

**TOWN OF ORO VALLEY, ARIZONA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**TOWN OF ORO VALLEY, ARIZONA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Prepared by:

Finance Department

Stacey Lemos, CPA  
Finance Director

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## **INTRODUCTORY SECTION**

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TOWN OF ORO VALLEY  
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ORO VALLEY, ARIZONA 85737  
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[www.townoforovalley.com](http://www.townoforovalley.com)

November 23, 2010

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, 2010.

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, 2010, 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, 2010, 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 43,521.

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 March of 2010.

The annual operating budget serves as the foundation for the Town's financial planning and control. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual operating budget approved by the Town Council. The Town's proposed operating budget is presented to the Town Council for review throughout the budget cycle starting in January and 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.

## MAJOR INITIATIVES AND ACCOMPLISHMENTS FOR THE YEAR

Oro Valley's current Strategic Plan follows four focus areas:

- **Financial and Economic Sustainability**  
Council and management are focused on efforts to stimulate local economic development, strengthen business retention and improve the business climate of the Town to improve business attraction.
- **Quality of Life and Environmental Sustainability**  
The Town is making considerable strides towards clean energy and energy efficiency with town-wide upgrades to facilities and the issuance of Clean Renewable Energy Bonds to finance the installation of solar photovoltaic panels as covered parking.
- **Community Infrastructure**  
The Town's energy efficiency upgrades allow for improvements to Town facilities with zero fiscal impact to the Town. This is a self-sustaining capital improvement project that involves smart one-time use of contingency reserves to be recouped with energy savings. To address current and future transportation demands, the widening of Lambert Lane will commence in FY 2010-11 with bonds that will be repaid with Pima Association of Governments (PAG) regional funding. Oro Valley continues to pursue delivery of Central Arizona Project (CAP) water to the town and continues investigating the most economical way to achieve that.
- **Leadership and Communication**  
Town will continue to communicate with residents through its monthly Town newsletter, *The Oro Valley Vista*, which is produced electronically and posted on the Town's website. Something new in the way of communication is our financial dashboard. This provides a snapshot of the Town's financial condition, and is posted on the Town Finance Department's website on a monthly basis.

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

### Town Council

Approved energy efficiency project funding

- Approved resources conservation measures including residential gray water and solar-ready ordinances
- Approved \$3.4M loan from the State Water Infrastructure Finance Authority (WIFA) for water utility improvements
- Initiated Granicus video streaming of all Council Chamber meetings

### Town Clerk

- Implementation of Agenda Quick software program to automate Council agenda and packet preparation

## Town Manager

- Secured the groundbreaking of BASIS Charter School
- Expanded businesses in Oro Valley Marketplace and other commercial and office districts
- Completed the Steam Pump Ranch Historical Gardens project
- Performed energy audit and began implementation of energy efficiency plans

## Police

- Dispose-A-Med program became a national model and has guided other organizations seeking to develop prescription medicine disposal programs
- School Resource Office CSI program continues to gain notoriety through statewide regional competitions.
- Received \$55,170 in funding through the application of grants, which were used to provide services to the community and equipment for the staff

## Planning & Zoning

- Steam Pump Ranch listed on National Register of Historic Places
- Completed Environmentally Sensitive Lands ordinance
- Developed Town Energy Efficiency Conservation Strategy

## Parks & Recreation

- Implemented new ramada reservation process, increasing revenues and enhancing customer service
- Obtained grants from Arizona Department of Transportation (ADOT) and Regional Transportation Authority (RTA) for Canada Del Oro Shared Use Path Final Phase
- Obtained funding for Calle Concordia Bike Lane project through RTA funding

## Public Works

- Crack sealed 100 lane miles of paved streets
- Completed surface treatments of roads in several subdivisions
- Received \$485K from Pima County Regional Flood Control District for two drainage improvement projects
- Completion of Hardy/Northern roundabout intersection

## Water Utility

- Reduced annual debt service payments by early defeasance of 1999 and 2001 bonds
- Installed additional water system security features and updated the Emergency Response plan
- Received WIFA loan to finance \$3,403,000 in capital improvements
- The Utility took 4,000 water quality samples with all results meeting federal, state, and local water quality regulations

## **ECONOMIC CONDITIONS AND OUTLOOK**

The Town continues to be heavily reliant on local sales taxes, as well as state-shared sales and income taxes. The State's ominous budget crisis predicts continued declines in state-shared revenues for the Town and will weigh significantly on the Town's fiscal condition. In FY 2009-10, the State permanently eliminated Local Transportation Assistance Funds (LTAF), which the Town relied upon to support its local transportation system, Coyote Run. Council approved an increased subsidy from the Town's General Fund to preserve local transportation service levels in FY 2010-11 and will continue to work with our regional transportation partners to find a solution for continuing this valuable service to our community in future years.

As the Town approaches build out, residential and commercial construction will continue to decline. Single family residential permits have dropped precipitously from 422 in FY 2004-05 to 75 budgeted for FY 2010-11 and resulted in double-digit decreases in construction sales taxes over the last two years.

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

### **Local Economy.**

The Town continues to provide services and programs without a property tax to fund operations. One reason why construction sales tax is going down is due to the completion of an 800,000 square foot commercial shopping center in FY 2008-09, the Oro Valley Marketplace. However, a silver lining appears as a result of the increase in retail opportunities, with steady year-over-year increases in retail sales tax collections over the past 36 months.

The Town is anticipating future growth in its bio-science sector with expansion not only among our international pharmaceutical corporate citizens, but the arrival of a research outgrowth of the University of Arizona, BIO5 Oro Valley. These jobs may add to Oro Valley's higher median income base and generate increased local demand in our housing industry and retail sectors. Coupled with this clean-industry and research sector growth has been the realization that the Town must facilitate competitive public education offerings to complement our community values and lifestyle amenities. To this end, our officials have worked hard the past two years to draw nationally recognized K-12 programs and can now boast the International Baccalaureate program offered in one of our high schools by Amphitheater School District and the nationally acclaimed public charter school, BASIS Oro Valley.

A continuing priority for the Town Council is the potential annexation of 9,100 acres (14 square miles) of State Trust Land to the north of Oro Valley, referred to as the Arroyo Grande Annexation. After making progress towards the annexation in FY 2008-09, the process is currently hampered by the State's budget crisis and the staffing reductions made in the State Land Department. Officials will make every effort to keep the process moving forward. Additionally, an annexation team has been charged with exploring new opportunities for Town boundary expansions that make economic sense.

## **Long-term financial planning.**

The Home Rule option was approved by voters in 2010, allowing the Town to set its budget limits locally, rather than by the State at an artificially low rate, utilizing all available resources for providing services to the community. Balancing resources against our residents' expectations for services will be an ongoing challenge because we have chosen not to have a property tax and rely heavily on other funding sources that can fluctuate dramatically. This fact will continue to be a decisive driver of future policy and service-level decisions. Finding ways to reduce or wipe out structural budget deficits caused by an excess of recurring expenditures over incoming revenues is critical for continued financial sustainability. To assist in the decision-making process, performance measures implemented in the FY 2010-11 budget will allow our elected officials to make data-driven decisions with regard to future service levels and program delivery, decisions that will become more critical with fewer resources in the future.

The next several years will likely be focused on increased attention to local economic development utilizing re-engineered and innovative approaches. Preserving strong contingency reserves within all of our Town funds is a philosophical and operational cornerstone. We will continue to communicate the Town's budget performance to our residents and the Mayor and Town Council on a monthly basis. Frequent updates of the Town's five-year financial forecast are planned as well as continuing to foster a learning culture by utilizing our employees in an Employee Budget Focus team, Innovations Team or Solutions Squads in order to maintain a proactive, rather than reactive, approach in addressing the dynamic economic climate.

## **AWARDS AND ACKNOWLEDGMENTS**

**Award.** The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Oro Valley for its comprehensive annual financial report for the year ended June 30, 2009. This was the sixteenth 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.

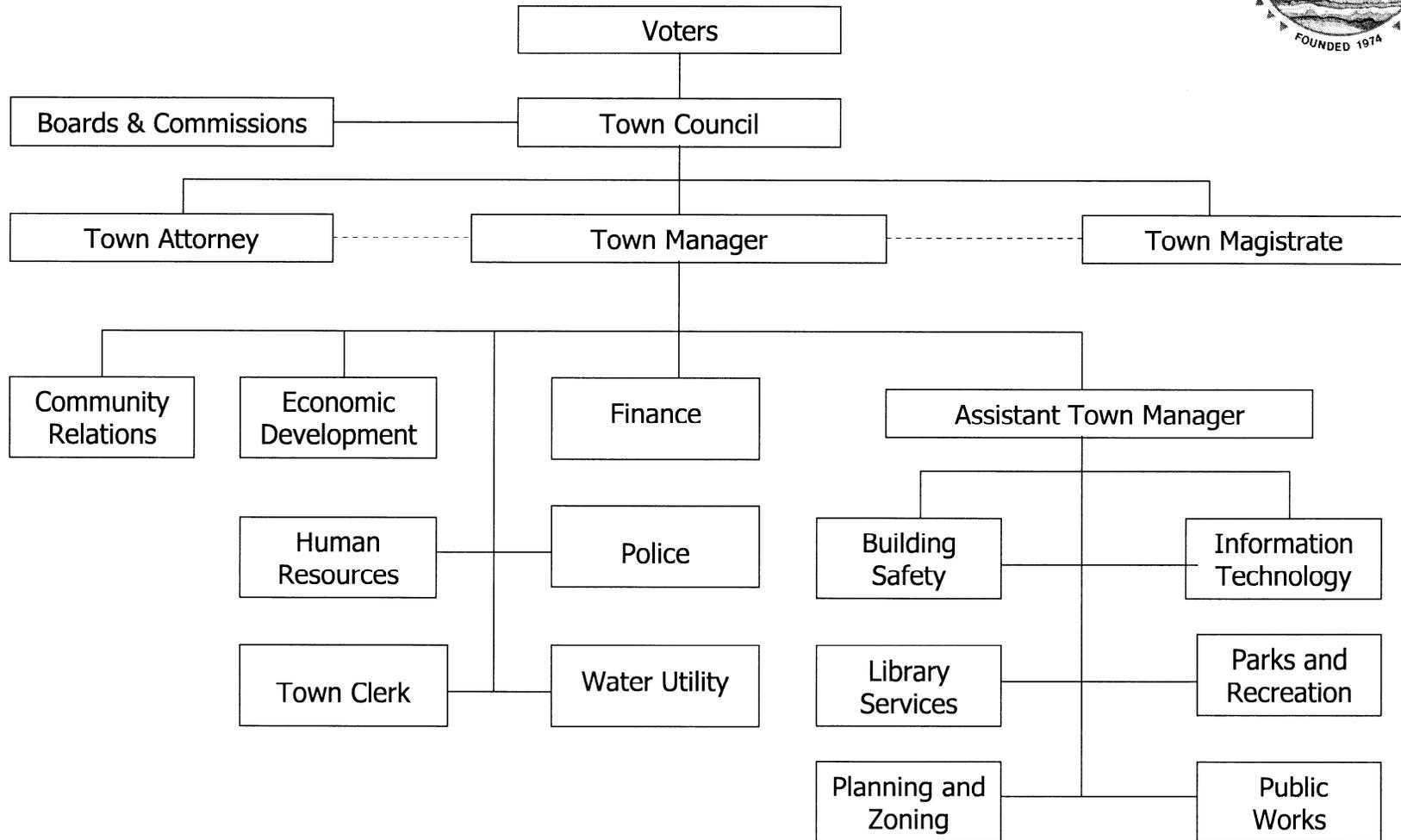
Respectfully submitted,

  
Jerene Watson  
Town Manager

  
Stacey Lemos, CPA  
Finance Director

# Town of Oro Valley Organization Chart

## FY 2009 - 2010



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

**ELECTED OFFICIALS**

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

**DEPARTMENT HEADS**

Town Manager	Jerene Watson
Finance Director	Stacey Lemos, CPA
Human Resources Director	Betty Dickens
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	Vacant
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, 2009

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 stylized, handwritten signature in black ink, appearing to read "JEFFREY R. EMER".

President

A handwritten signature in black ink, clearly legible as "Jeffrey R. Emer".

Executive Director

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## **FINANCIAL SECTION**

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

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

## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Oro Valley, Arizona (Town), as of and for the year ended June 30, 2010, 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, 2010, 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 23, 2010 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

*Heinfeld, Meech & Co., P.C.*

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

November 23, 2010

**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, 2010**

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, 2010. 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 2009-10 as follows.

- The Town's total net assets of governmental activities decreased \$917,126 to \$153.3 million and business-type activities increased \$3.2 million to \$55.8 million representing 73 percent and 27 percent respectively, of the total net assets of \$209.1 million.
- General revenues from governmental activities accounted for \$23.6 million in revenue, or 63 percent of all revenues from governmental activities. Program specific revenues in the form of charges for services and grants and contributions accounted for \$13.8 million or 37 percent of total governmental activities revenues. The Town had \$16.4 million of program revenues and \$72,244 in general revenues related to business-type activities.
- The Town had \$38.3 million in expenses related to governmental activities, a decrease of 2 percent from the prior fiscal year. The Town had \$13.3 million in expenses related to business-type activities a decrease of 5 percent from the prior fiscal year.
- Among major funds, the General Fund had \$25.7 million in revenues, which primarily consisted of sales taxes and intergovernmental revenues. The total expenditures of the General Fund were \$25.5 million. The General Fund's fund balance decreased from \$15.9 million to \$11.9 million, due primarily to a transfer of fund balance to the Municipal Debt Service Fund for the defeasance of revenue bonds.
- The Highway User Revenue Fund, had \$3.8 million in revenues, which primarily consisted of intergovernmental revenues. The total expenditures of the Highway User Revenue Fund were \$3.6 million.
- The Municipal Debt Service Fund's fund balance increased \$1.8 million to \$1.9 million due primarily to transfers in of \$9.2 million for the defeasance of revenue bonds. Total expenditures for the Municipal Debt Service Fund were \$7.5 million.
- The Townwide Roadway Development Impact Fee Fund had \$4.4 million in revenues, which primarily consisted of intergovernmental revenues. The total expenditures of the Townwide Roadway Development Impact Fee Fund were \$4.4 million.
- The Water Fund operating revenues of \$14.4 million exceeded operating expenses of \$10.1 million. The change in net assets of \$2.7 million was due to operating income of \$4.2 million and capital contributions from line extension agreements of \$362,273.

**TOWN OF ORO VALLEY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2010**

**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, 2010**

**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, Municipal Debt Service, Oracle Road Debt Service, and Townwide Roadway Development Impact Fees Funds, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements and schedules.

**Proprietary funds.** The Town of Oro Valley maintains two types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Oro Valley uses enterprise funds to account for its Oro Valley Water Utility and Stormwater Utility. The Town uses an internal service fund to account for its fleet maintenance services. Because these services predominately benefit governmental rather than business-type functions, it has been included within governmental activities in the government-wide financial statements.

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

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

**TOWN OF ORO VALLEY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2010**

**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 \$209.1 million as of the current fiscal year end.

The largest portion of the Town's net assets (76 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 following table presents a summary of the Town's net assets for the fiscal years ended June 30, 2010 and June 30, 2009.

	2010	2009	2010	2009	2010 Total	2009 Total
	Governmental Activities	Governmental Activities	Business-type Activities	Business-type Activities		
Current and other assets	\$ 30,638,869	\$ 39,513,022	\$ 27,124,402	\$ 28,435,788	\$ 57,763,271	\$ 67,948,810
Capital assets, net	141,309,940	143,325,108	91,505,866	91,683,772	232,815,806	235,008,880
<b>Total assets, net</b>	<u>171,948,809</u>	<u>182,838,130</u>	<u>118,630,268</u>	<u>120,119,560</u>	<u>290,579,077</u>	<u>302,957,690</u>
Current and other liabilities	8,120,707	6,291,123	6,413,489	6,011,823	14,534,196	12,302,946
Long-term liabilities	10,556,342	22,358,121	56,428,637	61,501,003	66,984,979	83,859,124
<b>Total liabilities</b>	<u>18,677,049</u>	<u>28,649,244</u>	<u>62,842,126</u>	<u>67,512,826</u>	<u>81,519,175</u>	<u>96,162,070</u>
Invested in capital assets, net of related debt	127,712,057	120,515,962	31,383,715	28,212,750	159,095,772	148,728,712
Restricted	9,580,610	7,537,331			9,580,610	7,537,331
Unrestricted	15,979,093	26,135,593	24,404,427	24,393,984	40,383,520	50,529,577
<b>Total net assets</b>	<u>\$ 153,271,760</u>	<u>\$ 154,188,886</u>	<u>\$ 55,788,142</u>	<u>\$ 52,606,734</u>	<u>\$ 209,059,902</u>	<u>\$ 206,795,620</u>

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

- The addition of \$2.6 million in business-type activities capital assets through improvements to the existing water system.
- The addition of \$5.1 million in governmental activities capital assets, including \$4.4 million for infrastructure. Additions to infrastructure assets consisted of \$2.2 million for street improvements and \$2.2 million in contributed capital from developers for subdivisions.
- The decrease of \$9.2 million in governmental activities long-term debt was due mainly to the defeasance of the 2000, 2001 and 2003 Refunding Revenue Bonds.
- The decrease of \$4.7 million in business-type activities long-term debt was due mainly to the defeasance of the 1999 and 2001 Revenue Bonds.

**TOWN OF ORO VALLEY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2010**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Cont'd)**

**Changes in net assets.** The Town's total revenues for the current fiscal year were \$53.9 million. The total cost of all programs and services was \$51.6 million. The following table presents a summary of the changes in net assets for the fiscal years ended June 30, 2010 and June 30, 2009.

	2010 Governmental Activities	2009 Governmental Activities	2010 Business-type Activities	2009 Business-type Activities	2010 Total	2009 Total
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 2,547,309	\$ 3,149,867	\$ 16,064,022	\$ 16,844,741	\$ 18,611,331	\$19,994,608
Operating grants and contributions	4,728,050	5,392,667			4,728,050	5,392,667
Capital grants and contributions	6,514,602	1,781,571	362,273	3,697,229	6,876,875	5,478,800
General revenues:						
Sales taxes	12,970,865	15,376,408			12,970,865	15,376,408
Franchise taxes	509,285	506,685			509,285	506,685
Impact fees	584,113	441,020			584,113	441,020
Unrestricted state shared revenues	9,462,464	10,676,796			9,462,464	10,676,796
Investment earnings	95,625	113,995	72,244	128,083	167,869	242,078
<b>Total revenues</b>	<u>37,412,313</u>	<u>37,439,009</u>	<u>16,498,539</u>	<u>20,670,053</u>	<u>53,910,852</u>	<u>58,109,062</u>
<b>Expenses:</b>						
General government	9,950,053	9,936,639			9,950,053	9,936,639
Public safety	13,730,593	15,019,980			13,730,593	15,019,980
Highways and streets	9,353,689	9,481,040			9,353,689	9,481,040
Culture and recreation	3,527,949	3,806,555			3,527,949	3,806,555
Interest on long-term debt	1,767,155	954,645			1,767,155	954,645
Water			12,830,137	13,495,124	12,830,137	13,495,124
Stormwater drainage			486,994	494,166	486,994	494,166
<b>Total expenses</b>	<u>38,329,439</u>	<u>39,198,859</u>	<u>13,317,131</u>	<u>13,989,290</u>	<u>51,646,570</u>	<u>53,188,149</u>
<b>Change in net assets</b>	<u>\$ (917,126)</u>	<u>\$ (1,759,850)</u>	<u>\$ 3,181,408</u>	<u>\$ 6,680,763</u>	<u>\$ 2,264,282</u>	<u>\$ 4,920,913</u>

Total revenues decreased \$4.2 million, or 7 percent, primarily due to a reduction in collections in local sales taxes, building permit fees, and state income tax. The decrease of \$2.4 million in sales tax was largely due to a decline in construction sales tax collections. Building permit fees decreased by \$428,000 primarily due to a decline in commercial building activity, and state income tax decreased by \$799,000 due to current economic conditions. An increase in capital grants of \$1.4 million was primarily due to \$2.7 million received from the Pima Association of Governments for the payment of principal and interest on the Arizona Department of Transportation (ADOT) HELP Loan.

Expenses decreased \$1.5 million primarily due to staffing reductions and vacancies and savings in operations and maintenance costs in all Town departments.

**TOWN OF ORO VALLEY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2010**

**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.

	2010		2009	
	Total Expenses	Net (Expense)/ Revenue	Total Expenses	Net (Expense)/ Revenue
<b>Governmental Activities</b>				
General government	\$ 9,950,053	\$ (7,508,064)	\$ 9,936,639	\$ (6,900,795)
Public safety	13,730,593	(12,852,342)	15,019,980	(14,442,958)
Highways and streets	9,353,689	363,309	9,481,040	(3,536,920)
Culture and recreation	3,527,949	(2,775,226)	3,806,555	(3,039,436)
Interest on long-term debt	1,767,155	(1,767,155)	954,645	(954,645)
<b>Total</b>	<u>\$38,329,439</u>	<u>\$(24,539,478)</u>	<u>\$ 39,198,859</u>	<u>\$(28,874,754)</u>
<b>Business-type Activities</b>				
Water	\$12,830,137	\$ 2,668,920	\$ 13,495,124	\$ 6,300,191
Stormwater drainage	486,994	440,244	494,166	252,489
<b>Total</b>	<u>\$13,317,131</u>	<u>\$ 3,109,164</u>	<u>\$ 13,989,290</u>	<u>\$ 6,552,680</u>

- The cost of all governmental activities this year was \$38.3 million. The decrease of \$869,420 from the prior year was due primarily to the reduction in operational costs in public safety and increased intergovernmental grant revenues.
- The cost of all business-type activities this year was \$13.3 million. The decrease of \$672,159 from the prior year was primarily due to the reduction of operational costs in the water utility.
- Federal and State governments, developer contributions, and charges for services subsidized certain governmental programs and business-type programs with revenues of \$30.2 million.
- Net cost of governmental activities of \$24.5 million was financed by general revenues, which are made up of primarily sales taxes and state shared revenues of \$22.4 million.

**TOWN OF ORO VALLEY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2010**

**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 \$23.6 million, a decrease of \$7.4 million due to the \$6.3 million payment to bond escrow agent for the defeasance of revenue bonds.

The General Fund is the principal operating fund of the Town. The decrease in fund balance of \$4.0 million in the General Fund for the fiscal year to \$11.9 million, was due primarily to the transfer of fund balance to the Municipal Debt Service Fund for the defeasance of revenue bonds.

The fund balance of the Highway User Revenue Fund showed a decrease of \$31,338 to \$4.2 million for the current fiscal year.

The fund balance of the Municipal Debt Service Fund showed an increase of \$1.8 million to \$1.9 million due to transfers in for the defeasance of revenue bonds.

The Townwide Roadway Fund showed an increase of \$7,078 to \$2.3 million for the current fiscal year.

**Proprietary funds.** Net assets of the Enterprise Funds at the end of the year amounted to \$55.8 million. The increase of \$3.2 million from the prior fiscal year was primarily due to operating income of \$4.5 million.

**TOWN OF ORO VALLEY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2010**

**BUDGETARY HIGHLIGHTS**

There were no amendments to the Town of Oro Valley's fiscal year 2009-10 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 \$2.2 million in revenues was a result of a decline in construction sales tax, commercial building permit fees, and state income tax.
- The favorable variance of \$1.9 million in expenditures was a result of salary savings and operational cost savings in all departments.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** At year end, the Town had invested \$232.8 million in capital assets (net of accumulated depreciation), including buildings, facilities, vehicles, computers, equipment, and infrastructure assets. This amount represents a net decrease of \$2.2 million from last year, primarily due to depreciation of the Town's assets. Total depreciation expense for the year was \$9.9 million.

The following schedule presents capital asset balances for the fiscal years ended June 30, 2010 and June 30, 2009.

<u><b>Governmental Activities</b></u>	As of <u>June 30, 2010</u>	As of <u>June 30, 2009</u>
Land	\$ 18,878,468	\$ 18,878,468
Infrastructure	143,835,153	139,428,821
Buildings and improvements	19,962,664	19,871,218
Machinery, equipment, and vehicles	9,147,800	8,954,814
Construction in progress	3,913,137	3,569,261
Less: Accumulated depreciation	<u>(54,427,282)</u>	<u>(47,377,474)</u>
<b>Total</b>	<u>\$ 141,309,940</u>	<u>\$143,325,108</u>

**TOWN OF ORO VALLEY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2010**

**CAPITAL ASSETS AND DEBT ADMINISTRATION (Concl'd)**

<u>Business-type Activities</u>	As of June 30, 2010	As of June 30, 2009
Land	\$ 2,410,660	\$ 2,410,660
Water rights	8,534,490	8,534,490
Water system	98,839,269	97,496,342
Stormwater system	1,044,302	1,028,602
Equipment and vehicles	3,411,001	3,264,268
Construction in progress	1,699,004	613,499
Less: Accumulated depreciation	(24,432,860)	(21,664,089)
<b>Total</b>	<u>\$ 91,505,866</u>	<u>\$ 91,683,772</u>

Additional information on the Town's capital assets can be found in Note 4.

**Debt Administration.** At year end, the Town had \$72.3 million in long-term debt outstanding, \$6.8 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, 2010 and June 30, 2009.

	<u>Governmental Activities</u>	
	2010	2009
Revenue bonds	\$ 4,939,750	\$ 11,449,146
Special assessment bonds	3,145,000	3,360,000
Loan payable	5,513,133	8,000,000
<b>Total</b>	<u>\$ 13,597,883</u>	<u>\$ 22,809,146</u>

	<u>Business-type Activities</u>	
	2010	2009
Revenue bonds	\$ 52,305,500	\$ 57,575,854
Loan payable	6,305,650	5,788,122
Capital leases	123,883	107,046
	<u>\$ 58,735,033</u>	<u>\$ 63,471,022</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 5 through 9.

**TOWN OF ORO VALLEY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2010**

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

- The unemployment rate for the Town of Oro Valley is currently 6.2%. Pima County's and the State of Arizona's unemployment rates are 8.7% and 9.7%, respectively.
- The Town's secondary assessed valuation for the current year is \$693,924,598.
- Single family residential (SFR) building permits issued in this fiscal year totaled 65, as compared to 120 SFR building permits issued last fiscal year. Projections for SFR building permits are 75 for fiscal year 2010-11.

The adopted combined operating and capital expenditure budget for fiscal year 2010-11 totals \$116.2 million, a decrease of 4.4% over last year's budget of \$121.5 million. This decrease is attributed to the continued economic downturn causing a further drop in our major revenue sources: local sales taxes, state-shared revenues and residential and commercial permit fees. Emphasis was placed on streamlining service delivery, increasing operating efficiencies, and improving the structural balance of the Town's budget by reducing recurring expenditures to align with continued revenue reductions.

**CONTACTING THE TOWN'S FINANCIAL MANAGEMENT**

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

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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, 2010**

	Governmental Activities	Business-type Activities	Total
<b><u>ASSETS</u></b>			
Current assets:			
Cash and cash equivalents	\$ 24,529,378	\$ 21,963,048	\$ 46,492,426
Taxes receivable	871,726		871,726
Accounts receivable	423,479	2,348,906	2,772,385
Intergovernmental receivable	1,247,379		1,247,379
Special assessments	3,145,000		3,145,000
Loans receivable		122,000	122,000
Prepaid items	5,506		5,506
Total current assets	30,222,468	24,433,954	54,656,422
Noncurrent assets:			
Deferred bond charges	416,401	2,690,448	3,106,849
Capital assets, non-depreciable	22,791,605	12,644,154	35,435,759
Capital assets, depreciable (net)	118,518,335	78,861,712	197,380,047
Total noncurrent assets	141,726,341	94,196,314	235,922,655
<b>Total assets</b>	171,948,809	118,630,268	290,579,077
<b><u>LIABILITIES</u></b>			
Current liabilities:			
Accounts payable	2,042,164	559,665	2,601,829
Accrued wages and benefits	724,026	89,892	813,918
Intergovernmental payable	319,527	841,512	1,161,039
Interest payable		1,269,105	1,269,105
Unearned revenue	139,168		139,168
Customer deposits payable	216,952	180,189	397,141
Compensated absences	1,218,900	114,290	1,333,190
Capital leases payable		88,491	88,491
Loans payable	3,000,000	768,815	3,768,815
Special assessment bonds	225,000		225,000
Revenue bonds	234,970	2,501,530	2,736,500
Total current liabilities	8,120,707	6,413,489	14,534,196
Noncurrent liabilities:			
Compensated absences	343,791	58,876	402,667
Capital leases payable		35,392	35,392
Loans payable	2,513,133	5,536,835	8,049,968
Special assessment bonds	2,920,000		2,920,000
Deferred bond premium	74,638	993,564	1,068,202
Revenue bonds	4,704,780	49,803,970	54,508,750
Total non-current liabilities	10,556,342	56,428,637	66,984,979
<b>Total liabilities</b>	18,677,049	62,842,126	81,519,175
<b><u>NET ASSETS</u></b>			
Invested in capital assets, net of related debt	127,712,057	31,383,715	159,095,772
Restricted for:			
Public safety	472,183		472,183
Highways and streets	4,345,686		4,345,686
Capital outlay	2,771,997		2,771,997
Debt service	1,929,635		1,929,635
Other	61,109		61,109
Unrestricted	15,979,093	24,404,427	40,383,520
<b>Total net assets</b>	\$ 153,271,760	\$ 55,788,142	\$ 209,059,902

**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, 2010**

<b>Functions/Programs</b>	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Primary Government</b>					
Governmental activities:					
General government	\$ 9,950,053	\$ 2,261,815	\$ 135,163	\$ 45,011	\$ (7,508,064)
Public safety	13,730,593	28,785	849,466		(12,852,342)
Highway and streets	9,353,689	137,436	3,109,971	6,469,591	363,309
Culture and recreation	3,527,949	119,273	633,450		(2,775,226)
Interest on long-term debt	1,767,155				(1,767,155)
Total governmental activities	38,329,439	2,547,309	4,728,050	6,514,602	(24,539,478)
Business-type activities:					
Water	12,830,137	15,136,784		362,273	
Stormwater drainage	486,994	927,238			
Total business-type activities	13,317,131	16,064,022		362,273	
<b>Total primary government</b>	<b>\$ 51,646,570</b>	<b>\$ 18,611,331</b>	<b>\$ 4,728,050</b>	<b>\$ 6,876,875</b>	<b>(24,539,478)</b>
<b>General revenues:</b>					
Taxes:					
Sales taxes					
					12,970,865
Franchise taxes					
					509,285
Impact fees					
					584,113
Unrestricted state shared revenues					
					9,462,464
Investment earnings					
					95,625
<b>Total general revenues</b>					
					<b>23,622,352</b>
<b>Changes in net assets</b>					
					(917,126)
<b>Net assets, beginning of year</b>					
					154,188,886
<b>Net assets, end of year</b>					
					<b>\$153,271,760</b>

**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
\$	\$ (7,508,064)
	(12,852,342)
	363,309
	(2,775,226)
	(1,767,155)
	(24,539,478)
2,668,920	2,668,920
440,244	440,244
3,109,164	3,109,164
3,109,164	(21,430,314)
	12,970,865
	509,285
	584,113
	9,462,464
72,244	167,869
72,244	23,694,596
3,181,408	2,264,282
52,606,734	206,795,620
\$ 55,788,142	\$209,059,902

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**FUND FINANCIAL STATEMENTS**

**TOWN OF ORO VALLEY, ARIZONA  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2010**

	General Fund	HURF	Municipal Debt Service
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 11,846,102	\$ 4,647,289	\$ 1,917,911
Taxes receivable	871,726		
Accounts receivable	338,060	40,407	
Intergovernmental receivable	544,958	244,247	
Special assessments			
Prepaid items	5,506		
<b>Total assets</b>	<b>\$ 13,606,352</b>	<b>\$ 4,931,943</b>	<b>\$ 1,917,911</b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>			
Liabilities:			
Accounts payable	\$ 570,961	\$ 669,600	\$
Accrued wages and benefits	635,519	66,375	
Intergovernmental payable	319,527		
Deferred revenue	139,168		
Customer deposits payable	36,748		
<b>Total liabilities</b>	<b>1,701,923</b>	<b>735,975</b>	
Fund balances:			
Unreserved:			
Undesignated	11,904,429	4,195,968	1,917,911
Unreserved reported in:			
Special revenue funds			
Capital projects funds			
<b>Total fund balances</b>	<b>11,904,429</b>	<b>4,195,968</b>	<b>1,917,911</b>
<b>Total liabilities and fund balances</b>	<b>\$ 13,606,352</b>	<b>\$ 4,931,943</b>	<b>\$ 1,917,911</b>

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

Oracle Road Debt Service	Townwide Roadway Development Impact Fees	Non-Major Governmental Funds	Total Governmental Funds
\$ 11,724	\$ 2,475,606	\$ 3,576,479	\$ 24,475,111
			871,726
		45,012	423,479
	458,174		1,247,379
3,145,000			3,145,000
			5,506
<u>\$ 3,156,724</u>	<u>\$ 2,933,780</u>	<u>\$ 3,621,491</u>	<u>\$ 30,168,201</u>
\$	\$ 660,475	\$ 92,602	\$ 1,993,638
		16,391	718,285
			319,527
3,145,000			3,284,168
	947	179,257	216,952
<u>3,145,000</u>	<u>661,422</u>	<u>288,250</u>	<u>6,532,570</u>
11,724	2,272,358		20,302,390
		1,672,555	1,672,555
		1,660,686	1,660,686
<u>11,724</u>	<u>2,272,358</u>	<u>3,333,241</u>	<u>23,635,631</u>
<u>\$ 3,156,724</u>	<u>\$ 2,933,780</u>	<u>\$ 3,621,491</u>	<u>\$ 30,168,201</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, 2010**

**Total governmental fund balances** **\$ 23,635,631**

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	\$ 195,737,222	
Less accumulated depreciation	<u>(54,427,282)</u>	141,309,940

Special assessments receivable are not available to pay for current period expenditures and therefore are not reported in the funds.		3,145,000
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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	416,401	
Deferred bond premium	<u>(74,638)</u>	341,763

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

Special assessment bonds	(3,145,000)	
Revenue bonds	(4,939,750)	
Loans payable	(5,513,133)	
Compensated absences	<u>(1,562,691)</u>	<u>(15,160,574)</u>

**Net assets of governmental activities** **\$ 153,271,760**

**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, 2010**

	General Fund	HURF	Municipal Debt Service
<b>Revenues:</b>			
Sales taxes	\$ 12,043,584	\$ 801,570	\$
Franchise taxes	509,285		
Impact fees			
Special assessments			
Intergovernmental	10,725,866	2,886,453	
Licenses, fees & permits	1,055,270	53,141	
Fines, forfeitures & penalties	202,144		
Charges for services	913,638		
Contributions and donations	59		
Investment earnings	62,200	8,692	107
Other	183,552	14,478	
<b>Total revenues</b>	<u>25,695,598</u>	<u>3,764,334</u>	<u>107</u>
<b>Expenditures:</b>			
Current -			
General government	8,912,829		
Public safety	12,919,307		
Highway and streets		2,972,645	
Culture and recreation	3,157,369		
Capital outlay	558,416	594,755	
Debt service -			
Principal retirement			699,010
Interest and fiscal charges			465,950
Payment to bond escrow agent			6,279,112
Bond issuance costs			26,550
<b>Total expenditures</b>	<u>25,547,921</u>	<u>3,567,400</u>	<u>7,470,622</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>147,677</u>	<u>196,934</u>	<u>(7,470,515)</u>
Transfers in			9,240,679
Transfers out	(4,183,686)	(228,272)	
<b>Total other financing sources (uses)</b>	<u>(4,183,686)</u>	<u>(228,272)</u>	<u>9,240,679</u>
<b>Changes in fund balances</b>	<u>(4,036,009)</u>	<u>(31,338)</u>	<u>1,770,164</u>
<b>Fund balances, beginning of year</b>	15,940,438	4,227,306	147,747
<b>Fund balances, end of year</b>	<u>\$ 11,904,429</u>	<u>\$ 4,195,968</u>	<u>\$ 1,917,911</u>

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

Oracle Road Debt Service	Townwide Roadway Development Impact Fees	Non-Major Governmental Funds	Total Governmental Funds
\$	\$	\$ 125,711	\$ 12,970,865
			509,285
	341,034	243,079	584,113
368,152			368,152
	4,059,901	268,529	17,940,749
			1,108,411
		409,887	612,031
		51,817	965,455
			59
	16,311	8,315	95,625
	18,000		216,030
<u>368,152</u>	<u>4,435,246</u>	<u>1,107,338</u>	<u>35,370,775</u>
		539,949	9,452,778
		59,984	12,979,291
		502,911	3,475,556
			3,157,369
	1,728,168	308,426	3,189,765
215,000	2,486,867		3,400,877
152,497	213,133		831,580
			6,279,112
			26,550
<u>367,497</u>	<u>4,428,168</u>	<u>1,411,270</u>	<u>42,792,878</u>
<u>655</u>	<u>7,078</u>	<u>(303,932)</u>	<u>(7,422,103)</u>
		772,000	10,012,679
		<u>(5,600,721)</u>	<u>(10,012,679)</u>
		<u>(4,828,721)</u>	
<u>655</u>	<u>7,078</u>	<u>(5,132,653)</u>	<u>(7,422,103)</u>
11,069	2,265,280	8,465,894	31,057,734
<u>\$ 11,724</u>	<u>\$ 2,272,358</u>	<u>\$ 3,333,241</u>	<u>\$ 23,635,631</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, 2010**

**Net changes in fund balances - total governmental funds** **\$ (7,422,103)**

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	\$ 2,847,944	
Less current year depreciation	<u>(7,119,650)</u>	(4,271,706)

Capital assets contributed by developers to the Town are not recorded in the governmental funds as they do not provide current financial resources but are recognized in the Statement of Activities as program revenues.		2,256,538
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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.		(215,000)
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Repayment of debt principal are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

Loan principal retirement	2,486,867	
Revenue bond principal retirement	6,509,396	
Special assessment bond principal retirement	<u>215,000</u>	9,211,263

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	(440,299)	
Compensated absences	<u>(35,819)</u>	<u>(476,118)</u>

**Change in net assets in governmental activities** **\$ (917,126)**

**TOWN OF ORO VALLEY, ARIZONA**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2010**

	Enterprise Funds			Governmental Activities: Internal Service Fund
	Water	Non-Major Enterprise Fund	Total	
<b><u>ASSETS</u></b>				
Current assets:				
Cash and cash equivalents	\$ 21,510,553	\$ 452,495	\$ 21,963,048	\$ 54,267
Accounts receivable	2,097,199	251,707	2,348,906	
Loans receivable	122,000		122,000	
<b>Total current assets</b>	<u>23,729,752</u>	<u>704,202</u>	<u>24,433,954</u>	<u>54,267</u>
Noncurrent assets:				
Deferred bond charges	2,690,448		2,690,448	
Capital assets, non-depreciable	12,418,272	225,882	12,644,154	
Capital assets, depreciable (net)	77,474,594	1,387,118	78,861,712	
<b>Total noncurrent assets</b>	<u>92,583,314</u>	<u>1,613,000</u>	<u>94,196,314</u>	
<b>Total assets</b>	<u>116,313,066</u>	<u>2,317,202</u>	<u>118,630,268</u>	<u>54,267</u>
<b><u>LIABILITIES</u></b>				
Current liabilities:				
Accounts payable	428,043	131,622	559,665	48,526
Accrued wages and benefits	81,422	8,470	89,892	5,741
Intergovernmental payable	841,512		841,512	
Interest payable	1,269,105		1,269,105	
Customer deposits payable	180,189		180,189	
Compensated absences	112,227	2,063	114,290	
Capital leases payable		88,491	88,491	
Loans payable	768,815		768,815	
Revenue bonds	2,501,530		2,501,530	
<b>Total current liabilities</b>	<u>6,182,843</u>	<u>230,646</u>	<u>6,413,489</u>	<u>54,267</u>
Noncurrent liabilities:				
Compensated absences	57,814	1,062	58,876	
Capital leases payable		35,392	35,392	
Loans payable	5,536,835		5,536,835	
Deferred bond premium	993,564		993,564	
Revenue bonds	49,803,970		49,803,970	
<b>Total non-current liabilities</b>	<u>56,392,183</u>	<u>36,454</u>	<u>56,428,637</u>	
<b>Total liabilities</b>	<u>62,575,026</u>	<u>267,100</u>	<u>62,842,126</u>	<u>54,267</u>
<b><u>NET ASSETS</u></b>				
Invested in capital assets, net of related debt	31,281,716	101,999	31,383,715	
Unrestricted	22,456,324	1,948,103	24,404,427	
<b>Total net assets</b>	<u>\$ 53,738,040</u>	<u>\$ 2,050,102</u>	<u>\$ 55,788,142</u>	<u>\$</u>

**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, 2010**

	Enterprise Funds			Governmental Activities: Internal Service Fund
	Water	Non-Major Enterprise Fund	Total	
<b>Operating revenues:</b>				
Charges for services	\$ 14,365,400	\$ 744,944	\$ 15,110,344	\$ 864,159
Other	1,804		1,804	7,509
<b>Total operating revenues</b>	<u>14,367,204</u>	<u>744,944</u>	<u>15,112,148</u>	<u>871,668</u>
<b>Operating expenses:</b>				
Costs of sales and services	7,174,921	425,023	7,599,944	871,668
Depreciation and amortization	2,965,790	56,764	3,022,554	
<b>Total operating expenses</b>	<u>10,140,711</u>	<u>481,787</u>	<u>10,622,498</u>	<u>871,668</u>
<b>Operating income</b>	<u>4,226,493</u>	<u>263,157</u>	<u>4,489,650</u>	
<b>Nonoperating revenues (expenses):</b>				
Impact fees	475,973		475,973	
Intergovernmental		182,294	182,294	
Connection fees	293,607		293,607	
Investment earnings	70,329	1,915	72,244	
Interest expense	(2,689,426)	(5,207)	(2,694,633)	
<b>Total nonoperating revenues (expenses)</b>	<u>(1,849,517)</u>	<u>179,002</u>	<u>(1,670,515)</u>	
<b>Income before capital contributions and transfers</b>	<u>2,376,976</u>	<u>442,159</u>	<u>2,819,135</u>	
<b>Capital contributions</b>	<u>362,273</u>		<u>362,273</u>	
<b>Changes in net assets</b>	<u>2,739,249</u>	<u>442,159</u>	<u>3,181,408</u>	
<b>Total net assets, beginning of year</b>	50,998,791	1,607,943	52,606,734	
<b>Total net assets, end of year</b>	<u>\$ 53,738,040</u>	<u>\$ 2,050,102</u>	<u>\$ 55,788,142</u>	<u>\$</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, 2010**

	Enterprise Funds			Governmental Activities
	Water	Non-Major Enterprise Fund	Total	Internal Service Fund
<b><u>Increase (Decrease) in Cash and Cash Equivalents</u></b>				
Cash flows from operating activities:				
Cash received from customers	\$ 14,144,242	\$ 574,681	\$ 14,718,923	871,668
Cash payments to suppliers for goods and services	(4,685,029)	(127,662)	(4,812,691)	(683,470)
Cash payments to employees for services	(2,384,928)	(211,917)	(2,596,845)	(133,931)
<b>Net cash provided by operating activities</b>	<b>7,074,285</b>	<b>235,102</b>	<b>7,309,387</b>	<b>54,267</b>
Cash flows from noncapital and related financing activities:				
Connection fees	293,607		293,607	
Grants received		182,294	182,294	
<b>Net cash provided by noncapital financing activities</b>	<b>293,607</b>	<b>182,294</b>	<b>475,901</b>	
Cash flows from capital and related financing activities:				
Development impact fees	475,973		475,973	
Acquisition of capital assets	(1,940,117)	(182,212)	(2,122,329)	
Proceeds from loans	1,062,307		1,062,307	
Principal paid on long-term debt	(3,152,769)	(89,425)	(3,242,194)	
Payment to bond escrow agent	(2,784,364)		(2,784,364)	
Interest on long-term debt	(2,804,001)	(5,207)	(2,809,208)	
<b>Net cash used for capital and related financing activities</b>	<b>(9,142,971)</b>	<b>(276,844)</b>	<b>(9,419,815)</b>	
Cash flows from investing activities:				
Investment income	95,777	2,438	98,215	
<b>Net cash provided by investing activities</b>	<b>95,777</b>	<b>2,438</b>	<b>98,215</b>	
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(1,679,302)</b>	<b>142,990</b>	<b>(1,536,312)</b>	<b>54,267</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>23,189,855</b>	<b>309,505</b>	<b>23,499,360</b>	
<b>Cash and cash equivalents, end of year</b>	<b>\$ 21,510,553</b>	<b>\$ 452,495</b>	<b>\$ 21,963,048</b>	<b>\$ 54,267</b>
<b><u>Reconciliation of Operating Income to</u></b>				
<b><u>Net Cash Provided by Operating Activities</u></b>				
<b>Operating income</b>	<b>\$ 4,226,493</b>	<b>\$ 263,157</b>	<b>\$ 4,489,650</b>	<b>\$</b>
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	2,965,790	56,764	3,022,554	
Change in assets and liabilities:				
Increase in accounts receivable	(272,112)	(170,263)	(442,375)	
Increase in accounts payable	103,314	85,945	189,259	48,526
Increase (decrease) in accrued payroll and employee benefits	(12,598)	2,001	(10,597)	5,741
Increase (decrease) in compensated absences payable	14,248	(2,502)	11,746	
Increase in deposits held for others	49,150		49,150	
<b>Total adjustments</b>	<b>2,847,792</b>	<b>(28,055)</b>	<b>2,819,737</b>	<b>54,267</b>
<b>Net cash provided by operating activities</b>	<b>\$ 7,074,285</b>	<b>\$ 235,102</b>	<b>\$ 7,309,387</b>	<b>\$ 54,267</b>

**TOWN OF ORO VALLEY, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**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, 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 2003, 2005, and 2007. The activity of the 2003 MPC is reported in the applicable water enterprise fund and the activity of the Series 2005 and 2007 MPC is reported in the applicable water enterprise and governmental funds. All related receivables and payables between the Town and the MPC have been eliminated.

**TOWN OF ORO VALLEY, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**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. 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, 2010**

**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.

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.

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.

**Municipal Debt Service Fund** – This fund accounts for the payments of debt service on the Municipal Property Corporation Revenue Bonds of 2003 Refunding, 2005 and 2007 Refunding.

**TOWN OF ORO VALLEY, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

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

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

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

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

**D. Cash and Investments**

For purposes of the Statement of Cash Flows, the Town considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents at June 30, 2010 were cash in bank and investments held by the County and State Treasurers.

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

**TOWN OF ORO VALLEY, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

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

**E. Investment Income**

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

**F. Receivables and Payables**

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

All trade receivables are shown net of an allowance for uncollectibles.

**G. Prepaid Items**

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

**H. Capital Assets**

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

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, 2010**

**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, 2010**

**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.

**NOTE 2 – CASH AND INVESTMENTS**

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

The State Treasurer's pools are external investment pools, the Local Government Investment Pool (Pool 5) and Local Government Investment Pool-Government (Pool 7), with no regulatory oversight. The pools are not required to register (and are not registered) with the Securities and Exchange Commission. The activity and performance of the pools are reviewed monthly by the State Board of Investment. The fair value of each participant's position in the State Treasurer investment pools approximates the value of the participant's shares in the pool and the participants' shares are not identified with specific investments. No regulatory oversight is provided for the County Treasurer's investment pool and that pool's structure does not provide for shares.

**TOWN OF ORO VALLEY, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 2 – CASH AND INVESTMENTS (Concl'd)**

*Custodial Credit Risk – Deposits.* Custodial Credit risk is the risk that in the event of bank failure the Town's deposits may not be returned to the Town. The Town does not have a deposit policy for custodial credit risk. At year end, the carrying value of the Town's deposits was \$545,090 and the bank balance was \$430,963. At year end, the Town's deposits were entirely covered by Federal depository insurance.

At year end, 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	\$ 5,328,816
County Treasurer's investment pool	177 days average	537,493
State Treasurer's investment pool 5	22 days average	38,331,034
State Treasurer's investment pool 7	29 days average	<u>1,744,889</u>
Total		<u><u>\$45,942,232</u></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 year end, the Town's investment in the State and County Treasurers' investment pools did not receive a credit quality rating from a national rating agency. 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, 88% of the securities were rated AAA, AGY, A+, or A1 by Standard and Poor's.

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

**TOWN OF ORO VALLEY, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**NOTE 3 – 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	\$ 219,638	\$	\$
Due from State government	325,320	244,247	
Due from other governments			458,174
Net due from governmental entities	<u>\$ 544,958</u>	<u>\$ 244,247</u>	<u>\$ 458,174</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)	\$	\$ 139,168
Special assessments (Oracle Road Debt Service Fund)	3,145,000	
Total deferred revenue for governmental funds	<u>\$ 3,145,000</u>	<u>\$ 139,168</u>

**TOWN OF ORO VALLEY, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**NOTE 4 – CAPITAL ASSETS**

A summary of capital asset activity for the fiscal year ended June 30, 2010 follows.

<b>Governmental Activities</b>	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 18,878,468	\$	\$	\$ 18,878,468
Construction in progress	3,569,261	2,047,007	1,703,131	3,913,137
Total capital assets, not being depreciated	<u>22,447,729</u>	<u>2,047,007</u>	<u>1,703,131</u>	<u>22,791,605</u>
Capital assets, being depreciated:				
Infrastructure	139,428,821	4,406,332		143,835,153
Buildings and improvements	19,871,218	91,446		19,962,664
Machinery, equipment, and vehicles	8,954,814	262,828	69,842	9,147,800
Total capital assets being depreciated	<u>168,254,853</u>	<u>4,760,606</u>	<u>69,842</u>	<u>172,945,617</u>
Less accumulated depreciation for:				
Infrastructure	(38,319,083)	(5,469,619)		(43,788,702)
Buildings and improvements	(4,091,355)	(460,037)		(4,551,392)
Machinery, equipment, and vehicles	(4,967,036)	(1,189,994)	(69,842)	(6,087,188)
Total accumulated depreciation	<u>(47,377,474)</u>	<u>(7,119,650)</u>	<u>(69,842)</u>	<u>(54,427,282)</u>
Total capital assets, being depreciated, net	<u>120,877,379</u>	<u>(2,359,044)</u>		<u>118,518,335</u>
Governmental activities capital assets, net	<u>\$ 143,325,108</u>	<u>\$ (312,037)</u>	<u>\$ 1,703,131</u>	<u>\$ 141,309,940</u>
<b>Business-Type Activities</b>	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 2,410,660	\$	\$	\$ 2,410,660
Water rights	8,534,490			8,534,490
Construction in progress	613,499	1,165,254	79,749	1,699,004
Total	<u>11,558,649</u>	<u>1,165,254</u>	<u>79,749</u>	<u>12,644,154</u>
Capital assets, being depreciated:				
Water system	97,496,342	1,342,927		98,839,269
Stormwater system	1,028,602	15,700		1,044,302
Equipment and vehicles	3,264,268	146,733		3,411,001
Total capital assets being depreciated	<u>101,789,212</u>	<u>1,505,360</u>		<u>103,294,572</u>
Less accumulated depreciation for:				
Water system	(19,908,664)	(2,494,717)		(22,403,381)
Stormwater system	(32,211)	(20,834)		(53,045)
Equipment and vehicles	(1,723,214)	(253,220)		(1,976,434)
Total accumulated depreciation	<u>(21,664,089)</u>	<u>(2,768,771)</u>		<u>(24,432,860)</u>
Total capital assets, being depreciated, net	<u>80,125,123</u>	<u>(1,263,411)</u>		<u>78,861,712</u>
Business-type activities capital assets, net	<u>\$ 91,683,772</u>	<u>\$ (98,157)</u>	<u>\$ 79,749</u>	<u>\$ 91,505,866</u>

**TOWN OF ORO VALLEY, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 4 – CAPITAL ASSETS (Concl'd)**

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 457,915
Public Safety	695,609
Highways and streets	5,614,644
Culture and recreation	<u>351,482</u>
Total depreciation expense – governmental activities	<u><u>\$7,119,650</u></u>
Business-type activities:	
Water	\$2,712,007
Stormwater	<u>56,764</u>
Total depreciation expense – business-type activities	<u><u>\$2,768,771</u></u>

**Construction Commitments** – As of June 30, 2010, the Town was involved in several construction projects. The estimated cost to complete the construction projects is \$28.6 million.

**NOTE 5 – 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, 2010, is presented below.

Governmental activities:	Interest Rate (Including Fees)	Maturity	Outstanding Principal June 30, 2010	Due Within One Year
ADOT HELP Loan	3.50%	7/30/10-12	\$ 5,513,133	\$3,000,000
Total			<u>\$ 5,513,133</u>	<u>\$3,000,000</u>

Principal and interest payments on the governmental activities loans payable at June 30, 2010 are summarized as follows.

Year ending June 30:	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2011	\$ 3,000,000	\$
2012	513,133	105,724
2013	2,000,000	63,940
Total	<u>\$ 5,513,133</u>	<u>\$ 169,664</u>

**TOWN OF ORO VALLEY, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**NOTE 5 – LOANS PAYABLE (Concl'd)**

The Town received two loans from the Water Infrastructure Finance Authority of Arizona for water system projects. The Town also received loan financing for water rights from the Central Arizona Water Conservation Town (CAWCD) to be paid back over five years. The loans payable at June 30, 2010 are presented below.

<u>Business-type activities:</u>	<u>Interest Rate (Including Fees)</u>	<u>Maturity</u>	<u>Outstanding Principal June 30, 2010</u>	<u>Due Within One Year</u>
WIFA Loan, 2007	2.04%	7/1/10-24	\$ 4,154,412	\$ 173,144
WIFA Loan, 2009	2.75%	7/1/10-18	1,184,306	124,457
CAWCD Loan	5.20%	12/1/10-11	966,932	471,214
Total			<u>\$ 6,305,650</u>	<u>\$ 768,815</u>

Principal and interest payments on the business-type activities loans payable at June 30, 2010 are summarized as follows.

Year ending June 30:	<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2011	\$ 768,815	\$ 170,197
2012	803,388	142,140
2013	318,081	107,106
2014	328,844	97,541
2015	339,973	87,658
2016-20	1,626,741	298,862
2021-25	1,315,221	150,713
2026-28	804,587	22,933
Total	<u>\$ 6,305,650</u>	<u>\$ 1,077,150</u>

**TOWN OF ORO VALLEY, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**NOTE 6 – BONDS PAYABLE**

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

<u>Purpose</u>	<u>Original Amount Issued</u>	<u>Interest Rates</u>	<u>Maturity</u>	<u>Outstanding Principal June 30, 2010</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
Revenue Bonds, 2005	\$ 4,164,050	3.13-4.75%	7/1/10-25	\$ 3,584,500	\$ 167,500
Refunding Revenue Bonds, 2007	1,389,180	4.25-5.00%	7/1/10-26	1,355,250	67,470
Total				<u>\$ 4,939,750</u>	<u>\$ 234,970</u>

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

Year ending June 30:	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2011	\$ 234,970	\$ 199,244
2012	179,820	192,013
2013	186,910	184,416
2014	194,000	176,108
2015	204,440	168,600
2016-20	1,355,830	694,518
2021-25	1,996,090	335,439
2026-29	587,690	18,953
Total	<u>\$ 4,939,750</u>	<u>\$ 1,969,291</u>

<u>Purpose</u>	<u>Original Amount Issued</u>	<u>Interest Rates</u>	<u>Maturity</u>	<u>Outstanding Principal June 30, 2010</u>	<u>Due Within One Year</u>
<b>Business-type activities:</b>					
Revenue Bonds, 2003	\$ 31,750,000	3.25-5.00%	7/1/10-28	\$ 26,487,500	\$1,355,000
Refunding Revenue Bonds, 2003	10,225,080	3.13-5.00%	7/1/10-19	8,032,750	266,500
Revenue Bonds, 2005	2,050,950	3.13-4.75%	7/1/10-25	1,765,500	82,500
Refunding Revenue Bonds, 2007	16,420,820	4.25-5.00%	7/1/10-26	16,019,750	797,530
Total				<u>\$ 52,305,500</u>	<u>\$2,501,530</u>

**TOWN OF ORO VALLEY, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 6 – BONDS PAYABLE (Concl'd)**

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

Year ending June 30:	Business-type Activities	
	Principal	Interest
2011	\$ 2,501,530	\$ 2,315,565
2012	2,370,180	2,231,020
2013	2,536,840	2,131,609
2014	2,128,500	2,026,368
2015	2,535,310	1,931,432
2016-20	14,566,920	7,786,489
2021-25	15,873,910	4,126,583
2026-29	9,792,310	790,689
Total	\$ 52,305,500	\$23,339,755

During the current fiscal year, the Town deposited \$7,460,466 in an irrevocable trust with an escrow agent for the defeasance of outstanding revenue bonds related to the governmental and business-type activities Revenue Bonds Series 2000, 2001, and the governmental activities portion of the Revenue Refunding Bonds Series 2003. As a result, the revenue bonds are considered to be defeased, and the liability for those bonds has been removed from the government-wide statements.

**Pledged revenues – governmental activities.** The Town has pledged future sales (excise) tax revenues to repay outstanding revenue bonds and refunding revenue bonds of \$4.9 million as of June 30, 2010. 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 \$6.9 million. The current total sales tax revenues were \$12.2 million and the total principal and interest paid on the bonds was \$1.2 million, or 10% 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 \$52.3 million as of June 30, 2010. 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 \$75.6 million. The current total customer gross revenues were \$15.1 million and the total principal and interest paid on the bonds was \$4.8 million or 32% of gross revenues.

**TOWN OF ORO VALLEY, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 7 – SPECIAL ASSESSMENT BONDS**

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

<u>Purpose</u>	<u>Original Amount Issued</u>	<u>Interest Rates</u>	<u>Maturity</u>	<u>Outstanding Principal June 30, 2010</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
Special assessments debt	\$3,945,000	4.20-5.00%	1/1/10-21	\$ 3,145,000	\$ 225,000
Total				<u>\$ 3,145,000</u>	<u>\$ 225,000</u>

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

Year ending June 30:	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2011	\$ 225,000	\$ 141,202
2012	235,000	129,701
2013	250,000	117,578
2014	260,000	105,867
2015	270,000	94,602
2016-20	1,550,000	271,327
2021	355,000	8,431
Total	<u>\$ 3,145,000</u>	<u>\$ 868,708</u>

**TOWN OF ORO VALLEY, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**NOTE 8 – OBLIGATIONS UNDER CAPITAL LEASES**

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

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

	Business-type Activities
Asset:	
Machinery, equipment, and vehicles	\$ 307,648
Less: Accumulated depreciation	37,184
Total	\$ 270,464

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

	Business-type Activities
Year Ending June 30:	
2011	\$ 94,632
2012	37,173
Total minimum lease payments	131,805
Less: amount representing interest	7,922
Present value of minimum lease payments	\$ 123,883
Due within one year	\$ 88,491

**TOWN OF ORO VALLEY, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**NOTE 9 – CHANGES IN LONG-TERM LIABILITIES**

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
Revenue bonds payable	\$ 11,449,146	\$	\$ 6,509,396	\$ 4,939,750	\$ 234,970
Special assessments payable	3,360,000		215,000	3,145,000	225,000
Loan payable	8,000,000		2,486,867	5,513,133	3,000,000
Compensated absences payable	<u>1,526,872</u>	<u>1,497,920</u>	<u>1,462,101</u>	<u>1,562,691</u>	<u>1,218,900</u>
Governmental activity long-term liabilities	<u>\$ 24,336,018</u>	<u>\$ 1,497,920</u>	<u>\$10,673,364</u>	<u>\$ 15,160,574</u>	<u>\$ 4,678,870</u>
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Business-type activities:</b>					
Revenue bonds payable	\$ 57,575,854	\$	\$ 5,270,354	\$ 52,305,500	\$ 2,501,530
Loan payable	5,788,122	1,184,307	666,779	6,305,650	768,815
Capital lease payable	107,046	106,262	89,425	123,883	88,491
Compensated absences payable	<u>161,420</u>	<u>175,505</u>	<u>163,759</u>	<u>173,166</u>	<u>114,290</u>
Business-type activities long-term liabilities	<u>\$ 63,632,442</u>	<u>\$ 1,466,074</u>	<u>\$ 6,190,317</u>	<u>\$ 58,908,199</u>	<u>\$ 3,473,126</u>

**TOWN OF ORO VALLEY, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 10 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

At year end, several funds had negative cash balances.

**Interfund transfers:**

	Transfers in		Total
	Municipal Debt Service Fund	Non-Major Governmental Funds	
Transfers out			
General Fund	\$ 3,411,686	\$ 772,000	\$ 4,183,686
HURF Fund	228,272		228,272
Non-Major Governmental Funds	5,600,721		5,600,721
Total	<u>\$ 9,240,679</u>	<u>\$ 772,000</u>	<u>\$10,012,679</u>

Transfers were made from the General Fund to subsidize the Public Transportation and Pima County Bond Projects Funds. Transfers were made from the General, Highway User Revenue and Municipal Building Funds to the Municipal Debt Service Fund to make the required principal and interest payments on outstanding bonded indebtedness, and for the defeasance of the 2000, 2001, and 2003 Revenue Bonds.

**NOTE 11 – CONTINGENT LIABILITIES**

**Compliance** – Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures/expenses that may be disallowed by the grantor cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

**NOTE 12 – RISK MANAGEMENT**

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The Town’s insurance protection is provided by the Arizona Municipal Risk Retention Pool, of which the Town is a participating member. The limit for basic coverage is for \$2,000,000 per occurrence on a claims made basis. Excess coverage is for an additional \$10,000,000 per occurrence on a follow form, claims made basis. The aggregate limit is also \$10,000,000. No significant reduction in insurance coverage occurred during the year and no settlements exceeded insurance coverage during any of the past three fiscal years.

**TOWN OF ORO VALLEY, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**NOTE 12 – RISK MANAGEMENT (Concl'd)**

The Arizona Municipal Risk Retention Pool is structured such that member premiums are based on an actuarial review that will provide adequate reserves to allow the Pool to meet its expected financial obligations. The Pool has the authority to assess its members additional premiums should reserves and annual premiums be insufficient to meet the Pool's obligations.

The Town is insured by Arizona Municipal Workers Compensation Pool for potential worker related accidents.

**NOTE 13 – RETIREMENT PLAN**

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

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

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

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

**TOWN OF ORO VALLEY, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 13 – RETIREMENT PLAN (Cont'd)**

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

**ASRS**

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

**PSPRS/CORP**

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

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

*Cost-sharing plans* – The Arizona State Legislature establishes and may amend active plan members’ and the Town’s contribution rates. For the current fiscal year, active ASRS members were required by statute to contribute at the actuarially determined rate of 9.40 percent (9.00 percent for retirement and 0.4 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 9.40 percent (8.34 percent for retirement, 0.66 percent for health insurance premium, and 0.4 percent for long-term disability) of the members’ annual covered payroll.

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

	Retirement Fund	Health Benefit Supplement Fund	Long-Term Disability Fund
Year ending June 30:			
2010	\$ 949,928	\$ 75,174	\$ 45,560
2009	996,346	119,711	62,350
2008	936,503	122,153	58,168

*Agent plan* – For the current fiscal year, active PSPRS and CORP members were required by statute to contribute 7.65 and 7.96 percent of the members’ annual covered payroll, and the Town was required to contribute at the actuarially determined rate of 14.88 and 9.52 percent. The health insurance premium portion of the contribution rate was actuarially set at 0.55 percent of covered payroll for PSPRS and 0.36 percent for CORP.

**TOWN OF ORO VALLEY, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 13 – RETIREMENT PLAN (Cont’d)**

**Actuarial methods and assumptions** – The contribution requirements for the year ended June 30, 2010 were established by the June 30, 2008 actuarial valuations, and those actuarial valuations were based on the following actuarial methods and assumptions. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. The required schedule of funding programs which follows provides multi-year trend information that shows whether the actuarial value of the plans’ assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

	<u>PSPRS</u>	<u>CORP</u>
Actuarial valuation date	June 30, 2008	June 30, 2008
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	28 years for unfunded actuarial accrued liability, 20 years for excess	28 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	Smoothed market value	Smoothed market value

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

	<u>PSPRS</u>		<u>CORP</u>	
	<u>Pension</u>	<u>Health Insurance</u>	<u>Pension</u>	<u>Health Insurance</u>
Annual pension/OPEB cost	\$ 846,785	\$ 31,299	\$ 42,532	\$ 1,608
Contributions made	846,785	31,299	42,532	1,608

**TOWN OF ORO VALLEY, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 13 – RETIREMENT PLAN (Cont’d)**

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

**Oro Valley Police Plan:**

Year Ended <u>June 30,</u>	Annual Pension <u>Cost (APC)</u>	Percentage of APC <u>Contributed</u>	Net Pension <u>Obligation</u>
<i>Pension</i>			
2009	\$1,005,600	100%	-0-
2008	577,551	100	-0-
2007	478,027	100	-0-
<i>Health Insurance</i>			
2009	77,502	100	-0-
2008	59,146	100	-0-

**Oro Valley ACORP Dispatchers:**

Year Ended <u>June 30,</u>	Annual Pension <u>Cost (APC)</u>	Percentage of APC <u>Contributed</u>	Net Pension <u>Obligation</u>
<i>Pension</i>			
2009	\$57,404	100%	-0-
2008	36,214	100	-0-
2007	35,184	100	-0-
<i>Health Insurance</i>			
2009	5,447	100	-0-
2008	6,126	100	-0-

**TOWN OF ORO VALLEY, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 13 – RETIREMENT PLAN (Cont'd)**

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

**Oro Valley Police Plan**

*Pension*

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>
2009	\$15,727,624	\$20,322,658	\$(4,595,034)	77.4%	\$5,951,423	77.21%
2008	13,644,758	18,167,094	(4,522,336)	75.1	5,856,015	77.23
2007	11,996,669	16,700,207	(4,703,538)	71.8	5,306,795	88.63

*Health Insurance*

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>
2009	-0-	\$628,965	\$(628,965)	0.0%	\$5,951,423	10.57%
2008	-0-	563,998	(563,998)	0.0%	5,856,015	9.63
2007	-0-	568,235	(568,235)	0.0%	5,306,795	10.71

**TOWN OF ORO VALLEY, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 13 – RETIREMENT PLAN (Concl'd)**

**Oro Valley ACORP Dispatchers:**

*Pension*

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>
2009	\$1,082,181	\$1,581,254	\$(499,073)	68.4%	\$604,184	82.60%
2008	1,026,134	1,594,642	(568,508)	64.3%	729,262	77.96
2007	960,316	1,278,537	(318,221)	75.1%	639,247	49.78

*Health Insurance*

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>
2009	-0-	\$54,580	\$(54,580)	0.0%	\$604,184	9.03%
2008	-0-	71,711	(71,711)	0.0	729,262	9.83
2007	-0-	33,414	(33,414)	0.0	639,247	5.23

**NOTE 14 – SUBSEQUENT EVENT**

On July 22, 2010, the Town issued \$2.4 million in Clean Renewable Energy Bonds (CREBS) to fund the construction of a covered parking structure with integrated solar panels.

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

**TOWN OF ORO VALLEY, ARIZONA**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND**  
**YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original & Final	Actual	
<b>Revenues:</b>			
Sales taxes	\$ 13,418,740	\$ 12,043,584	\$ (1,375,156)
Franchise taxes	475,000	509,285	34,285
Intergovernmental	11,047,556	10,725,866	(321,690)
Licenses, fees & permits	1,313,890	1,055,270	(258,620)
Fines, forfeitures & penalties	286,603	202,144	(84,459)
Charges for services	1,039,137	913,638	(125,499)
Contributions and donations		59	59
Investment earnings	232,730	62,200	(170,530)
Other	125,000	183,552	58,552
<b>Total revenues</b>	<u>27,938,656</u>	<u>25,695,598</u>	<u>(2,243,058)</u>
<b>Expenditures:</b>			
Current -			
General government	10,672,675	8,912,829	1,759,846
Public safety	13,639,734	12,919,307	720,427
Culture and recreation	3,162,880	3,157,369	5,511
Capital outlay		558,416	(558,416)
<b>Total expenditures</b>	<u>27,475,289</u>	<u>25,547,921</u>	<u>1,927,368</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>463,367</u>	<u>147,677</u>	<u>(315,690)</u>
<b>Other financing sources (uses):</b>			
Transfers out	(2,030,637)	(4,183,686)	(2,153,049)
<b>Total other financing sources (uses)</b>	<u>(2,030,637)</u>	<u>(4,183,686)</u>	<u>(2,153,049)</u>
<b>Change in fund balances</b>	<u>(1,567,270)</u>	<u>(4,036,009)</u>	<u>(2,468,739)</u>
<b>Fund balances, July 1, 2009</b>	1,567,270	15,940,438	14,373,168
<b>Fund balances, June 30, 2010</b>	<u>\$</u>	<u>\$ 11,904,429</u>	<u>\$ 11,904,429</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, 2010**

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original & Final	Actual	
<b>Revenues:</b>			
Sales taxes	\$ 1,899,884	\$ 801,570	\$ (1,098,314)
Intergovernmental	2,656,128	2,886,453	230,325
Licenses, fees & permits		53,141	53,141
Investment earnings		8,692	8,692
Other	112,392	14,478	(97,914)
<b>Total revenues</b>	<u>4,668,404</u>	<u>3,764,334</u>	<u>(904,070)</u>
<b>Expenditures:</b>			
Current -			
Highway and streets	6,921,832	2,972,645	3,949,187
Capital outlay	1,384,893	594,755	790,138
<b>Total expenditures</b>	<u>8,306,725</u>	<u>3,567,400</u>	<u>4,739,325</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(3,638,321)</u>	<u>196,934</u>	<u>3,835,255</u>
<b>Other financing sources (uses):</b>			
Transfers out	(431,305)	(228,272)	203,033
<b>Total other financing sources (uses)</b>	<u>(431,305)</u>	<u>(228,272)</u>	<u>203,033</u>
<b>Change in fund balances</b>	<u>(4,069,626)</u>	<u>(31,338)</u>	<u>4,038,288</u>
<b>Fund balances, July 1, 2009</b>	4,069,626	4,227,306	157,680
<b>Fund balances, June 30, 2010</b>	<u>\$</u>	<u>\$ 4,195,968</u>	<u>\$ 4,195,968</u>

See accompanying notes to this schedule.

**TOWN OF ORO VALLEY, ARIZONA**  
**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2010**

**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  
SCHEDULE 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 - MUNICIPAL DEBT SERVICE  
YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original & Final	Actual	
<b>Revenues:</b>			
Investment earnings	\$ 2,000	\$ 107	\$ (1,893)
<b>Total revenues</b>	<u>2,000</u>	<u>107</u>	<u>(1,893)</u>
<b>Expenditures:</b>			
Debt service -			
Principal retirement	700,867	699,010	1,857
Interest and fiscal charges	467,188	465,950	1,238
Payment to bond escrow agent		6,279,112	(6,279,112)
Bond issuance costs	26,620	26,550	70
<b>Total expenditures</b>	<u>1,194,675</u>	<u>7,470,622</u>	<u>(6,275,947)</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(1,192,675)</u>	<u>(7,470,515)</u>	<u>(6,277,840)</u>
<b>Other financing sources (uses):</b>			
Transfers in	1,034,297	9,240,679	8,206,382
<b>Total other financing sources (uses)</b>	<u>1,034,297</u>	<u>9,240,679</u>	<u>8,206,382</u>
<b>Change in fund balances</b>	<u>(158,378)</u>	<u>1,770,164</u>	<u>1,928,542</u>
<b>Fund balances, July 1, 2009</b>	158,378	147,747	(10,631)
<b>Fund balances, June 30, 2010</b>	<u>\$</u>	<u>\$ 1,917,911</u>	<u>\$ 1,917,911</u>

**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, 2010**

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original & Final	Actual	
<b>Revenues:</b>			
Special assesments	\$ 367,203	\$ 368,152	\$ 949
<b>Total revenues</b>	<u>367,203</u>	<u>368,152</u>	<u>949</u>
<b>Expenditures:</b>			
Debt service -			
Principal retirement	271,961	215,000	56,961
Interest and fiscal charges	192,899	152,497	40,402
<b>Total expenditures</b>	<u>464,860</u>	<u>367,497</u>	<u>97,363</u>
<b>Change in fund balances</b>	<u>(97,657)</u>	<u>655</u>	<u>98,312</u>
<b>Fund balances, July 1, 2009</b>	97,657	11,069	(86,588)
<b>Fund balances, June 30, 2010</b>	<u>\$</u>	<u>\$ 11,724</u>	<u>\$ 11,724</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, 2010**

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original & Final	Actual	
<b>Revenues:</b>			
Impact fees	\$ 1,051,549	\$ 341,034	\$ (710,515)
Intergovernmental	5,919,487	4,059,901	(1,859,586)
Investment earnings		16,311	16,311
Other	74,679	18,000	(56,679)
<b>Total revenues</b>	<u>7,045,715</u>	<u>4,435,246</u>	<u>(2,610,469)</u>
<b>Expenditures:</b>			
Capital outlay	3,710,453	1,728,168	1,982,285
Debt service -			
Principal retirement	5,339,413	2,486,867	2,852,546
Interest and fiscal charges	457,605	213,133	244,472
<b>Total expenditures</b>	<u>9,507,471</u>	<u>4,428,168</u>	<u>5,079,303</u>
<b>Change in fund balances</b>	<u>(2,461,756)</u>	<u>7,078</u>	<u>2,468,834</u>
<b>Fund balances, July 1, 2009</b>	2,461,756	2,265,280	(196,476)
<b>Fund balances, June 30, 2010</b>	<u>\$</u>	<u>\$ 2,272,358</u>	<u>\$ 2,272,358</u>

**NON-MAJOR GOVERNMENTAL FUNDS**

**TOWN OF ORO VALLEY, ARIZONA**  
**COMBINING BALANCE SHEET - ALL NON-MAJOR GOVERNMENTAL FUNDS - BY FUND TYPE**  
**JUNE 30, 2010**

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total Non-Major Governmental Funds</u>
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 1,954,781	\$ 1,621,698	\$ 3,576,479
Accounts receivable		45,012	45,012
<b>Total assets</b>	<u>\$ 1,954,781</u>	<u>\$ 1,666,710</u>	<u>\$ 3,621,491</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>			
Liabilities:			
Accounts payable	\$ 86,578	\$ 6,024	\$ 92,602
Accrued wages and benefits	16,391		16,391
Customer deposits payable	179,257		179,257
<b>Total liabilities</b>	<u>282,226</u>	<u>6,024</u>	<u>288,250</u>
Fund balances:			
Unreserved:			
Undesignated	1,672,555	1,660,686	3,333,241
<b>Total fund balances</b>	<u>1,672,555</u>	<u>1,660,686</u>	<u>3,333,241</u>
<b>Total liabilities and fund balances</b>	<u>\$ 1,954,781</u>	<u>\$ 1,666,710</u>	<u>\$ 3,621,491</u>

**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, 2010**

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total Non-Major Governmental Funds</u>
<b>Revenues:</b>			
Sales taxes	\$ 125,711	\$	\$ 125,711
Impact fees		243,079	243,079
Intergovernmental	223,518	45,011	268,529
Fines, forfeitures & penalties	409,887		409,887
Charges for services	51,817		51,817
Investment earnings	8,315		8,315
<b>Total revenues</b>	<u>819,248</u>	<u>288,090</u>	<u>1,107,338</u>
<b>Expenditures:</b>			
Current -			
General government	510,639	29,310	539,949
Public safety	59,984		59,984
Highway and streets	502,911		502,911
Capital outlay	34,935	273,491	308,426
<b>Total expenditures</b>	<u>1,108,469</u>	<u>302,801</u>	<u>1,411,270</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(289,221)</u>	<u>(14,711)</u>	<u>(303,932)</u>
<b>Other financing sources (uses):</b>			
Transfers in	302,000	470,000	772,000
Transfers out		(5,600,721)	(5,600,721)
<b>Total other financing sources (uses)</b>	<u>302,000</u>	<u>(5,130,721)</u>	<u>(4,828,721)</u>
<b>Change in fund balances</b>	<u>12,779</u>	<u>(5,145,432)</u>	<u>(5,132,653)</u>
<b>Fund balances, beginning of year</b>	1,659,776	6,806,118	8,465,894
<b>Fund balances, end of year</b>	<u>\$ 1,672,555</u>	<u>\$ 1,660,686</u>	<u>\$ 3,333,241</u>

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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, 2010**

	Revegetation Assurances	State Seizures and Forfeitures	Federal Seizures and Forfeitures	Bed Tax
<b><u>ASSETS</u></b>				
Cash and cash equivalents	\$ 240,366	\$ 207,221	\$ 281,431	\$ 1,054,083
<b>Total assets</b>	<b>\$ 240,366</b>	<b>\$ 207,221</b>	<b>\$ 281,431</b>	<b>\$ 1,054,083</b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>				
Liabilities:				
Accounts payable	\$	\$ 16,099	\$ 370	\$ 64,355
Accrued wages and benefits				183
Customer deposits payable	179,257			
<b>Total liabilities</b>	<b>179,257</b>	<b>16,099</b>	<b>370</b>	<b>64,538</b>
Fund balances:				
Unreserved:				
Undesignated	61,109	191,122	281,061	989,545
<b>Total fund balances</b>	<b>61,109</b>	<b>191,122</b>	<b>281,061</b>	<b>989,545</b>
<b>Total liabilities and fund balances</b>	<b>\$ 240,366</b>	<b>\$ 207,221</b>	<b>\$ 281,431</b>	<b>\$ 1,054,083</b>

<u>Public Transportation</u>	<u>Impound Fee</u>	<u>Totals</u>
\$ 168,232	\$ 3,448	\$ 1,954,781
<u>\$ 168,232</u>	<u>\$ 3,448</u>	<u>\$ 1,954,781</u>
\$ 5,705	\$ 49	\$ 86,578
12,809	3,399	16,391
		<u>179,257</u>
<u>18,514</u>	<u>3,448</u>	<u>282,226</u>
<u>149,718</u>		<u>1,672,555</u>
<u>149,718</u>		<u>1,672,555</u>
<u>\$ 168,232</u>	<u>\$ 3,448</u>	<u>\$ 1,954,781</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, 2010**

	<u>Revegetation Assurances</u>	<u>State Seizures and Forfeitures</u>	<u>Federal Seizures and Forfeitures</u>
<b>Revenues:</b>			
Sales taxes	\$	\$	\$
Intergovernmental			
Fines, forfeitures & penalties		122,760	231,917
Charges for services			
Investment earnings	<u>(4,571)</u>	<u>2,770</u>	<u>3,132</u>
<b>Total revenues</b>	<u>(4,571)</u>	<u>125,530</u>	<u>235,049</u>
<b>Expenditures:</b>			
Current -			
General government			
Public safety		39,900	20,084
Highway and streets			
Capital outlay		<u>17,738</u>	<u>13,173</u>
<b>Total expenditures</b>		<u>57,638</u>	<u>33,257</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(4,571)</u>	<u>67,892</u>	<u>201,792</u>
<b>Other financing sources (uses):</b>			
Transfers in			
<b>Total other financing sources (uses)</b>			
<b>Change in fund balances</b>	<u>(4,571)</u>	<u>67,892</u>	<u>201,792</u>
<b>Fund balances, beginning of year</b>	65,680	123,230	79,269
<b>Fund balances, end of year</b>	<u>\$ 61,109</u>	<u>\$ 191,122</u>	<u>\$ 281,061</u>

<u>Bed Tax</u>	<u>Public Transportation</u>	<u>Impound Fee</u>	<u>Totals</u>
\$ 125,711	\$ 223,518	\$	\$ 125,711
		55,210	223,518
	51,817		409,887
<u>5,777</u>	<u>1,207</u>		<u>51,817</u>
<u>131,488</u>	<u>276,542</u>	<u>55,210</u>	<u>8,315</u>
			<u>819,248</u>
415,429		95,210	510,639
			59,984
	502,911		502,911
	<u>4,024</u>		<u>34,935</u>
<u>415,429</u>	<u>506,935</u>	<u>95,210</u>	<u>1,108,469</u>
<u>(283,941)</u>	<u>(230,393)</u>	<u>(40,000)</u>	<u>(289,221)</u>
	<u>302,000</u>		<u>302,000</u>
	<u>302,000</u>		<u>302,000</u>
<u>(283,941)</u>	<u>71,607</u>	<u>(40,000)</u>	<u>12,779</u>
1,273,486	78,111	40,000	1,659,776
<u>\$ 989,545</u>	<u>\$ 149,718</u>	<u>\$</u>	<u>\$ 1,672,555</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, 2010**

	Revegetation Assurances		
	Budget*	Actual	Variance - Positive (Negative)
<b>Revenues:</b>			
Sales taxes	\$	\$	\$
Intergovernmental			
Fines, forfeitures & penalties			
Charges for services			
Investment earnings		(4,571)	(4,571)
Other			
<b>Total revenues</b>		(4,571)	(4,571)
<b>Expenditures:</b>			
Current -			
General government			
Public safety			
Highway and streets			
Capital outlay			
<b>Total expenditures</b>			
<b>Excess (deficiency) of revenues over expenditures</b>		(4,571)	(4,571)
<b>Other financing sources (uses):</b>			
Transfers in			
Transfers out			
<b>Total other financing sources (uses)</b>			
<b>Change in fund balances</b>		(4,571)	(4,571)
<b>Fund balances (deficits), July 1, 2009</b>		65,680	65,680
<b>Fund balances, June 30, 2010</b>	\$	\$ 61,109	\$ 61,109

\*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)
\$	\$	\$	\$	\$	\$
178,000	122,760	(55,240)	279,000	231,917	(47,083)
	2,770	2,770		3,132	3,132
<u>178,000</u>	<u>125,530</u>	<u>(52,470)</u>	<u>279,000</u>	<u>235,049</u>	<u>(43,951)</u>
331,607	39,900	291,707	167,001	20,084	146,917
<u>147,419</u>	<u>17,738</u>	<u>129,681</u>	<u>109,535</u>	<u>13,173</u>	<u>96,362</u>
<u>479,026</u>	<u>57,638</u>	<u>421,388</u>	<u>276,536</u>	<u>33,257</u>	<u>243,279</u>
<u>(301,026)</u>	<u>67,892</u>	<u>368,918</u>	<u>2,464</u>	<u>201,792</u>	<u>199,328</u>
<u>(301,026)</u>	<u>67,892</u>	<u>368,918</u>	<u>2,464</u>	<u>201,792</u>	<u>199,328</u>
301,026	123,230	(177,796)	(2,464)	79,269	81,733
<u>\$</u>	<u>\$ 191,122</u>	<u>\$ 191,122</u>	<u>\$</u>	<u>\$ 281,061</u>	<u>\$ 281,061</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, 2010**  
**(Continued)**

	Bed Tax		
	Budget	Actual	Variance - Positive (Negative)
<b>Revenues:</b>			
Sales taxes	\$ 550,181	\$ 125,711	\$ (424,470)
Intergovernmental			
Fines, forfeitures & penalties			
Charges for services			
Investment earnings		5,777	5,777
Other	13,512		(13,512)
<b>Total revenues</b>	<u>563,693</u>	<u>131,488</u>	<u>(432,205)</u>
<b>Expenditures:</b>			
Current -			
General government	1,992,528	415,429	1,577,099
Public safety			
Highway and streets			
Capital outlay			
<b>Total expenditures</b>	<u>1,992,528</u>	<u>415,429</u>	<u>1,577,099</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(1,428,835)</u>	<u>(283,941)</u>	<u>1,144,894</u>
<b>Other financing sources (uses):</b>			
Transfers in			
Transfers out			
<b>Total other financing sources (uses)</b>			
<b>Change in fund balances</b>	<u>(1,428,835)</u>	<u>(283,941)</u>	<u>1,144,894</u>
<b>Fund balances (deficits), July 1, 2009</b>	1,428,835	1,273,486	(155,349)
<b>Fund balances, June 30, 2010</b>	<u>\$</u>	<u>\$ 989,545</u>	<u>\$ 989,545</u>

Public Transportation		
Budget	Actual	Variance - Positive (Negative)
\$ 188,544	\$ 223,518	\$ 34,974
	51,817	51,817
	1,207	1,207
194,900		(194,900)
383,444	276,542	(106,902)
651,164	502,911	148,253
5,210	4,024	1,186
656,374	506,935	149,439
(272,930)	(230,393)	42,537
302,000	302,000	
(100,973)		100,973
201,027	302,000	100,973
(71,903)	71,607	143,510
71,903	78,111	6,208
\$	\$ 149,718	\$ 149,718

Impound Fee		
Budget	Actual	Variance - Positive (Negative)
\$ 60,000	\$ 55,210	\$ (4,790)
60,000	55,210	(4,790)
100,000	95,210	4,790
100,000	95,210	4,790
(40,000)	(40,000)	
(40,000)	(40,000)	
40,000	40,000	
\$	\$	\$

(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, 2010**  
**(Concluded)**

	Totals		
	Budget	Actual	Variance - Positive (Negative)
<b>Revenues:</b>			
Sales taxes	\$ 550,181	\$ 125,711	\$ (424,470)
Intergovernmental	188,544	223,518	34,974
Fines, forfeitures & penalties	517,000	409,887	(107,113)
Charges for services		51,817	51,817
Investment earnings		8,315	8,315
Other	208,412		(208,412)
<b>Total revenues</b>	1,464,137	819,248	(644,889)
<b>Expenditures:</b>			
Current -			
General government	2,092,528	510,639	1,581,889
Public safety	498,608	59,984	438,624
Highway and streets	651,164	502,911	148,253
Capital outlay	262,164	34,935	227,229
<b>Total expenditures</b>	3,504,464	1,108,469	2,395,995
<b>Excess (deficiency) of revenues over expenditures</b>	(2,040,327)	(289,221)	1,751,106
<b>Other financing sources (uses):</b>			
Transfers in	302,000	302,000	
Transfers out	(100,973)		100,973
<b>Total other financing sources (uses)</b>	201,027	302,000	100,973
<b>Change in fund balances</b>	(1,839,300)	12,779	1,852,079
<b>Fund balances (deficits), July 1, 2009</b>	1,839,300	1,659,776	(179,524)
<b>Fund balances, June 30, 2010</b>	\$	\$ 1,672,555	\$ 1,672,555

## 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.

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

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**TOWN OF ORO VALLEY, ARIZONA**  
**COMBINING BALANCE SHEET - NON-MAJOR CAPITAL PROJECTS FUNDS**  
**JUNE 30, 2010**

	Capital Asset Replacement	General Impact Fees	Pima County Bond Projects	Totals
<b><u>ASSETS</u></b>				
Cash and cash equivalents	\$ 499,639	\$ 367,145	\$ 754,914	\$ 1,621,698
Accounts receivable			45,012	45,012
<b>Total assets</b>	<b>\$ 499,639</b>	<b>\$ 367,145</b>	<b>\$ 799,926</b>	<b>\$ 1,666,710</b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>				
Liabilities:				
Accounts payable	\$	\$	\$ 6,024	\$ 6,024
<b>Total liabilities</b>			6,024	6,024
Fund balances:				
Unreserved:				
Undesignated	499,639	367,145	793,902	1,660,686
<b>Total fund balances</b>	499,639	367,145	793,902	1,660,686
<b>Total liabilities and fund balances</b>	<b>\$ 499,639</b>	<b>\$ 367,145</b>	<b>\$ 799,926</b>	<b>\$ 1,666,710</b>

**TOWN OF ORO VALLEY, ARIZONA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**NON-MAJOR CAPITAL PROJECTS FUNDS**  
**YEAR ENDED JUNE 30, 2010**

	<u>Capital Asset Replacement</u>	<u>General Impact Fees</u>	<u>Pima County Bond Projects</u>
<b>Revenues:</b>			
Impact fees	\$	\$ 243,079	\$
Intergovernmental			45,011
<b>Total revenues</b>		<u>243,079</u>	<u>45,011</u>
<b>Expenditures:</b>			
Current -			
General government			29,310
Capital outlay			55,653
<b>Total expenditures</b>			<u>84,963</u>
<b>Excess (deficiency) of revenues over expenditures</b>		<u>243,079</u>	<u>(39,952)</u>
<b>Other financing sources (uses):</b>			
Transfers in			470,000
Transfers out			
<b>Total other financing sources (uses)</b>			<u>470,000</u>
<b>Change in fund balances</b>		<u>243,079</u>	<u>430,048</u>
<b>Fund balances, beginning of year</b>	499,639	124,066	363,854
<b>Fund balances, end of year</b>	<u>\$ 499,639</u>	<u>\$ 367,145</u>	<u>\$ 793,902</u>

Municipal Building	Totals
\$	\$ 243,079
	45,011
	<u>288,090</u>
	29,310
<u>217,838</u>	<u>273,491</u>
217,838	<u>302,801</u>
<u>(217,838)</u>	<u>(14,711)</u>
	470,000
<u>(5,600,721)</u>	<u>(5,600,721)</u>
(5,600,721)	<u>(5,130,721)</u>
<u>(5,818,559)</u>	<u>(5,145,432)</u>
5,818,559	6,806,118
<u>\$</u>	<u>\$ 1,660,686</u>

**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, 2010**

	Capital Asset Replacement		
	Budget*	Actual	Variance - Positive (Negative)
<b>Revenues:</b>			
Impact fees	\$	\$	\$
Intergovernmental			
Investment earnings			
<b>Total revenues</b>			
<b>Expenditures:</b>			
Current -			
General government			
Capital outlay			
<b>Total expenditures</b>			
<b>Excess (deficiency) of revenues over expenditures</b>			
<b>Other financing sources (uses):</b>			
Transfers in			
Transfers out			
<b>Total other financing sources (uses)</b>			
<b>Change in fund balances</b>			
<b>Fund balances, July 1, 2009</b>		499,639	499,639
<b>Fund balances, June 30, 2010</b>	\$	\$ 499,639	\$ 499,639

\*The Capital Asset Replacement Fund was included in the Town's budget, however, the budget was -0-.

General Impact Fees		
Budget	Actual	Variance - Positive (Negative)
\$ 443,959	\$ 243,079	\$ (200,880)
<u>443,959</u>	<u>243,079</u>	<u>(200,880)</u>
679,705		679,705
<u>679,705</u>		<u>679,705</u>
(235,746)	243,079	478,825
<u>(235,746)</u>	<u>243,079</u>	<u>478,825</u>
235,746	124,066	(111,680)
<u>\$</u>	<u>\$ 367,145</u>	<u>\$ 367,145</u>

Pima County Bond Projects		
Budget	Actual	Variance - Positive (Negative)
\$ 633,515	\$ 45,011	\$ (588,504)
<u>633,515</u>	<u>45,011</u>	<u>(588,504)</u>
495,587	29,310	466,277
941,007	55,653	885,354
<u>1,436,594</u>	<u>84,963</u>	<u>1,351,631</u>
(803,079)	(39,952)	763,127
470,000	470,000	
<u>470,000</u>	<u>470,000</u>	
(333,079)	430,048	763,127
333,079	363,854	30,775
<u>\$</u>	<u>\$ 793,902</u>	<u>\$ 793,902</u>

(Continued)

**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, 2010**  
**(Concluded)**

	Municipal Building		
	Budget	Actual	Variance - Positive (Negative)
<b>Revenues:</b>			
Impact fees	\$	\$	\$
Intergovernmental			
Investment earnings	15,295		(15,295)
<b>Total revenues</b>	15,295		(15,295)
<b>Expenditures:</b>			
Current -			
General government			
Capital outlay	5,868,462	217,838	5,650,624
<b>Total expenditures</b>	5,868,462	217,838	5,650,624
<b>Excess (deficiency) of revenues over expenditures</b>	(5,853,167)	(217,838)	5,635,329
<b>Other financing sources (uses):</b>			
Transfers in			
Transfers out		(5,600,721)	(5,600,721)
<b>Total other financing sources (uses)</b>		(5,600,721)	(5,600,721)
<b>Change in fund balances</b>	(5,853,167)	(5,818,559)	34,608
<b>Fund balances, July 1, 2009</b>	5,853,167	5,818,559	(34,608)
<b>Fund balances, June 30, 2010</b>	\$	\$	\$

Totals		
Budget	Actual	Variance - Positive (Negative)
\$ 443,959	\$ 243,079	\$ (200,880)
633,515	45,011	(588,504)
15,295		(15,295)
<u>1,092,769</u>	<u>288,090</u>	<u>(804,679)</u>
1,175,292	29,310	1,145,982
<u>6,809,469</u>	<u>273,491</u>	<u>6,535,978</u>
<u>7,984,761</u>	<u>302,801</u>	<u>7,681,960</u>
<u>(6,891,992)</u>	<u>(14,711)</u>	<u>6,877,281</u>
470,000	470,000	
	<u>(5,600,721)</u>	<u>(5,600,721)</u>
<u>470,000</u>	<u>(5,130,721)</u>	<u>(5,600,721)</u>
<u>(6,421,992)</u>	<u>(5,145,432)</u>	<u>1,276,560</u>
6,421,992	6,806,118	384,126
<u>\$</u>	<u>\$ 1,660,686</u>	<u>\$ 1,660,686</u>

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## **STATISTICAL SECTION**

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

### **Financial Trends**

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

### **Revenue Capacity**

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

### **Debt Capacity**

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

### **Demographic and Economic Information**

These schedules present various demographic and economic indicators to help the reader understand the environment in which the Town's financial activities take place and to help make comparisons with other 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 EIGHT FISCAL YEARS  
(ACCRUAL BASIS OF ACCOUNTING)  
(UNAUDITED)

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
<b>Governmental activities</b>								
Invested in capital assets, net of related debt	\$ 21,188,015	\$ 30,546,282	\$ 92,541,223	\$ 107,413,486	\$ 106,644,847	\$ 115,177,344	\$ 120,515,962	\$ 127,712,057
Restricted	2,303,550	3,958,033	15,360,660	8,919,398	8,326,731	14,072,781	7,537,331	9,580,610
Unrestricted	13,828,711	19,248,712	15,394,707	15,063,081	23,571,109	26,698,611	26,135,593	15,979,093
<b>Total governmental activities net assets</b>	<b><u>\$ 37,320,276</u></b>	<b><u>\$ 53,753,027</u></b>	<b><u>\$ 123,296,590</u></b>	<b><u>\$ 131,395,965</u></b>	<b><u>\$ 138,542,687</u></b>	<b><u>\$ 155,948,736</u></b>	<b><u>\$ 154,188,886</u></b>	<b><u>\$ 153,271,760</u></b>
<b>Business-type activities</b>								
Invested in capital assets, net of related debt	\$ 3,745,153	\$ (14,913,572)	\$ 546,602	\$ 7,240,791	\$ 15,534,043	\$ 21,274,023	\$ 28,212,750	\$ 31,383,715
Restricted	3,575,789	3,492,488	2,310,980	2,331,001	-	-	-	-
Unrestricted	10,262,534	33,107,781	24,499,050	22,958,536	23,252,747	24,651,948	24,393,984	24,404,427
<b>Total business-type activities net assets</b>	<b><u>\$ 17,583,476</u></b>	<b><u>\$ 21,686,697</u></b>	<b><u>\$ 27,356,632</u></b>	<b><u>\$ 32,530,328</u></b>	<b><u>\$ 38,786,790</u></b>	<b><u>\$ 45,925,971</u></b>	<b><u>\$ 52,606,734</u></b>	<b><u>\$ 55,788,142</u></b>
<b>Primary government</b>								
Invested in capital assets, net of related debt	\$ 24,933,168	\$ 15,632,710	\$ 93,087,825	\$ 114,654,277	\$ 122,178,890	\$ 136,451,367	\$ 148,728,712	\$ 159,095,772
Restricted	5,879,339	7,450,521	17,671,640	11,250,399	8,326,731	14,072,781	7,537,331	9,580,610
Unrestricted	24,091,245	52,356,493	39,893,757	38,021,617	46,823,856	51,350,559	50,529,577	40,383,520
<b>Total primary government net assets</b>	<b><u>\$ 54,903,752</u></b>	<b><u>\$ 75,439,724</u></b>	<b><u>\$ 150,653,222</u></b>	<b><u>\$ 163,926,293</u></b>	<b><u>\$ 177,329,477</u></b>	<b><u>\$ 201,874,707</u></b>	<b><u>\$ 206,795,620</u></b>	<b><u>\$ 209,059,902</u></b>

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

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
<b>Expenses</b>								
Governmental activities:								
General government	\$ 5,592,498	\$ 5,971,319	\$ 5,997,864	\$ 7,162,732	\$ 7,529,245	\$ 9,080,766	\$ 9,936,639	\$ 9,950,053
Public Safety	9,013,391	9,520,219	10,309,453	11,155,542	12,352,671	14,347,250	15,019,980	13,730,593
Highways and streets	2,613,170	2,850,172	4,789,234	5,732,026	7,757,276	7,292,972	9,481,040	9,353,689
Culture and recreation	2,352,445	2,566,173	2,631,306	3,014,341	3,375,314	3,644,973	3,806,555	3,527,949
Interest on long-term debt	564,798	456,107	653,331	805,123	996,336	987,074	954,645	1,767,155
Total governmental activities/expenses	<u>20,136,302</u>	<u>21,363,990</u>	<u>24,381,188</u>	<u>27,869,764</u>	<u>32,010,842</u>	<u>35,353,035</u>	<u>39,198,859</u>	<u>38,329,439</u>
Business-type activities:								
Water	9,025,235	8,957,988	9,642,592	10,438,869	11,446,958	12,676,275	13,495,124	12,830,137
Stormwater drainage	104,948	45,551	271,469	111,695	74,235	177,673	494,166	486,994
Total business-type activities expenses	<u>9,130,183</u>	<u>9,003,539</u>	<u>9,914,061</u>	<u>10,550,564</u>	<u>11,521,193</u>	<u>12,853,948</u>	<u>13,989,290</u>	<u>13,317,131</u>
Total primary government expenses	<u>\$ 29,266,485</u>	<u>\$ 30,367,529</u>	<u>\$ 34,295,249</u>	<u>\$ 38,420,328</u>	<u>\$ 43,532,035</u>	<u>\$ 48,206,983</u>	<u>\$ 53,188,149</u>	<u>\$ 51,646,570</u>
<b>Program Revenues</b>								
Governmental activities:								
Fees, Fines and Charges for Services:								
General government	\$ 2,991,105	\$ 3,902,024	\$ 3,784,049	\$ 4,013,368	\$ 3,291,983	\$ 3,830,060	\$ 2,835,884	\$ 2,261,815
Public Safety	-	-	-	-	229,546	69,256	83,279	28,785
Highways and streets	121,484	170,543	396,602	183,842	122,124	211,088	119,847	137,436
Culture and recreation	-	-	-	-	121,358	73,149	110,857	119,273
Operating grants and contributions	3,512,097	3,675,674	4,216,642	4,558,864	4,893,869	5,619,003	5,392,667	4,728,050
Capital grants and contributions	1,520,898	13,437,638	13,834,121	3,994,640	8,321,691	10,264,829	1,781,571	6,514,602
Total governmental activities program revenues	<u>8,145,584</u>	<u>21,185,879</u>	<u>22,231,414</u>	<u>12,750,714</u>	<u>16,980,571</u>	<u>20,067,385</u>	<u>10,324,105</u>	<u>13,789,961</u>
Business-type activities:								
Charges for services:								
Water	10,380,720	11,917,546	11,951,413	14,038,391	13,617,336	16,803,950	16,098,086	15,136,784
Stormwater Utility	75	-	14,710	21,401	125	357,602	746,655	927,238
Operating grants and contributions	297,500	-	-	-	-	-	-	-
Capital grants and contributions	1,856,151	840,096	2,934,747	628,501	3,066,170	3,567,083	3,697,229	362,273
Total business-type activities program revenues	<u>12,534,446</u>	<u>12,757,642</u>	<u>14,900,870</u>	<u>14,688,293</u>	<u>16,683,631</u>	<u>20,728,635</u>	<u>20,541,970</u>	<u>16,426,295</u>
Total primary government program revenues	<u>\$ 20,680,030</u>	<u>\$ 33,943,521</u>	<u>\$ 37,132,284</u>	<u>\$ 27,439,007</u>	<u>\$ 33,664,202</u>	<u>\$ 40,796,020</u>	<u>\$ 30,866,075</u>	<u>\$ 30,216,256</u>

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
<b>Net (Expense)/Revenues</b>								
Governmental activities	\$ (11,990,718)	\$ (178,111)	\$ (2,149,774)	\$ (15,119,050)	\$ (15,030,271)	\$ (15,285,650)	\$ (28,874,754)	\$ (24,539,478)
Business-type activities	3,404,263	3,754,103	4,986,809	4,137,729	5,162,438	7,874,687	6,552,680	3,109,164
Total primary government net expenses	<u>\$ (8,586,455)</u>	<u>\$ 3,575,992</u>	<u>\$ 2,837,035</u>	<u>\$ (10,981,321)</u>	<u>\$ (9,867,833)</u>	<u>\$ (7,410,963)</u>	<u>\$ (22,322,074)</u>	<u>\$ (21,430,314)</u>
<b>General Revenues and Other Changes in Net Assets</b>								
Governmental activities:								
Taxes:								
Sales taxes	\$ 5,876,309	\$ 7,924,855	\$ 9,536,791	\$ 12,455,609	\$ 16,873,630	\$ 17,168,998	\$ 15,376,408	\$ 12,970,865
Franchise taxes	341,489	371,697	402,482	435,428	478,175	516,652	506,685	509,285
Impact fees	885,371	1,189,848	1,547,819	1,098,977	1,038,217	910,741	441,020	584,113
Unrestricted state revenue sharing	3,161,005	2,845,866	2,935,615	3,343,471	4,473,305	5,544,763	5,886,132	5,086,953
Unrestricted state sales tax revenue sharing	2,322,772	2,686,614	2,958,376	3,432,007	3,744,864	3,621,016	3,134,789	2,891,386
Unrestricted auto lieu tax revenue sharing	1,307,305	1,374,464	1,395,094	1,541,560	1,726,149	1,738,875	1,655,875	1,484,125
Special assessments	-	-	5,433,301	-	-	-	-	-
Investment earnings (loss)	(244,770)	281,518	557,238	991,151	1,471,641	1,590,654	113,995	95,625
Special item - Loss on sale of fixed assets	(30,525)	-	-	-	-	-	-	-
Transfers	-	(64,000)	(91,194)	(79,778)	69,813	1,600,000	-	-
Total governmental activities	<u>13,618,956</u>	<u>16,610,862</u>	<u>24,675,522</u>	<u>23,218,425</u>	<u>29,875,794</u>	<u>32,691,699</u>	<u>27,114,904</u>	<u>23,622,352</u>
Business-type activities:								
Investment earnings (loss)	(50,977)	285,118	591,932	956,189	1,163,837	864,494	128,083	72,244
Transfers	-	64,000	91,194	79,778	(69,813)	(1,600,000)	-	-
Total business-type activities	<u>(50,977)</u>	<u>349,118</u>	<u>683,126</u>	<u>1,035,967</u>	<u>1,094,024</u>	<u>(735,506)</u>	<u>128,083</u>	<u>72,244</u>
Total primary government	<u>\$ 13,567,979</u>	<u>\$ 16,959,980</u>	<u>\$ 25,358,648</u>	<u>\$ 24,254,392</u>	<u>\$ 30,969,818</u>	<u>\$ 31,956,193</u>	<u>\$ 27,242,987</u>	<u>\$ 23,694,596</u>
<b>Change in Net Assets</b>								
Governmental activities	\$ 1,628,238	\$ 16,432,751	\$ 22,525,748	\$ 8,099,375	\$ 14,845,523	\$ 17,406,049	\$ (1,759,850)	\$ (917,126)
Business-type activities	3,353,286	4,103,221	5,669,935	5,173,696	6,256,462	7,139,181	6,680,763	3,181,408
Total primary government	<u>\$ 4,981,524</u>	<u>\$ 20,535,972</u>	<u>\$ 28,195,683</u>	<u>\$ 13,273,071</u>	<u>\$ 21,101,985</u>	<u>\$ 24,545,230</u>	<u>\$ 4,920,913</u>	<u>\$ 2,264,282</u>

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									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General Fund										
Reserved	\$ 349,243	\$ 333,285	\$ 354,091	\$ 7,172	\$ 112	\$ 7,267	\$ -	\$ -	\$ -	\$ -
Unreserved	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	11,904,429
Total general fund	<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>	<u>\$ 11,904,429</u>
All Other Governmental Funds										
Reserved	\$ -	\$ -	\$ 5,079	\$ 17,912	\$ 36,076	\$ 80,624	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	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	5,868,523
Capital projects funds	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	3,933,044
Debt service funds	929,802	793,433	176,514	314,301	403,332	280,055	245,208	263,478	158,816	1,929,635
Total all other governmental funds	<u>\$ 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>	<u>\$ 11,731,202</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									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>Revenues</b>										
Taxes	\$ 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	\$ 13,480,150
Intergovernmental	8,328,908	12,991,454	11,786,746	23,990,005	25,339,848	16,773,215	18,405,713	21,863,875	17,616,213	17,940,749
Fines and forfeitures	333,755	316,339	307,570	463,150	326,427	462,246	429,458	391,921	413,720	612,031
Licenses and permits	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	1,108,411
Charges for services	387,657	549,440	633,406	823,287	880,582	942,676	1,026,921	1,040,694	1,066,376	965,455
Contributions and donations	3,785	-	37,331	30,251	-	97,327	19,171	249,999	1,000	59
Special assessments	3,089,032	2,412,888	885,371	-	1,547,819	-	189,820	193,023	367,539	368,152
Impact fees	-	-	-	1,189,848	1,488,301	1,098,977	1,038,217	910,741	441,020	584,113
Investment earnings	1,757,232	875,361	(244,770)	281,518	557,238	991,151	1,471,641	1,590,654	113,995	95,625
Other revenues	172,726	150,444	178,376	229,411	458,034	325,428	135,261	555,790	233,123	216,030
<b>Total revenues</b>	<b>\$ 22,278,517</b>	<b>\$ 25,400,808</b>	<b>\$ 21,586,396</b>	<b>\$ 37,840,598</b>	<b>\$ 43,062,006</b>	<b>\$ 36,015,321</b>	<b>\$ 42,436,858</b>	<b>\$ 47,275,031</b>	<b>\$ 37,644,009</b>	<b>\$ 35,370,775</b>
<b>Expenditures</b>										
General government	7,256,772	6,055,062	6,698,052	5,800,477	5,676,217	9,988,956	7,019,030	8,767,496	9,586,029	9,452,778
Public safety	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	12,979,291
Highways and streets	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	3,475,556
Culture and recreation	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	3,157,369
Capital Outlay	3,628,630	8,094,782	-	-	-	-	10,662,190	13,090,313	11,332,914	3,189,765
Debt Service										
Principal retirement	1,120,000	1,596,456	516,960	541,290	2,559,190	2,856,595	1,077,813	3,403,102	938,900	3,400,877
Interest and fiscal charges	616,880	932,124	564,798	426,472	589,725	731,358	921,205	907,658	1,034,061	831,580
Payment to bond escrow agent	-	-	-	-	-	-	-	-	-	6,279,112
Bond Issuance costs	800,879	-	-	93,415	251,327	107,897	28,868	-	-	26,550
<b>Total expenditures</b>	<b>24,888,868</b>	<b>29,884,401</b>	<b>27,862,695</b>	<b>36,022,140</b>	<b>43,533,587</b>	<b>42,963,531</b>	<b>38,395,984</b>	<b>47,149,676</b>	<b>44,446,357</b>	<b>42,792,878</b>
Excess of revenues over (under) expenditures	\$ (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)	\$ (7,422,103)

Other Financing Sources (Uses)	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Premium on bonds issued	-	-	-	-	-	-	25,719	-	-	-
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	-	-
Issuance of refunding debt	-	-	-	5,572,700	-	-	1,389,180	-	-	-
Payment to bond escrow agent	-	-	-	(5,478,016)	-	-	(1,540,438)	-	-	-
Issuance of long-term debt	-	-	-	-	-	4,164,050	-	-	-	-
Transfers in	1,943,504	1,155,104	1,328,148	1,182,168	1,105,422	1,248,569	2,927,754	8,447,951	1,950,898	10,012,679
Transfers out	(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)	(10,012,679)
<b>Total other financing sources (uses)</b>	<b>12,671,460</b>	<b>-</b>	<b>1,716,000</b>	<b>5,030,684</b>	<b>3,938,839</b>	<b>4,084,272</b>	<b>(55,726)</b>	<b>9,600,000</b>	<b>-</b>	<b>-</b>
Net change in fund balances	\$ 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)	\$ (7,422,103)
Debt service as a percentage of noncapital expenditures	12.92%	10.56%	4.45%	5.06%	14.09%	13.41%	7.27%	12.51%	5.88%	26.38%

Source: Town of Oro Valley Finance Department

TOWN OF ORO VALLEY, ARIZONA  
 PRINCIPAL EMPLOYERS  
 JUNE 30, 2010  
 (UNAUDITED)

<u>Employer</u>	2010			2001		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Town Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Town Employment</u>
Ventana Medical Systems	803	1	5.26%			
Amphitheater Public Schools	577	2	3.78%	175	5	1.30%
Oro Valley Hospital	549	3	3.60%			
Hilton El Conquistador Golf & Tennis Resort	400	4	2.62%	500	1	3.72%
Town of Oro Valley	367	5	2.40%	277	2	2.06%
Wal-Mart Supercenter	321	6	2.10%			
Fry's Food & Drug Store	279	7	1.83%	214	4	1.59%
Home Depot	140	8	0.92%	121	7	0.90%
Long Realty	126	9	0.83%			
Target	121	10	0.79%	130	6	0.97%
El Conquistador Country Club				250	3	1.86%
Vanguard Automation				110	8	0.82%
Securplane				110	9	0.82%
Oro Valley Country Club				95	10	0.71%
<b>Total</b>	<b>3,683</b>		<b>24.13%</b>	<b>1,982</b>		<b>14.75%</b>

Source: Principal Employers Arizona Workforce Informer

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

Taxpayer	Business Type	Fiscal Year 2010			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	Accomodation	\$ 1,046,296	1	8.59%	\$ 1,086,800	1	11.66%
Taxpayer B	Utility	920,820	2	7.56%			
Taxpayer C	Retail Trade	742,217	3	6.09%			
Taxpayer D	Construction	531,528	4	4.36%			
Taxpayer E	Retail Trade	517,781	5	4.25%	584,705	3	6.27%
Taxpayer F	Retail Trade	432,374	6	3.55%	532,775	4	5.72%
Taxpayer G	Retail Trade	282,149	7	2.32%	221,823	5	2.38%
Taxpayer H	Retail Trade	263,176	8	2.16%			
Taxpayer I	Construction	246,060	9	2.02%			
Taxpayer J	Utility	243,979	10	2.00%			
Taxpayer K	Construction				727,681	2	7.81%
Taxpayer L	Construction				214,447	6	2.30%
Taxpayer M	Construction				179,052	7	1.92%
Taxpayer N	Retail Trade				162,693	8	1.75%
Taxpayer O	Retail Trade				157,634	9	1.69%
Taxpayer P	Construction				123,461	10	1.32%
Total		<u>\$ 5,226,380</u>		<u>42.90%</u>	<u>\$ 3,991,071</u>		<u>42.82%</u>

Source: Arizona Department of Revenue

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

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

	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Construction	\$ 2,913	\$ 2,779	\$ 1,978	\$ 3,014	\$ 3,594	\$ 5,602	\$ 6,895	\$ 7,038	\$ 5,143	\$ 2,110
Manufacturing	2	6	4	29	137	165	181	280	230	230
Transportation, Warehousing, Communications & Utilities	32	55	101	50	116	91	226	1,279	1,632	1,554
Wholesale Trade	13	61	31	46	54	56	58	69	54	75
Retail Trade	1,763	1,877	2,086	2,722	2,942	3,229	3,665	4,017	4,264	4,544
Restaurants, Bars & Lodging	1,082	1,250	1,354	1,556	1,888	2,392	2,720	2,775	2,333	2,283
Finance, Insurance & Real Estate	73	45	62	101	142	155	859	496	324	381
Services	257	258	285	393	379	262	313	312	322	378
All Other	(3)	42	50	(13)	68	197	167	337	896	627
Cable Franchise	263	302	342	372	402	435	478	517	507	509
<b>Total</b>	<b>\$ 6,395</b>	<b>\$ 6,675</b>	<b>\$ 6,293</b>	<b>\$ 8,270</b>	<b>\$ 9,722</b>	<b>\$ 12,584</b>	<b>\$ 15,562</b>	<b>\$ 17,120</b>	<b>\$ 15,705</b>	<b>\$ 12,691</b>
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:

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
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%
2010	2.00%	6.00%	4.00%	2.00%	7.10%

Source: Arizona Department of Revenue

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

Fiscal Year	Governmental Activities					Business-Type Activities					Total Primary Government	Percentage of Personal Income	Per Capita
	Capital Leases	Certificates of Participation	Loan Payable	Excise Tax Bonds	Special Assessment Bonds	Revenue Bonds	Notes Payable	Capital Leases	Loan Payable				
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	
2010	-	-	5,513,133	4,939,750	3,145,000	52,305,500	-	123,883	6,305,650	72,332,916	3.86%	1,662	

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, 2010  
(UNAUDITED)

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Pima County	\$ 420,261,000	7.05%	\$ 29,628,401
Pima County Community College District	25,881,294	7.05%	1,824,631
Amphitheater Unified School District No. 10	59,870,000	39.48%	23,636,676
Town of Oro Valley	13,597,883	100.00%	13,597,883
Total direct and overlapping debt			<u>\$ 68,687,591</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 2009-10.

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

	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
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	<u>\$ 57,378,681</u>	<u>\$ 66,881,032</u>	<u>\$ 76,608,850</u>	<u>\$ 84,941,970</u>	<u>\$ 93,101,081</u>	<u>\$ 108,807,180</u>	<u>\$ 120,435,053</u>	<u>\$ 151,537,994</u>	<u>\$ 178,543,952</u>	<u>\$ 180,420,396</u>
Total net debt applicable to the limit as a percentage of debt limit	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Source: Town of Oro Valley Finance Department

TOWN OF ORO VALLEY  
 CALCULATION OF LEGAL DEBT MARGIN  
 JUNE 30, 2010  
 (UNAUDITED)

Net secondary assessed valuation		\$ 693,924,598
<u>Water, Sewer, Light, Parks, Open Space and        Recreational Facility Bonds</u>		
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
<u>All other general obligation bonds</u>		
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	
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
2010	15,207,113	2,485,990	2,689,427	5,175,417	2.94

**Governmental Revenue Bonds**

Fiscal Year	Gross Revenues	Debt Service			Coverage
		Principal	Interest	Total	
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	14,287,963	788,670	642,711	1,431,381	9.98
2008	14,529,809	708,102	501,150	1,209,252	12.02
2009	13,447,862	733,900	486,372	1,220,272	11.02
2010	12,169,295	699,010	933,536	1,632,546	7.45

**Certificates of Participation**

Fiscal Year	Gross Revenues	Debt Service			Coverage
		Principal	Interest	Total	
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	14,287,963	-	-	-	0.00
2008	14,529,809	-	-	-	0.00
2009	13,447,862	-	-	-	0.00
2010	12,169,295	-	-	-	0.00

**Special Assessment**

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

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
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%
2010	43,521	1,875,613,105	43,097	6.2%

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

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

<u>Function/Program</u>	Full-time Equivalent Employees as of June 30									
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
<b>Administration</b>										
Town Clerk	4.00	4.60	4.60	4.60	4.50	4.50	4.00	4.00	4.00	4.00
Town Manager	8.10	8.50	8.10	6.00	6.00	5.00	4.00	4.00	3.00	3.00
Human Resources	4.00	4.00	4.00	4.00	3.00	3.00	3.00	3.00	2.50	3.00
Economic Development	1.40	1.40	2.25	2.25	2.00	2.00	2.00	2.00	2.00	1.00
Finance	7.00	9.00	9.00	8.00	7.50	7.50	7.50	7.50	7.50	6.00
Information Systems	8.00	7.00	8.00	5.00	4.00	4.00	2.00	2.00	2.00	2.50
Legal	7.00	10.00	10.25	10.25	10.25	6.25	8.00	9.00	9.00	7.00
<b>Community Development</b>										
Building Safety	13.00	16.00	18.00	17.00	16.00	16.00	17.00	17.00	17.00	17.00
Community Development Admin.	0.00	0.00	0.00	0.00	4.00	4.00	4.00	4.00	4.00	4.00
Planning & Zoning	13.00	16.00	16.00	14.00	13.50	13.50	13.50	14.00	14.50	16.50
<b>Parks and Recreation</b>										
	27.50	27.60	28.10	27.00	20.80	20.80	20.30	20.30	20.30	15.50
<b>Library</b>										
	18.50	18.70	19.40	19.30	19.43	14.00	14.00	14.00	14.00	3.00
<b>Police</b>										
Civilians	30.70	33.00	34.00	34.00	29.00	28.00	29.00	29.00	26.00	32.00
Officers	97.90	102.40	108.00	105.00	96.00	92.00	88.00	74.00	74.00	68.00
<b>Magistrate Court</b>										
	9.00	9.00	8.50	8.50	8.50	8.50	7.50	7.50	7.50	7.50
<b>Public Works</b>										
	47.70	52.90	56.10	53.13	54.00	51.50	28.50	33.00	33.00	32.50
<b>Water Utility</b>										
	35.00	36.30	35.50	35.50	34.00	34.00	33.00	33.00	32.00	28.00
<b>Total</b>	<b>331.80</b>	<b>356.40</b>	<b>369.8</b>	<b>353.53</b>	<b>332.48</b>	<b>314.55</b>	<b>285.30</b>	<b>277.30</b>	<b>272.30</b>	<b>250.50</b>

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	Commerical	Irrigation	Irrigation Reclaimed	Construction	Construction Reclaimed	Turf	Turf Reclaimed	Wholesale/ Unmetered	Total
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
2010	8,040,762	902,432	1,152,529	14,240	222,447	720	354,308	1,383,592	-	12,071,030

Source: Town of Oro Valley Water Utility Department

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

<u>Function/Program</u>	<u>Fiscal Year</u>									
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<b>Police</b>										
Burglaries	38	52	69	94	124	97	112	125	125	120
Citations (traffic)	5,636	5,237	8,195	9,413	8,660	8,203	8,183	7,497	9,256	6,736
* Investigations	7,751	6,350	4,719	3,788	4,216	5,106	6,656	6,892	917	732
Total Arrests	2,314	2,011	2,156	2,184	2,076	2,053	2,236	2,254	2,478	2,176
Thefts	368	432	448	572	580	568	575	577	528	567
<b>Public Works</b>										
Street resurfacing (miles)	3.0	16.4	14.0	8.0	17.3	5.4	7.7	10.5	53.4	14.8
<b>Parks and Recreation</b>										
Recreation Programs Held Annually	5	16	21	23	30	38	42	46	46	40
Months of Public Pool Operations	10	10	10	10	10	10	10	10	10	12
Parks Maintenance Man-Hours Worked	13,520	13,520	13,520	13,520	13,520	13,520	15,600	17,472	16,288	16,120
<b>Library</b>										
Collection volume	N/A	65,000	70,000	75,000	80,000	86,000	90,000	96,000	95,750	100,142
<b>Water</b>										
New connections	787	507	470	533	377	508	367	346	196	68
Total connections	15,068	15,575	16,045	16,578	16,955	17,463	17,830	18,177	18,373	18,441
<b>Transit</b>										
Total route miles	154,167	180,087	167,313	177,283	190,609	165,202	165,202	175,841	163,964	138,752
Passengers	11,000	13,524	12,486	13,991	15,937	14,387	14,858	16,908	17,101	15,573

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>
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
2010	14.19	2.20	2.99	4.03	5.38	0.75

Source: Town of Oro Valley Water Utility

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

<u>Function/Program</u>	<u>Fiscal Year</u>									
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<b>Police</b>										
Stations	1	1	1	1	1	1	1	1	1	1
Substations	2	2	2	3	3	3	2	2	2	3
Patrol units	66	78	83	93	103	105	105	113	109	108
<b>Public works</b>										
Streets (miles)	156.9	167.5	175.7	182.7	188.0	191.3	201.9	220.1	220.1	214.0
Streetlights	147	163	163	171	187	187	193	218	253	272
Traffic signals	5	7	7	8	10	10	15	16	16	18
<b>Parks and recreation</b>										
Acreage	47	87	87	87	87	300	300	300	300	374
Playgrounds	2	2	2	2	2	2	2	2	2	2
Baseball/softball diamonds	7	7	7	7	7	7	7	7	7	7
<b>Water</b>										
Wells	24	25	25	21	22	22	22	19	22	18
Storage capacity (MG)	11	13	14	16	17	17	17.5	18	19	19
Booster capacity	23	24	26	29	28	28	28	27	27	26
<b>Transit</b>										
Transit vans	8	8	8	8	9	9	9	9	9	9

Source: Town of Oro Valley Finance Department