084	250,720
Revenue Bonds, 2003	31,750,000	3.00-5.00%	7/1/09-28	27,802,500	1,315,000
Refunding Revenue Bonds, 2003	10,225,080	3.00-5.00%	7/1/09-19	8,292,750	260,000
Revenue Bonds, 2005	2,050,950	3.25-4.75%	7/1/09-25	1,844,700	79,200
Refunding Revenue Bonds, 2007	16,420,820	4.00-5.00%	7/1/09-26	16,420,820	401,070
Total				<u>\$ 57,575,854</u>	<u>\$2,485,990</u>

**TOWN OF ORO VALLEY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 7 – BONDS PAYABLE (Concl'd)

Annual debt service requirements to maturity revenue and refunding bonds for business-type activities at June 30, 2009, are summarized as follows.

Year ending June 30:	Business-type Activities	
	Principal	Interest
2010	\$ 2,485,990	\$ 2,538,280
2011	2,947,250	2,441,361
2012	2,836,570	2,336,112
2013	2,912,632	2,215,034
2014	2,559,962	2,091,928
2015-19	15,049,790	8,597,415
2020-24	15,900,260	4,880,190
2025-29	12,883,400	1,323,966
Total	<u>\$ 57,575,854</u>	<u>\$26,424,286</u>

Pledged revenues – governmental activities. The Town has pledged future sales (excise) tax revenues to repay outstanding revenue bonds and refunding revenue bonds of \$11.4 million as of June 30, 2009. Proceeds from the original bond issuances, including those subsequently refunded, provided financing for land acquisition and facility construction. The bonds are paid solely from the Town's sales taxes and are payable through 2027. Total annual principal and interest payments for all sales tax revenue bonds are expected to require less than 5% of gross revenues. The total principal and interest to be paid on the bonds is \$15.1 million. The current total sales tax revenues were \$13.4 million and the total principal and interest paid on the bonds was \$1.2 million, or 9% of gross revenues.

Pledged revenues – business-type activities. The Town has pledged future water revenues to repay outstanding revenue bonds and refunding revenue bonds of \$57.6 million as of June 30, 2009. 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 \$84.0 million. The current total customer gross revenues were \$16.2 million and the total principal and interest paid on the bonds was \$4.6 million or 28% of gross revenues.

TOWN OF ORO VALLEY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 8 – SPECIAL ASSESSMENT BONDS

Special assessment bonds at June 30, 2009, 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, 2009</u>	<u>Due Within One Year</u>
Governmental activities:					
Special assessments debt	\$3,945,000	4.20-5.00%	1/1/09-21	\$ 3,360,000	\$ 215,000
Total				<u>\$ 3,360,000</u>	<u>\$ 215,000</u>

Annual debt service requirements to maturity on special assessment bonds at June 30, 2009, are summarized as follows.

<u>Year ending June 30:</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2010	\$ 215,000	\$ 152,202
2011	225,000	141,202
2012	235,000	129,701
2013	250,000	117,578
2014	260,000	105,867
2015-19	1,480,000	341,162
2020-21	695,000	33,198
Total	<u>\$ 3,360,000</u>	<u>\$1,020,910</u>

NOTE 9 – OBLIGATIONS UNDER CAPITAL LEASES

The business-type activities of the Town have acquired a street sweeper under the provisions of a long-term lease agreement classified as a capital lease. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of its future minimum lease payments as of the inception date. Revenues from the Stormwater Fund are used to pay the capital lease obligation.

**TOWN OF ORO VALLEY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 9 – OBLIGATIONS UNDER CAPITAL LEASES (Concl'd)

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

	Business-type Activities
Asset:	
Machinery, equipment, and vehicles	\$ 201,386
Less: Accumulated depreciation	14,200
Total	\$ 187,186

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2009 were as follows.

	Business-type Activities
Year Ending June 30:	
2010	\$ 57,459
2011	57,459
Total minimum lease payments	114,918
Less: amount representing interest	7,872
Present value of minimum lease payments	\$ 107,046
Due within one year	\$ 52,252

**TOWN OF ORO VALLEY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 10 – CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2009 was as follows.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Revenue bonds payable	\$ 12,183,046	\$	\$ 733,900	\$ 11,449,146	\$ 699,010
Special assessments payable	3,565,000		205,000	3,360,000	215,000
Loan payable	8,000,000			8,000,000	
Compensated absences payable	<u>1,356,336</u>	<u>1,557,513</u>	<u>1,386,977</u>	<u>1,526,872</u>	<u>1,182,680</u>
Governmental activity long-term liabilities	<u>\$ 25,104,382</u>	<u>\$ 1,557,513</u>	<u>\$ 2,325,877</u>	<u>\$ 24,336,018</u>	<u>\$ 2,096,690</u>
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-type activities:					
Revenue bonds payable	\$ 59,586,954	\$	\$ 2,011,100	\$ 57,575,854	\$ 2,485,990
Loan payable	5,731,766	693,520	637,164	5,788,122	540,777
Capital lease payable		164,505	57,459	107,046	52,252
Compensated absences payable	<u>145,887</u>	<u>171,013</u>	<u>155,480</u>	<u>161,420</u>	<u>105,678</u>
Business-type activities long-term liabilities	<u>\$ 65,464,607</u>	<u>\$ 1,029,038</u>	<u>\$ 2,861,203</u>	<u>\$ 63,632,442</u>	<u>\$ 3,184,697</u>

NOTE 11 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

At June 30, 2009, several funds had negative cash balances.

Interfund transfers:

<u>Transfers out</u>	<u>Transfers in Non-Major Governmental Funds</u>
General Fund	\$ 1,721,266
Highway User Revenue Fund	229,632
Total	<u>\$ 1,950,898</u>

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

TOWN OF ORO VALLEY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

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.

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 – RETIREMENT PLAN

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

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

**TOWN OF ORO VALLEY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 14 – RETIREMENT PLAN (Cont'd)

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.

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

ASRS

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

PSPRS/CORP

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

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

Cost-sharing plans – The Arizona State Legislature establishes and may amend active plan members' and the Town's contribution rates. For the year ended June 30, 2009, active ASRS members were required by statute to contribute at the actuarially determined rate of 9.45 percent (8.95 percent for retirement and 0.5 percent for long-term disability) of the members' annual covered payroll and the Town was required by statute to contribute at the actuarially determined rate of 9.45 percent (7.99 percent for retirement, 0.96 percent for health insurance premium, and 0.5 percent for long-term disability) of the members' annual covered payroll.

**TOWN OF ORO VALLEY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 14 – RETIREMENT PLAN (Cont'd)

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

	Retirement Fund	Health Benefit Supplement Fund	Long-Term Disability Fund
Year ending June 30:			
2009	\$ 996,346	\$ 119,711	\$ 62,350
2008	936,503	122,153	58,168
2007	6,782	94,383	44,944

Agent plan – For the year ended June 30, 2009, 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 16.07 and 7.40 percent. The health insurance premium portion of the contribution rate was actuarially set at 0.69 percent of covered payroll for PSPRS and 0.35 percent for CORP.

Actuarial methods and assumptions – The contribution requirements for the year ended June 30, 2009 were established by the June 30, 2007 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.

	PSPRS	CORP
Actuarial valuation date	June 30, 2007	June 30, 2007
Actuarial cost method	Projected unit credit	Projected unit credit
Actuarial assumptions:		
Investment rate of return	8.5%	8.5%
Projected salary increases	5.5%-8.5%	5.5%-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	29 years for unfunded actuarial accrued liability, 20 years for excess	29 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	Smoothed market value	Smoothed market value

TOWN OF ORO VALLEY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 14 – RETIREMENT PLAN (Cont'd)

Annual Pension/OPEB Cost – The Town’s pension/OPEB cost for the agent plans for the year ended June 30, 2009, and related information follows.

	PSPRS		CORP	
	Pension	Health Insurance	Pension	Health Insurance
	Annual pension/OPEB cost	\$ 915,967	\$ 41,093	\$ 42,052
Contributions made	915,967	41,093	42,052	2,088

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

PSPRS:

Year Ended June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
<i>Pension</i>			
2006	\$ 434,478	100%	-0-
2007	478,027	100	-0-
2008	549,587	100	-0-
<i>Health Insurance</i>			
2008	27,964	100	-0-

CORP:

Year Ended June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
<i>Pension</i>			
2006	\$40,089	100%	-0-
2007	35,184	100	-0-
2008	34,440	100	-0-
<i>Health Insurance</i>			
2008	1,774	100	-0-

**TOWN OF ORO VALLEY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 14 – RETIREMENT PLAN (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.

PSPRS:

Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability	Funding Liability	Funded Ratio	Annual Covered Payroll	Unfunded Liability as Percentage of Covered Payroll
<u>June 30,</u>	<u>(a)</u>	<u>(b)</u>	<u>(a-b)</u>	<u>(a/b)</u>	<u>(c)</u>	<u>[(a-b)/c]</u>
2006	\$11,345,626	\$12,654,350	\$(1,308,724)	89.7%	\$4,614,186	28.4%
2007	11,996,669	16,700,207	(4,703,538)	71.8	5,306,785	88.6
2008	13,644,758	18,167,094	(4,522,336)	75.1	5,856,015	77.2

CORP:

Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability	Funding Liability	Funded Ratio	Annual Covered Payroll	Unfunded Liability as Percentage of Covered Payroll
<u>June 30,</u>	<u>(a)</u>	<u>(b)</u>	<u>(a-b)</u>	<u>(a/b)</u>	<u>(c)</u>	<u>[a-b]/c]</u>
2006	\$ 889,875	\$1,140,381	\$(250,506)	78.0%	\$515,269	48.6%
2007	960,316	1,278,537	(318,221)	75.1	639,247	49.8
2008	1,026,134	1,594,642	(568,508)	64.3	729,262	78.0

NOTE 15 – SUBSEQUENT EVENT

On October 23, 2009, the Town closed on a loan from the Water Infrastructure Finance Authority (WIFA) in the amount of \$3.4 million for a 20-year term. Proceeds from the loan will be used for the following projects: Sheraton D-Zone Booster Station Replacement, Well E-1 Replacement and Innovation park 16-inch Main Replacement.

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

TOWN OF ORO VALLEY, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2009

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original & Final	Actual	
Revenues:			
Sales taxes	\$ 13,637,072	\$ 12,462,740	\$ (1,174,332)
Franchise taxes	475,000	506,685	31,685
Intergovernmental	12,645,103	11,858,767	(786,336)
Licenses, fees & permits	1,842,250	1,482,735	(359,515)
Fines, forfeitures & penalties	250,000	341,438	91,438
Charges for services	1,059,961	1,011,182	(48,779)
Contributions and donations		1,000	1,000
Investment earnings	600,000	226,270	(373,730)
Other	125,000	193,665	68,665
Total revenues	<u>30,634,386</u>	<u>28,084,482</u>	<u>(2,549,904)</u>
Expenditures:			
Current -			
General government	24,024,989	8,925,224	15,099,765
Public safety	15,278,716	14,200,797	1,077,919
Culture and recreation	3,502,263	3,382,023	120,240
Capital outlay		581,122	(581,122)
Total expenditures	<u>42,805,968</u>	<u>27,089,166</u>	<u>15,716,802</u>
Excess (deficiency) of revenues over expenditures	<u>(12,171,582)</u>	<u>995,316</u>	<u>13,166,898</u>
Other financing sources (uses):			
Transfers out	(2,514,266)	(1,721,266)	793,000
Total other financing sources (uses)	<u>(2,514,266)</u>	<u>(1,721,266)</u>	<u>793,000</u>
Change in fund balances	<u>(14,685,848)</u>	<u>(725,950)</u>	<u>13,959,898</u>
Fund balances, July 1, 2008	14,685,848	16,666,388	1,980,540
Fund balances, June 30, 2009	<u>\$</u>	<u>\$ 15,940,438</u>	<u>\$ 15,940,438</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, 2009**

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original & Final	Actual	
Revenues:			
Sales taxes	\$ 2,231,463	\$ 1,928,546	\$ (302,917)
Intergovernmental	3,160,116	2,970,496	(189,620)
Licenses, fees & permits		25,195	25,195
Investment earnings		72,470	72,470
Other	217,000	11,603	(205,397)
Total revenues	<u>5,608,579</u>	<u>5,008,310</u>	<u>(600,269)</u>
Expenditures:			
Current -			
Highway and streets	6,438,933	3,286,053	3,152,880
Capital outlay	2,512,225	1,282,092	1,230,133
Total expenditures	<u>8,951,158</u>	<u>4,568,145</u>	<u>4,383,013</u>
Excess (deficiency) of revenues over expenditures	<u>(3,342,579)</u>	<u>440,165</u>	<u>3,782,744</u>
Other financing sources (uses):			
Transfers out	(717,475)	(229,632)	487,843
Total other financing sources (uses)	<u>(717,475)</u>	<u>(229,632)</u>	<u>487,843</u>
Change in fund balances	<u>(4,060,054)</u>	<u>210,533</u>	<u>4,270,587</u>
Fund balances, July 1, 2008	4,060,054	4,016,773	(43,281)
Fund balances, June 30, 2009	<u>\$</u>	<u>\$ 4,227,306</u>	<u>\$ 4,227,306</u>

See accompanying notes to this schedule.

TOWN OF ORO VALLEY, ARIZONA
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2009

NOTE 1 – BUDGETARY BASIS OF ACCOUNTING

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

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

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

**TOWN OF ORO VALLEY, ARIZONA
 SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - ORACLE ROAD DEBT SERVICE
 YEAR ENDED JUNE 30, 2009**

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original & Final	Actual	
Revenues:			
Special assesments	\$ 372,828	\$ 367,539	\$ (5,289)
Total revenues	<u>372,828</u>	<u>367,539</u>	<u>(5,289)</u>
Expenditures:			
Debt service -			
Principal retirement	213,822	205,000	8,822
Interest and fiscal charges	259,119	248,429	10,690
Total expenditures	<u>472,941</u>	<u>453,429</u>	<u>19,512</u>
Change in fund balances	<u>(100,113)</u>	<u>(85,890)</u>	<u>14,223</u>
Fund balances, July 1, 2008	100,113	96,959	(3,154)
Fund balances, June 30, 2009	<u>\$</u>	<u>\$ 11,069</u>	<u>\$ 11,069</u>

TOWN OF ORO VALLEY, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - TOWNWIDE ROADWAY DEVELOPMENT IMPACT FEES
YEAR ENDED JUNE 30, 2009

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original & Final	Actual	
Revenues:			
Impact fees	\$ 843,750	\$ 316,954	\$ (526,796)
Intergovernmental	13,361,500	1,523,320	(11,838,180)
Investment earnings		(38,980)	(38,980)
Other	227,000	18,000	(209,000)
Total revenues	<u>14,432,250</u>	<u>1,819,294</u>	<u>(12,612,956)</u>
Expenditures:			
Capital outlay	21,824,739	7,855,983	13,968,756
Debt service -			
Interest and fiscal charges	798,038	287,260	510,778
Total expenditures	<u>22,622,777</u>	<u>8,143,243</u>	<u>14,479,534</u>
Change in fund balances	<u>(8,190,527)</u>	<u>(6,323,949)</u>	<u>1,866,578</u>
Fund balances, July 1, 2008	8,190,527	8,589,229	398,702
Fund balances, June 30, 2009	<u>\$</u>	<u>\$ 2,265,280</u>	<u>\$ 2,265,280</u>

**TOWN OF ORO VALLEY, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - MUNICIPAL BUILDING
YEAR ENDED JUNE 30, 2009**

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original & Final	Actual	
Revenues:			
Investment earnings	\$ 20,000	\$ 9,511	\$ (10,489)
Total revenues	<u>20,000</u>	<u>9,511</u>	<u>(10,489)</u>
Expenditures:			
Current -			
General government	23,465,903	65,209	23,400,694
Capital outlay	<u>8,627,927</u>	<u>23,976</u>	<u>8,603,951</u>
Total expenditures	<u>32,093,830</u>	<u>89,185</u>	<u>32,004,645</u>
Excess (deficiency) of revenues over expenditures	<u>(32,073,830)</u>	<u>(79,674)</u>	<u>31,994,156</u>
Other financing sources (uses):			
Bond proceeds	<u>26,000,000</u>		<u>(26,000,000)</u>
Total other financing sources (uses)	<u>26,000,000</u>		<u>(26,000,000)</u>
Change in fund balances	<u>(6,073,830)</u>	<u>(79,674)</u>	<u>5,994,156</u>
Fund balances, July 1, 2008	6,073,830	5,898,233	(175,597)
Fund balances, June 30, 2009	<u>\$</u>	<u>\$ 5,818,559</u>	<u>\$ 5,818,559</u>

NON-MAJOR GOVERNMENTAL FUNDS

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TOWN OF ORO VALLEY, ARIZONA
COMBINING BALANCE SHEET - ALL NON-MAJOR GOVERNMENTAL FUNDS - BY FUND TYPE
JUNE 30, 2009

	Special Revenue	Municipal Debt Service	Capital Projects	Total Non-Major Governmental Funds
<u>ASSETS</u>				
Cash and cash equivalents	\$ 2,156,898	\$ 149,807	\$ 1,007,864	\$ 3,314,569
Interest receivable	3,024			3,024
Total assets	\$ 2,159,922	\$ 149,807	\$ 1,007,864	\$ 3,317,593
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable	\$ 292,219	\$ 2,060	\$ 20,305	\$ 314,584
Accrued wages and benefits	17,391			17,391
Customer deposits payable	190,536			190,536
Total liabilities	500,146	2,060	20,305	522,511
Fund balances:				
Unreserved:				
Undesignated	1,659,776	147,747	987,559	2,795,082
Total fund balances	1,659,776	147,747	987,559	2,795,082
Total liabilities and fund balances	\$ 2,159,922	\$ 149,807	\$ 1,007,864	\$ 3,317,593

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, 2009

	<u>Special Revenue</u>	<u>Municipal Debt Service</u>	<u>Capital Projects</u>
Revenues:			
Sales taxes	\$ 985,122	\$	\$
Impact fees			124,066
Intergovernmental	1,167,918		95,712
Fines, forfeitures & penalties	72,282		
Charges for services	55,194		
Investment earnings	(156,476)	1,200	
Other	9,855		
Total revenues	<u>2,133,895</u>	<u>1,200</u>	<u>219,778</u>
Expenditures:			
Current -			
General government	493,964		101,632
Public safety	88,626		
Highway and streets	562,672		
Culture and recreation	34,282		
Capital outlay	1,050,592		539,149
Debt service -			
Principal retirement		733,900	
Interest and fiscal charges		498,372	
Total expenditures	<u>2,230,136</u>	<u>1,232,272</u>	<u>640,781</u>
Excess (deficiency) of revenues over expenditures	<u>(96,241)</u>	<u>(1,231,072)</u>	<u>(421,003)</u>
Other financing sources (uses):			
Transfers in	<u>238,598</u>	<u>1,212,300</u>	<u>500,000</u>
Total other financing sources (uses)	<u>238,598</u>	<u>1,212,300</u>	<u>500,000</u>
Change in fund balances	<u>142,357</u>	<u>(18,772)</u>	<u>78,997</u>
Fund balances, beginning of year	1,517,419	166,519	908,562
Fund balances, end of year	<u>\$ 1,659,776</u>	<u>\$ 147,747</u>	<u>\$ 987,559</u>

Total
Non-Major
Governmental
Funds

\$ 985,122
124,066
1,263,630
72,282
55,194
(155,276)
9,855
2,354,873

595,596
88,626
562,672
34,282
1,589,741

733,900
498,372
4,103,189

(1,748,316)

1,950,898
1,950,898

202,582

2,592,500

\$ 2,795,082

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NON-MAJOR SPECIAL REVENUE FUNDS

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

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

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

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

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

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

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, 2009

	Revegetation Assurances	State Seizures and Forfeitures	Federal Seizures and Forfeitures	Bed Tax
<u>ASSETS</u>				
Cash and cash equivalents	\$ 255,775	\$ 166,734	\$ 96,594	\$ 1,443,095
Interest receivable	441			2,373
Total assets	\$ 256,216	\$ 166,734	\$ 96,594	\$ 1,445,468
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable	\$	\$ 43,504	\$ 17,325	\$ 170,000
Accrued wages and benefits				1,982
Customer deposits payable	190,536			
Total liabilities	190,536	43,504	17,325	171,982
Fund balances:				
Unreserved:				
Undesignated	65,680	123,230	79,269	1,273,486
Total fund balances	65,680	123,230	79,269	1,273,486
Total liabilities and fund balances	\$ 256,216	\$ 166,734	\$ 96,594	\$ 1,445,468

<u>Public Transportation</u>	<u>Impound Fee</u>	<u>Totals</u>
\$ 154,700	\$ 40,000	\$ 2,156,898
210		3,024
<u>\$ 154,910</u>	<u>\$ 40,000</u>	<u>\$ 2,159,922</u>
\$ 61,390	\$	\$ 292,219
15,409		17,391
		190,536
<u>76,799</u>		<u>500,146</u>
78,111	40,000	1,659,776
<u>78,111</u>	<u>40,000</u>	<u>1,659,776</u>
<u>\$ 154,910</u>	<u>\$ 40,000</u>	<u>\$ 2,159,922</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, 2009

	<u>Revegetation Assurances</u>	<u>State Seizures and Forfeitures</u>	<u>Federal Seizures and Forfeitures</u>
Revenues:			
Sales taxes	\$	\$	\$
Intergovernmental			
Fines, forfeitures & penalties		31,252	41,030
Charges for services			
Investment earnings	(167,961)	3,013	4,262
Other			
Total revenues	<u>(167,961)</u>	<u>34,265</u>	<u>45,292</u>
Expenditures:			
Current -			
General government			
Public safety		55,290	33,336
Highway and streets			
Culture and recreation			
Capital outlay		6,682	136,212
Total expenditures		<u>61,972</u>	<u>169,548</u>
Excess (deficiency) of revenues over expenditures	<u>(167,961)</u>	<u>(27,707)</u>	<u>(124,256)</u>
Other financing sources (uses):			
Transfers in			
Total other financing sources (uses)			
Change in fund balances	<u>(167,961)</u>	<u>(27,707)</u>	<u>(124,256)</u>
Fund balances, beginning of year	233,641	150,937	203,525
Fund balances, end of year	<u>\$ 65,680</u>	<u>\$ 123,230</u>	<u>\$ 79,269</u>

<u>Bed Tax</u>	<u>Public Transportation</u>	<u>Impound Fee</u>	<u>Totals</u>
\$ 985,122	\$ 1,167,918	\$	\$ 985,122
	55,194		1,167,918
	1,718		72,282
2,492	9,855		55,194
			(156,476)
			9,855
<u>987,614</u>	<u>1,234,685</u>		<u>2,133,895</u>
493,964			493,964
	562,672		88,626
34,282	907,698		562,672
			34,282
<u>528,246</u>	<u>1,470,370</u>		<u>1,050,592</u>
			<u>2,230,136</u>
<u>459,368</u>	<u>(235,685)</u>		<u>(96,241)</u>
	198,598	40,000	238,598
	198,598	40,000	238,598
<u>459,368</u>	<u>(37,087)</u>	<u>40,000</u>	<u>142,357</u>
814,118	115,198		1,517,419
<u>\$ 1,273,486</u>	<u>\$ 78,111</u>	<u>\$ 40,000</u>	<u>\$ 1,659,776</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, 2009

	Revegetation Assurances		
	Budget*	Actual	Variance - Positive (Negative)
Revenues:			
Sales taxes	\$	\$	\$
Intergovernmental			
Fines, forfeitures & penalties			
Charges for services			
Investment earnings		(167,961)	(167,961)
Other			
Total revenues		(167,961)	(167,961)
Expenditures:			
Current -			
General government			
Public safety			
Highway and streets			
Culture and recreation			
Capital outlay			
Total expenditures			
Excess (deficiency) of revenues over expenditures		(167,961)	(167,961)
Other financing sources (uses):			
Transfers in			
Total other financing sources (uses)			
Change in fund balances		(167,961)	(167,961)
Fund balances, July 1, 2008		233,641	233,641
Fund balances, June 30, 2009	\$	\$ 65,680	\$ 65,680

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

State Seizures and Forfeitures			Federal Seizures and Forfeitures		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$	\$	\$	\$	\$	\$
4,000	31,252	27,252	7,000	41,030	34,030
	3,013	3,013		4,262	4,262
<u>4,000</u>	<u>34,265</u>	<u>30,265</u>	<u>7,000</u>	<u>45,292</u>	<u>38,292</u>
155,676	55,290	100,386	54,016	33,336	20,680
18,814	6,682	12,132	220,712	136,212	84,500
<u>174,490</u>	<u>61,972</u>	<u>112,518</u>	<u>274,728</u>	<u>169,548</u>	<u>105,180</u>
<u>(170,490)</u>	<u>(27,707)</u>	<u>142,783</u>	<u>(267,728)</u>	<u>(124,256)</u>	<u>143,472</u>
<u>(170,490)</u>	<u>(27,707)</u>	<u>142,783</u>	<u>(267,728)</u>	<u>(124,256)</u>	<u>143,472</u>
170,490	150,937	(19,553)	267,728	203,525	(64,203)
<u>\$</u>	<u>\$ 123,230</u>	<u>\$ 123,230</u>	<u>\$</u>	<u>\$ 79,269</u>	<u>\$ 79,269</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, 2009
(Continued)

	Bed Tax		Variance - Positive (Negative)
	Budget	Actual	
Revenues:			
Sales taxes	\$ 1,639,071	\$ 985,122	\$ (653,949)
Intergovernmental			
Fines, forfeitures & penalties			
Charges for services			
Investment earnings		2,492	2,492
Other	20,000		(20,000)
Total revenues	<u>1,659,071</u>	<u>987,614</u>	<u>(671,457)</u>
Expenditures:			
Current -			
General government	1,980,042	493,964	1,486,078
Public safety			
Highway and streets			
Culture and recreation	137,419	34,282	103,137
Capital outlay			
Total expenditures	<u>2,117,461</u>	<u>528,246</u>	<u>1,589,215</u>
Excess (deficiency) of revenues over expenditures	<u>(458,390)</u>	<u>459,368</u>	<u>917,758</u>
Other financing sources (uses):			
Transfers in			
Total other financing sources (uses)			
Change in fund balances	<u>(458,390)</u>	<u>459,368</u>	<u>917,758</u>
Fund balances, July 1, 2008	458,390	814,118	355,728
Fund balances, June 30, 2009	<u>\$</u>	<u>\$ 1,273,486</u>	<u>\$ 1,273,486</u>

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

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, 2009
(Concluded)

	Totals		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Sales taxes	\$ 1,639,071	\$ 985,122	\$ (653,949)
Intergovernmental	295,903	1,167,918	872,015
Fines, forfeitures & penalties	11,000	72,282	61,282
Charges for services		55,194	55,194
Investment earnings		(156,476)	(156,476)
Other	852,248	9,855	(842,393)
Total revenues	2,798,222	2,133,895	(664,327)
Expenditures:			
Current -			
General government	1,980,042	493,964	1,486,078
Public safety	209,692	88,626	121,066
Highway and streets	552,696	562,672	(9,976)
Culture and recreation	137,419	34,282	103,137
Capital outlay	1,131,132	1,050,592	80,540
Total expenditures	4,010,981	2,230,136	1,780,845
Excess (deficiency) of revenues over expenditures	(1,212,759)	(96,241)	1,116,518
Other financing sources (uses):			
Transfers in	198,598	238,598	40,000
Total other financing sources (uses)	198,598	238,598	40,000
Change in fund balances	(1,014,161)	142,357	1,156,518
Fund balances, July 1, 2008	1,014,161	1,517,419	503,258
Fund balances, June 30, 2009	\$	\$ 1,659,776	\$ 1,659,776

NON-MAJOR DEBT SERVICE FUND

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

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

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TOWN OF ORO VALLEY, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - NON-MAJOR DEBT SERVICE FUND
YEAR ENDED JUNE 30, 2009

	Municipal Debt Service		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Investment earnings	\$ 5,000	\$ 1,200	\$ (3,800)
Total revenues	<u>5,000</u>	<u>1,200</u>	<u>(3,800)</u>
Expenditures:			
Debt service -			
Principal retirement	1,635,266	733,900	901,366
Interest and fiscal charges	1,110,466	498,372	612,094
Total expenditures	<u>2,745,732</u>	<u>1,232,272</u>	<u>1,513,460</u>
Excess (deficiency) of revenues over expenditures	<u>(2,740,732)</u>	<u>(1,231,072)</u>	<u>1,509,660</u>
Other financing sources (uses):			
Transfers in	2,573,143	1,212,300	(1,360,843)
Total other financing sources (uses)	<u>2,573,143</u>	<u>1,212,300</u>	<u>(1,360,843)</u>
Change in fund balances	<u>(167,589)</u>	<u>(18,772)</u>	<u>148,817</u>
Fund balances, July 1, 2008	167,589	166,519	(1,070)
Fund balances, June 30, 2009	<u>\$</u>	<u>\$ 147,747</u>	<u>\$ 147,747</u>

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NON-MAJOR CAPITAL PROJECTS FUNDS

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

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

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.

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

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TOWN OF ORO VALLEY, ARIZONA
COMBINING BALANCE SHEET - NON-MAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2009

	Capital Asset Replacement	General Impact Fees	Pima County Bond Projects	Totals
<u>ASSETS</u>				
Cash and cash equivalents	\$ 499,639	\$ 124,066	\$ 384,159	\$ 1,007,864
Total assets	\$ 499,639	\$ 124,066	\$ 384,159	\$ 1,007,864
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable	\$	\$	\$ 20,305	\$ 20,305
Total liabilities			20,305	20,305
Fund balances:				
Unreserved:				
Undesignated	499,639	124,066	363,854	987,559
Total fund balances	499,639	124,066	363,854	987,559
Total liabilities and fund balances	\$ 499,639	\$ 124,066	\$ 384,159	\$ 1,007,864

TOWN OF ORO VALLEY, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NON-MAJOR CAPITAL PROJECTS FUNDS
YEAR ENDED JUNE 30, 2009

	Capital Asset Replacement	General Impact Fees	Pima County Bond Projects
Revenues:			
Impact fees	\$	\$ 124,066	\$
Intergovernmental			95,712
Total revenues		124,066	95,712
Expenditures:			
Current -			
General government			101,632
Capital outlay	500,361		38,788
Total expenditures	500,361		140,420
Excess (deficiency) of revenues over expenditures	(500,361)	124,066	(44,708)
Other financing sources (uses):			
Transfers in	500,000		
Total other financing sources (uses)	500,000		
Change in fund balances	(361)	124,066	(44,708)
Fund balances, beginning of year	500,000		408,562
Fund balances, end of year	\$ 499,639	\$ 124,066	\$ 363,854

Totals

\$ 124,066
95,712
219,778

101,632
539,149
640,781

(421,003)

500,000
500,000

78,997

908,562

\$ 987,559

**TOWN OF ORO VALLEY, ARIZONA
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - BUDGET AND ACTUAL - NON-MAJOR CAPITAL PROJECTS FUNDS
 YEAR ENDED JUNE 30, 2009**

	Capital Asset Replacement		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Impact fees	\$	\$	\$
Intergovernmental			
Total revenues			
Expenditures:			
Current -			
General government			
Capital outlay	1,000,000	500,361	499,639
Total expenditures	1,000,000	500,361	499,639
Excess (deficiency) of revenues over expenditures	(1,000,000)	(500,361)	499,639
Other financing sources (uses):			
Bond proceeds			
Transfers in	500,000	500,000	
Total other financing sources (uses)	500,000	500,000	
Change in fund balances	(500,000)	(361)	499,639
Fund balances, July 1, 2008	500,000	500,000	
Fund balances, June 30, 2009	\$	\$ 499,639	\$ 499,639

*The General Impact Fees Fund was included in the Town's budget, however, the budget was -0-.

TOWN OF ORO VALLEY, ARIZONA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - NON-MAJOR CAPITAL PROJECTS FUNDS
YEAR ENDED JUNE 30, 2009
(Concluded)

	Totals		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Impact fees	\$	\$ 124,066	\$ 124,066
Intergovernmental	1,236,186	95,712	(1,140,474)
Total revenues	1,236,186	219,778	(1,016,408)
Expenditures:			
Current -			
General government	36,457,218	101,632	36,355,586
Capital outlay	14,913,950	539,149	14,374,801
Total expenditures	51,371,168	640,781	50,730,387
Excess (deficiency) of revenues over expenditures	(50,134,982)	(421,003)	49,713,979
Other financing sources (uses):			
Bond proceeds	48,600,000		(48,600,000)
Transfers in	500,000	500,000	
Total other financing sources (uses)	49,100,000	500,000	(48,600,000)
Change in fund balances	(1,034,982)	78,997	1,113,979
Fund balances, July 1, 2008	1,034,982	908,562	(126,420)
Fund balances, June 30, 2009	\$	\$ 987,559	\$ 987,559

STATISTICAL SECTION

The statistical section presents financial statement trends as well as detailed financial and operational information not available elsewhere in the report. The statistical section is intended to enhance the reader's understanding of the information presented in the financial statements, notes to the financial statements, and other supplementary information presented in this report. The statistical section is comprised of the five categories of statistical information presented below.

Financial Trends

These schedules contain information on financial trends to help the reader understand how the Town's financial position and financial activities have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the factors affecting the Town's ability to generate property revenue.

Debt Capacity

These schedules present information to help the reader evaluate the Town's current levels of outstanding debt as well as assess the Town's ability to make debt payments and/or issue additional debt in the future.

Demographic and Economic Information

These schedules present various demographic and economic indicators to help the reader understand the environment in which the Town's financial activities take place and to help make comparisons with other school districts.

Operating Information

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

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

	Fiscal Year						
	2003	2004	2005	2006	2007	2008	2009
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
Restricted	2,303,550	3,958,033	15,360,660	8,919,398	8,326,731	14,072,781	7,537,331
Unrestricted	13,828,711	19,248,712	15,394,707	15,063,081	23,571,109	26,698,611	26,135,593
Total governmental activities net assets	\$ 37,320,276	\$ 53,753,027	\$ 123,296,590	\$ 131,395,965	\$ 138,542,687	\$ 155,948,736	\$ 154,188,886
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
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
Total business-type activities net assets	\$ 17,583,476	\$ 21,686,697	\$ 27,356,632	\$ 32,530,328	\$ 38,786,790	\$ 45,925,971	\$ 52,606,734
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
Restricted	5,879,339	7,450,521	17,671,640	11,250,399	8,326,731	14,072,781	7,537,331
Unrestricted	24,091,245	52,356,493	39,893,757	38,021,617	46,823,856	51,350,559	50,529,577
Total primary government net assets	\$ 54,903,752	\$ 75,439,724	\$ 150,653,222	\$ 163,926,293	\$ 177,329,477	\$ 201,874,707	\$ 206,795,620

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 SEVEN FISCAL YEARS
 (ACCRUAL BASIS OF ACCOUNTING)
 (UNAUDITED)

	Fiscal Year						
	2003	2004	2005	2006	2007	2008	2009
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
Public Safety	9,013,391	9,520,219	10,309,453	11,155,542	12,352,671	14,347,250	15,019,980
Highways and streets	2,613,170	2,850,172	4,789,234	5,732,026	7,757,276	7,292,972	9,481,040
Culture and recreation	2,352,445	2,566,173	2,631,306	3,014,341	3,375,314	3,644,973	3,806,555
Interest on long-term debt	564,798	456,107	653,331	805,123	996,336	987,074	954,645
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>
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
Stormwater drainage	104,948	45,551	271,469	111,695	74,235	177,673	494,166
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>
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>
Program Revenues							
Governmental activities:							
Fees, Fines and Charges for Services:							
General government	\$ 2,991,105	\$ 3,902,024	\$ 3,784,049	\$ 4,013,368	\$ 3,642,887	\$ 3,972,465	\$ 3,030,020
Highways and streets	121,484	170,543	396,602	183,842	122,124	211,088	119,847
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
Capital grants and contributions	1,520,998	13,437,638	13,834,121	3,994,640	8,321,691	10,264,829	1,781,571
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>
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
Stormwater Utility	75	-	14,710	21,401	125	357,602	746,655
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
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>
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>

	Fiscal Year						
	2003	2004	2005	2006	2007	2008	2009
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)
Business-type activities	3,404,263	3,754,103	4,986,809	4,137,729	5,162,438	7,874,687	6,552,680
Total primary government net expenses	\$ (8,586,455)	\$ 3,575,992	\$ 2,837,035	\$ (10,981,321)	\$ (9,867,833)	\$ (7,410,963)	\$ (22,322,074)
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
Franchise taxes	341,489	371,697	402,482	435,428	478,175	516,652	506,685
Impact fees	885,371	1,189,848	1,547,819	1,098,977	1,038,217	910,741	441,020
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
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
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
Special assessments	-	-	5,433,301	-	-	-	-
Investment earnings (loss)	(244,770)	281,518	557,238	991,151	1,471,641	1,590,654	113,995
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	13,618,956	16,610,862	24,675,522	23,218,425	29,875,794	32,691,699	27,114,904
Business-type activities:							
Investment earnings (loss)	(50,977)	285,118	591,932	956,189	1,163,837	864,494	128,083
Transfers	-	64,000	91,194	79,778	(69,813)	(1,600,000)	-
Total business-type activities	(50,977)	349,118	683,126	1,035,967	1,094,024	(735,506)	128,083
Total primary government	\$ 13,567,979	\$ 16,959,980	\$ 25,358,648	\$ 24,254,392	\$ 30,969,818	\$ 31,956,193	\$ 27,242,987
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)
Business-type activities	3,353,286	4,103,221	5,669,935	5,173,696	6,256,462	7,139,181	6,680,763
Total primary government	\$ 4,981,524	\$ 20,535,972	\$ 28,195,683	\$ 13,273,071	\$ 21,101,985	\$ 24,545,230	\$ 4,920,913

Source: Town of Oro Valley Finance Department

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

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

	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General Fund										
Reserved	\$ 480,971	\$ 349,243	\$ 333,285	\$ 354,091	\$ 7,172	\$ 112	\$ 7,267	\$ -	\$ -	\$ -
Unreserved	10,185,130	10,877,620	10,063,909	8,087,246	9,377,367	11,744,160	14,356,224	18,477,706	16,666,388	15,940,438
Total general fund	<u>\$ 10,666,101</u>	<u>\$ 11,226,863</u>	<u>\$ 10,397,194</u>	<u>\$ 8,441,337</u>	<u>\$ 9,384,539</u>	<u>\$ 11,744,272</u>	<u>\$ 14,363,491</u>	<u>\$ 18,477,706</u>	<u>\$ 16,666,388</u>	<u>\$ 15,940,438</u>
All Other Governmental Funds										
Reserved	\$ -	\$ -	\$ -	\$ 5,079	\$ 17,912	\$ 36,076	\$ 80,624	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	2,868,278	2,340,508	2,251,914	2,100,204	2,720,472	3,856,925	4,439,573	4,891,095	5,534,192	5,887,082
Capital projects funds	9,237,320	18,536,471	15,107,510	5,438,128	10,573,180	10,972,912	4,985,836	4,520,718	15,396,024	9,071,398
Debt service funds	200,836	929,802	793,433	176,514	314,301	403,332	280,055	245,208	263,478	158,816
Total all other governmental funds	<u>\$ 12,306,434</u>	<u>\$ 21,806,781</u>	<u>\$ 18,152,857</u>	<u>\$ 7,719,925</u>	<u>\$ 13,625,865</u>	<u>\$ 15,269,245</u>	<u>\$ 9,786,088</u>	<u>\$ 9,657,021</u>	<u>\$ 21,193,694</u>	<u>\$ 15,117,296</u>

Source: Town of Oro Valley Finance Department

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

	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Revenues										
Taxes	\$ 6,139,176	\$ 6,429,157	\$ 6,674,725	\$ 6,217,798	\$ 8,296,552	\$ 9,939,273	\$ 12,891,037	\$ 17,351,805	\$ 17,685,650	\$ 15,883,093
Intergovernmental	9,167,682	8,328,908	12,991,454	11,786,746	23,990,005	25,339,648	16,773,215	18,405,713	21,863,875	17,616,213
Fines and forfeitures	344,627	333,755	316,339	307,570	463,150	326,427	462,248	429,458	391,921	413,720
Licenses and permits	1,613,798	1,776,265	1,430,157	1,784,568	2,536,576	2,524,484	2,433,264	2,368,851	2,792,684	1,507,930
Charges for services	296,801	387,657	549,440	633,406	823,287	880,582	942,676	1,026,921	1,040,694	1,066,376
Contributions and donations	9,247	3,785	-	37,331	30,251	-	97,327	19,171	249,999	1,000
Special assessments	3,089,814	3,089,032	2,412,888	885,371	-	1,547,819	-	189,820	193,023	367,539
Impact fees	-	-	875,361	(244,770)	1,189,848	1,488,301	1,088,977	1,038,217	910,741	441,020
Investment earnings	1,332,605	1,757,232	875,361	(244,770)	281,518	557,238	981,151	1,471,641	1,590,654	113,995
Other revenues	69,036	172,726	150,444	178,376	229,411	458,034	325,428	135,261	555,790	233,123
Total revenues	\$ 22,062,786	\$ 22,278,517	\$ 25,400,808	\$ 21,586,396	\$ 37,840,598	\$ 43,062,006	\$ 36,015,321	\$ 42,436,858	\$ 47,275,031	\$ 37,644,009
Expenditures										
General government	4,128,050	7,256,772	6,055,062	6,688,052	5,800,477	5,676,217	9,988,956	7,019,030	8,767,496	9,586,029
Public safety	6,216,390	7,347,742	8,586,634	8,796,643	9,426,215	10,089,128	11,636,915	11,808,799	13,549,170	14,289,423
Highways and streets	1,855,146	2,924,119	3,144,676	8,892,030	17,193,322	21,727,223	13,773,561	3,768,851	4,107,871	3,848,725
Culture and recreation	637,084	1,193,846	1,474,667	2,394,212	2,540,949	2,640,777	3,868,249	3,109,228	3,324,066	3,416,305
Claims and judgements	600,000	-	-	-	-	-	-	-	-	-
Capital Outlay	5,537,058	3,628,630	8,094,782	-	-	-	-	10,662,190	13,090,313	11,332,914
Debt Service	-	-	-	-	-	-	-	-	-	-
Principal retirement	480,000	1,120,000	1,596,456	516,960	541,290	2,559,190	2,856,595	1,077,813	3,403,102	938,900
Interest and fiscal charges	355,782	616,880	932,124	564,798	426,472	589,725	731,358	921,205	907,658	1,034,061
Bond Issuance costs	-	800,879	-	-	93,415	251,327	107,897	28,868	-	-
Total expenditures	19,809,510	24,888,868	29,884,401	27,862,695	36,022,140	43,533,587	42,963,531	38,395,984	47,149,676	44,446,357
Excess of revenues over (under) expenditures	\$ 2,253,276	\$ (2,610,351)	\$ (4,483,593)	\$ (6,276,299)	\$ 1,818,458	\$ (471,581)	\$ (6,948,210)	\$ 4,040,874	\$ 125,355	\$ (6,802,348)

	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Other Financing Sources (Uses)										
Premium on bonds issued	-	-	-	-	-	-	-	25,719	-	-
Proceeds from certificates of participation	-	-	-	-	-	-	-	-	-	-
Proceeds from capital lease agreements	-	-	-	-	-	-	-	-	-	-
Proceeds from sale of bonds	-	12,671,460	-	-	-	-	-	-	-	-
Proceeds from loan	-	-	-	1,716,000	-	-	-	-	-	-
Issuance of long-term loan payable	-	-	-	-	5,000,000	4,030,033	-	-	8,000,000	-
Payment to refunded debt	-	-	-	-	5,572,700	-	-	1,389,180	-	-
Payment to refunded debt escrow agent	-	-	-	-	(5,478,016)	-	-	(1,540,438)	-	-
Transfers in	1,616,810	1,943,504	1,155,104	1,328,148	1,182,168	1,105,422	4,164,050	2,927,754	8,447,951	1,950,898
Transfers out	(1,616,810)	(1,943,504)	(1,155,104)	(1,328,148)	(1,246,168)	(1,196,616)	(1,328,347)	(2,857,941)	(6,847,951)	(1,950,898)
Total other financing sources (uses)	-	12,671,460	-	1,716,000	5,030,684	3,938,839	4,084,272	(55,726)	9,600,000	-
Net change in fund balances	\$ 2,253,276	\$ 10,061,109	\$ (4,483,593)	\$ (4,560,299)	\$ 6,849,142	\$ 3,467,258	\$ (2,863,938)	\$ 3,985,148	\$ 9,725,355	\$ (6,802,348)
Debt service as a percentage of noncapital expenditures	4.54%	12.92%	10.56%	4.45%	5.06%	14.09%	13.41%	7.27%	12.51%	5.88%

Source: Town of Oro Valley Finance Department

TOWN OF ORO VALLEY, ARIZONA
 PRINCIPAL EMPLOYERS
 JUNE 30, 2009
 (UNAUDITED)

Employer	2009			2008		
	Employees	Rank	Percentage of Total Town Employment	Employees	Rank	Percentage of Total Town Employment
Ventana Medical Systems	680	1	4.43%			
Hilton El Conquistador Resort	600	2	3.91%	615	1	4.59%
Amphitheater Public Schools	577	3	3.76%	226	3	1.69%
Northwest Medical Center Oro Valley	560	4	3.65%			
Town of Oro Valley	416	5	2.71%	223	4	1.67%
Fry's Food Stores	220	6	1.43%	232	2	1.73%
Home Depot	150	7	0.98%	113	8	0.84%
Target	135	8	0.88%	120	6	0.90%
Long Realty	125	9	0.81%			
Stone Canyon Golf/Golf Club at Vistoso	80	10	0.52%			
Hilton El Conquistador Country Club				135	5	1.01%
Vanguard Automation				117	7	0.87%
Oro Valley Country Club				100	10	0.75%
Securaplane				110	9	0.82%
Total	3,543		23.08%	1,991		14.87%

Source: Principal Employers Arizona Workforce Informer

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

Taxpayer	Business Type	Fiscal Year 2009			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	\$ 1,236,482	1	8.14%	\$ 1,086,800	1	11.66%
Taxpayer B	Construction	696,401	2	4.58%			
Taxpayer C	Construction	672,816	3	4.43%			
Taxpayer D	Utility	665,065	4	4.38%			
Taxpayer E	Retail Trade	543,183	5	3.57%	584,705	3	6.27%
Taxpayer F	Retail Trade	517,200	6	3.40%			
Taxpayer G	Retail Trade	488,700	7	3.22%	532,775	4	5.72%
Taxpayer H	Construction	358,422	8	2.36%			
Taxpayer I	Construction	324,965	9	2.14%			
Taxpayer J	Construction	320,056	10	2.11%			
Taxpayer K	Construction				727,681	2	7.81%
Taxpayer L	Retail Trade				221,823	5	2.38%
Taxpayer M	Construction				214,447	6	2.30%
Taxpayer N	Construction				179,052	7	1.92%
Taxpayer O	Retail Trade				162,693	8	1.75%
Taxpayer P	Retail Trade				157,634	9	1.69%
Taxpayer Q	Construction				123,461	10	1.32%
Total		\$ 5,823,290		38.33%	\$ 3,991,071		42.82%

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

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

	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Construction	\$ 3,023	\$ 2,913	\$ 2,779	\$ 1,978	\$ 3,014	\$ 3,594	\$ 5,602	\$ 6,895	\$ 7,038	\$ 5,143
Manufacturing	3	2	6	4	29	137	165	181	280	230
Transportation, Warehousing, Communications & Utilities	28	32	55	101	50	116	91	226	1,279	1,632
Wholesale Trade	13	13	61	31	46	54	56	58	69	54
Retail Trade	1,497	1,763	1,877	2,086	2,722	2,942	3,229	3,665	4,017	4,264
Restaurants, Bars & Lodging	1,053	1,082	1,250	1,354	1,556	1,888	2,392	2,720	2,775	2,333
Finance, Insurance & Real Estate	25	73	45	62	101	142	155	859	496	324
Services	221	257	258	285	393	379	262	313	312	322
All Other	51	(3)	42	50	(13)	68	197	167	337	896
Cable Franchise	225	263	302	342	372	402	435	478	517	507
Total	\$ 6,139	\$ 6,395	\$ 6,675	\$ 6,293	\$ 8,270	\$ 9,722	\$ 12,584	\$ 15,562	\$ 17,120	\$ 15,705
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
2000	2.00%	1.00%	2.00%	0.00%	5.60%
2001	2.00%	3.00%	2.00%	0.00%	5.60%
2002	2.00%	3.00%	2.00%	0.00%	5.60%
2003	2.00%	3.00%	2.00%	0.00%	5.60%
2004	2.00%	3.00%	4.00%	0.00%	5.60%
2005	2.00%	3.00%	4.00%	0.00%	5.60%
2006	2.00%	6.00%	4.00%	0.00%	6.10%
2007	2.00%	6.00%	4.00%	2.00%	6.10%
2008	2.00%	6.00%	4.00%	2.00%	6.10%
2009	2.00%	6.00%	4.00%	2.00%	6.10%

Source: Arizona Department of Revenue

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

Fiscal Year	Governmental Activities					Business-Type Activities					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				
2000	\$ 17,781	\$ 4,655,000	\$ -	\$ 1,625,000	\$ -	\$ 30,414,029	\$ -	\$ 11,915	\$ -	\$ 36,723,725	3.86%	\$ 1,236	
2001	-	4,500,000	-	13,372,532	-	35,571,738	-	-	-	53,444,270	5.45%	1,799	
2002	-	4,340,000	-	11,936,076	-	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	

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, 2009
(UNAUDITED)

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Pima County	\$ 388,031,000	7.05%	\$ 27,362,531
Pima County Community College District	38,773,000	7.05%	2,734,131
Pima County Flood Control District	725,000	7.05%	51,124
Amphitheater Unified School District No. 10	46,705,000	39.48%	18,440,961
Town of Oro Valley	22,809,146	100.00%	22,809,146
Total direct and overlapping debt			<u>\$ 71,397,893</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 2008-09.

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

	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Debt Limit	\$ 57,378,681	\$ 66,881,032	\$ 76,608,850	\$ 84,941,970	\$ 93,101,081	\$ 108,807,180	\$ 120,435,053	\$ 151,537,994	\$ 178,543,952	\$ 180,420,396
Total net debt applicable to limit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Legal debt margin	\$ 57,378,681	\$ 66,881,032	\$ 76,608,850	\$ 84,941,970	\$ 93,101,081	\$ 108,807,180	\$ 120,435,053	\$ 151,537,994	\$ 178,543,952	\$ 180,420,396
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, 2009
 (UNAUDITED)

Net secondary assessed valuation		\$ 693,924,598
<div style="text-align: center; border-bottom: 1px solid black; margin-bottom: 5px;"> Water, Sewer, Light, Parks, Open Space and Recreational Facility Bonds </div>		
Debt limit - 20% of secondary net assessed valuation		\$ 138,784,920
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		\$ 138,784,920
<div style="text-align: center; border-bottom: 1px solid black; margin-bottom: 5px;"> All other general obligation bonds </div>		
Debt Limit - 6% of secondary net assessed valuation		41,635,476
Debt applicable to limit		
General obligation bonds outstanding	\$ -	
Less amount set aside for repayment of debt	-	
Net debt applicable to limit		-
All other general obligation bonds debt margin		41,635,476
Total legal debt margin		\$ 180,420,396

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	
2000	\$ 8,706,515	\$ 425,000	\$ 1,627,675	\$ 2,052,675	4.24
2001	8,330,951	1,683,544	1,926,914	3,610,458	2.31
2002	9,435,130	1,768,040	2,173,192	3,941,232	2.39
2003	10,380,720	1,578,040	2,395,359	3,973,399	2.61
2004	12,202,664	1,478,710	2,650,195	4,128,905	2.96
2005	12,544,928	1,473,710	2,949,409	4,423,119	2.84
2006	14,989,621	1,907,362	2,888,226	4,795,588	3.13
2007	14,810,173	2,336,330	2,552,081	4,888,411	3.03
2008	17,668,212	1,981,898	2,452,583	4,434,481	3.98
2009	16,223,544	2,011,100	2,784,444	4,795,544	3.38

Governmental Revenue Bonds

Fiscal Year	Gross Revenues	Debt Service			Coverage
		Principal	Interest	Total	
2000	\$ 14,300,536	\$ -	\$ 40,606	\$ 40,606	352.18
2001	15,220,985	140,000	65,935	205,935	73.91
2002	16,268,695	486,456	320,846	807,302	20.15
2003	16,435,018	346,960	320,599	667,559	24.62
2004	19,837,894	361,290	386,228	747,518	26.54
2005	21,011,720	456,290	433,108	889,398	23.62
2006	25,018,727	452,638	415,640	868,278	28.81
2007	29,200,152	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

Certificates of Participation

Fiscal Year	Gross Revenues	Debt Service			Coverage
		Principal	Interest	Total	
2000	\$ 14,300,536	\$ 390,000	\$ 271,756	\$ 661,756	21.61
2001	15,220,985	155,000	253,322	408,322	37.28
2002	16,268,695	160,000	245,938	405,938	40.08
2003	16,435,018	170,000	237,994	407,994	40.28
2004	19,837,894	180,000	15,768	195,768	101.33
2005	21,011,720	190,000	26,690	216,690	96.97
2006	25,018,727	205,000	16,566	221,566	112.92
2007	29,200,152	-	-	-	0.00
2008	30,629,130	-	-	-	0.00
2009	28,084,482	-	-	-	0.00

Special Assessment

Fiscal Year	Gross Revenues	Debt Service			Coverage
		Principal	Interest	Total	
2000	\$ 5,048	\$ 90,000	\$ 6,525	\$ 96,525	0.05
2001	-	-	-	-	0.00
2002	-	-	-	-	0.00
2003	-	-	-	-	0.00
2004	-	-	-	-	0.00
2005	-	-	-	-	0.00
2006	-	-	176,967	176,967	0.00
2007	379,840	185,000	186,828	371,828	1.02
2008	365,810	195,000	177,577	372,577	0.98
2009	367,539	205,000	248,429	453,429	0.81

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
2000	29,700	\$ 952,420,194	\$ 32,068	1.9%
2001	29,700	980,992,800	33,030	2.0%
2002	34,050	1,158,413,770	34,021	2.0%
2003	37,260	1,305,649,691	35,042	2.9%
2004	37,700	1,360,700,031	36,093	2.6%
2005	39,310	1,461,373,787	37,176	2.5%
2006	40,215	1,539,868,259	38,291	3.0%
2007	42,551	1,678,195,258	39,440	2.6%
2008	43,651	1,773,226,205	40,623	3.0%
2009	43,694	1,828,222,176	41,841	5.1%

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

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

Function/Program	Full-time Equivalent Employees as of June 30									
	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Administration										
Town Clerk	4.60	4.60	4.60	4.50	4.50	4.00	4.00	4.00	4.00	4.00
Town Manager	8.70	8.10	6.00	6.00	5.00	4.00	4.00	3.00	3.00	3.00
Human Resources	4.00	4.00	4.00	3.00	3.00	3.00	3.00	2.50	3.00	2.50
Economic Development	1.40	2.25	2.25	2.00	2.00	2.00	2.00	2.00	1.00	1.25
Finance	9.00	9.00	8.00	7.50	7.50	7.50	7.50	7.50	6.00	6.25
Information Systems	7.00	8.00	5.00	4.00	4.00	2.00	2.00	2.00	2.50	2.00
Legal	10.00	10.25	10.25	10.25	6.25	8.00	9.00	9.00	7.00	6.00
Community Development										
Building Safety	16.00	18.00	17.00	16.00	16.00	17.00	17.00	17.00	17.00	14.00
Community Development Admin.	0.00	0.00	0.00	4.00	4.00	4.00	4.00	4.00	4.00	3.00
Planning & Zoning	16.00	16.00	14.00	13.50	13.50	13.50	14.00	14.50	16.50	15.50
Parks and Recreation										
Library	19.70	19.40	19.30	19.43	14.00	14.00	14.00	14.00	3.00	1.00
Police										
Civilians	34.30	34.00	34.00	29.00	28.00	29.00	29.00	26.00	32.00	24.00
Officers	103.50	108.00	105.00	96.00	92.00	88.00	74.00	74.00	68.00	69.50
Magistrate Court										
Public Works	52.20	56.10	53.13	54.00	51.50	28.50	33.00	33.00	32.50	15.00
Water Utility	35.80	35.50	35.50	34.00	34.00	33.00	33.00	32.00	28.00	26.00
Total	358.80	369.80	353.53	332.48	314.55	285.30	277.30	272.30	250.50	213.00

Source: Town of Oro Valley Finance Department

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

Fiscal Year	Residential	Commercial	Irrigation	Irrigation Reclaimed	Construction	Construction Reclaimed	Turf	Turf Reclaimed	Wholesale/Unmetered	Total
2000	\$ 4,017,640	\$ 366,779	\$ 492,441	\$ -	\$ 229,414	\$ -	\$ 967,720	\$ -	\$ 45,884	\$ 6,119,878
2001	4,513,444	402,707	537,148	-	285,503	-	933,629	-	47,235	6,719,666
2002	5,529,185	494,372	682,995	-	245,267	-	1,168,697	-	-	8,120,516
2003	6,004,443	500,836	686,857	-	199,075	-	1,156,792	-	51,296	8,599,299
2004	6,396,018	499,034	751,420	-	253,128	-	1,140,124	-	53,346	9,093,070
2005	6,758,806	515,989	833,179	-	401,095	-	1,200,402	-	-	9,709,471
2006	7,227,509	614,474	921,364	-	368,784	-	940,753	670,968	1,235	10,745,087
2007	7,187,885	614,404	978,556	1,555	542,879	-	680,833	1,015,709	-	11,021,820
2008	7,511,067	667,910	1,146,222	796	652,446	1,630	666,558	1,039,969	-	11,686,598
2009	7,573,960	749,019	1,093,852	9,007	349,994	3,757	265,413	1,389,783	-	11,434,785

Source: Town of Oro Valley Water Utility Department

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

Function/Program	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Police										
Burglaries	46	38	52	69	94	124	97	112	125	125
Citations (traffic)	8,317	5,636	5,237	8,195	9,413	8,660	8,203	8,183	7,497	9,256
* Investigations	6,317	7,751	6,350	4,719	3,788	4,216	5,106	6,656	6,892	917
Total Arrests	2,350	2,314	2,011	2,156	2,184	2,076	2,053	2,236	2,254	2,478
Thefts	344	368	432	448	572	580	568	575	577	528
Public Works										
Street resurfacing (miles)	3.6	3.0	16.4	14.0	8.0	17.3	5.4	7.7	10.5	53.4
Parks and Recreation										
Recreation Programs Held Annually	3	5	16	21	23	30	38	42	46	46
Months of Public Pool Operations	0	10	10	10	10	10	10	10	10	10
Parks Maintenance Man-Hours Worked	13,520	13,520	13,520	13,520	13,520	13,520	13,520	15,600	17,472	16,288
Library										
Collection volume	N/A	N/A	65,000	70,000	75,000	80,000	86,000	90,000	96,000	95,750
Water										
New connections	1,006	787	507	470	533	377	508	367	346	196
Total connections	14,281	15,068	15,575	16,045	16,578	16,955	17,463	17,830	18,177	18,373
Transit										
Total route miles	122,405	154,167	180,087	167,313	177,283	190,609	165,202	165,202	175,841	163,964
Passengers	8,143	11,000	13,524	12,486	13,991	15,937	14,387	14,858	16,908	17,101

Source: Town of Oro Valley Finance Department

* In January 2008, the method for compiling "Investigations" changed

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>
2000	\$ 10.81	\$ 1.73	\$ 1.85	N/A	N/A	N/A
2001	11.25	1.78	2.08	\$ 2.31	N/A	N/A
2002	12.00	1.90	2.35	3.00	N/A	N/A
2003	12.00	1.90	2.35	3.00	N/A	N/A
2004	12.30	1.92	2.55	3.25	N/A	\$ 0.21
2005	12.65	1.98	2.68	3.58	N/A	0.21
2006	12.65	1.98	2.68	3.58	N/A	0.21
2007	13.25	2.08	2.81	3.76	N/A	0.25
2008	13.25	2.08	2.81	3.76	\$ 5.00	0.40
2009	13.91	2.18	2.95	3.95	5.25	0.55

Source: Town of Oro Valley Water Utility

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

Function/Program	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Substations	2	2	2	2	3	3	2	2	2	2
Patrol units	58	66	78	83	93	103	105	105	113	109
Public works										
Streets (miles)	152.4	156.9	167.5	175.7	182.7	188.0	191.3	201.9	220.1	220.1
Streetlights	139	147	163	163	171	187	187	193	218	253
Traffic signals	4	5	7	7	8	10	10	15	16	16
Parks and recreation										
Acreage	47	47	87	87	87	87	300	300	300	300
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	22	24	25	25	21	22	22	22	19	22
Storage capacity (MG)	10	11	13	14	16	17	17	17.5	18	19
Booster capacity	21	23	24	26	29	28	28	28	27	27
Transit										
Transit vans	7	8	8	8	8	9	9	9	9	9

Source: Town of Oro Valley Finance Department