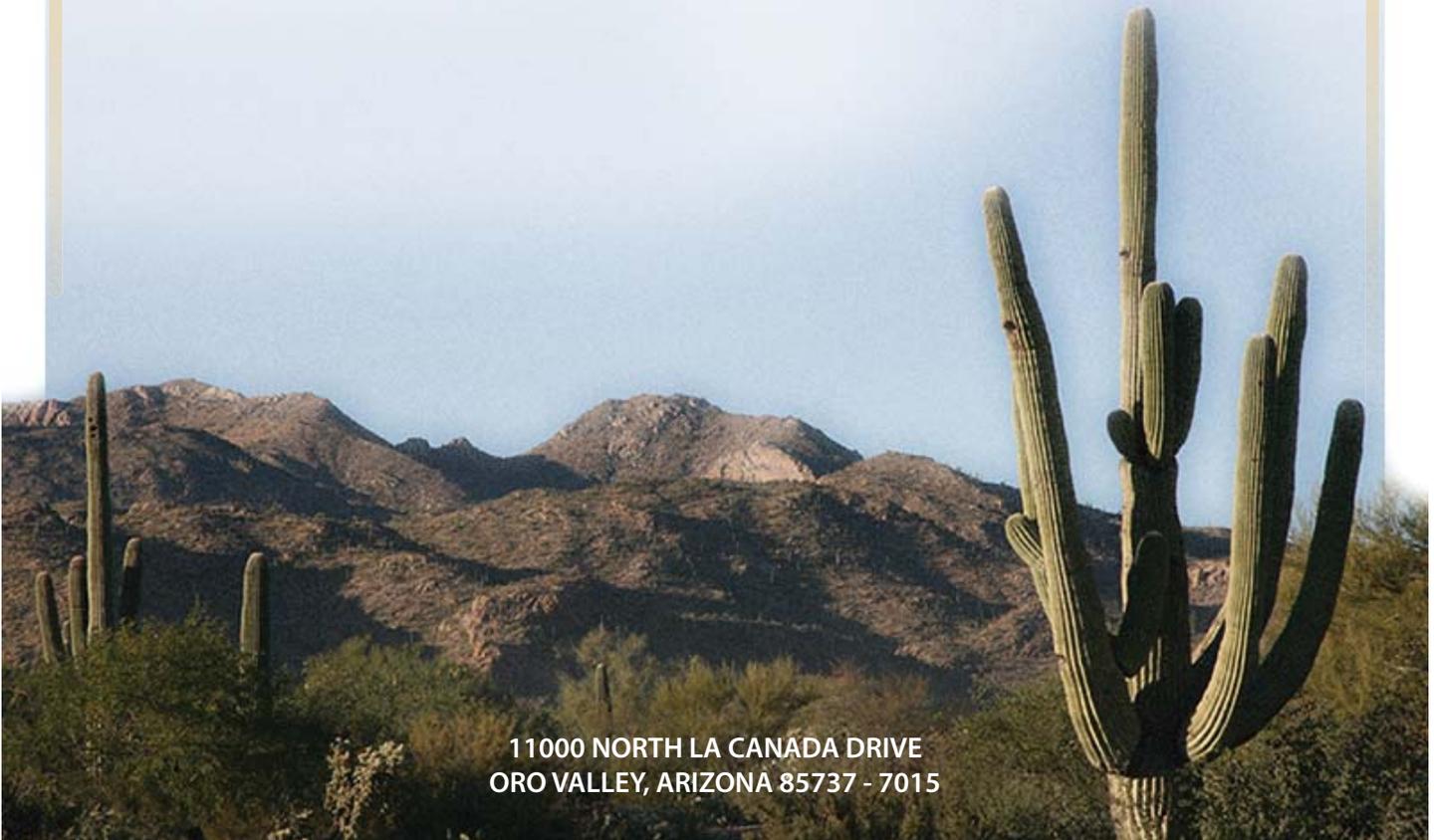




TOWN OF ORO VALLEY, ARIZONA
**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

FOR THE FISCAL YEAR ENDED
JUNE 30, 2012



11000 NORTH LA CANADA DRIVE
ORO VALLEY, ARIZONA 85737 - 7015

**TOWN OF ORO VALLEY, ARIZONA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Prepared by:

Finance Department

Stacey Lemos, CPA
Finance Director

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**TOWN OF ORO VALLEY, ARIZONA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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**TOWN OF ORO VALLEY, ARIZONA
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INTRODUCTORY SECTION

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Town of Oro Valley

October 17, 2012

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, 2012.

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

The Town's financial statements have been audited by Heinfeld, Meech & Co., P.C., a certified public accounting firm. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Town for the fiscal year ended June 30, 2012, 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, 2012, 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.

Caring for our heritage, our community, our future.

www.orovalleyaz.gov

11000 N. La Cañada Drive • Oro Valley, Arizona 85737

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

PROFILE OF THE TOWN

The Town of Oro Valley was incorporated in 1974. It is located in northeastern Pima County, six miles north of Tucson. The Town currently occupies a land area of 34.95 square miles and serves a population of 41,335 per the U.S. Census Bureau as of 7/1/2011. The population of Oro Valley has increased 39.2% since the 2000 population of 29,700.

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

The Town of Oro Valley operates under the Council-Manager form of government. Policymaking and legislative authority is vested in the Town Council, which consists of a Mayor and six Council Members. Council Members are elected to four-year staggered terms. The citizens of Oro Valley elect the Mayor. The Council, from among its members, selects the Vice-Mayor. The Town Council is responsible, among other things, for the adoption of local ordinances, budget adoption, the development of citizen advisory committees, the hiring and removal of the Town Manager, the Police Chief, Town Attorney and Town Magistrate. The Town Manager is responsible for implementation of the policies of the Town Council. The Town Manager appoints all other department heads except those mentioned above under Town Council responsibilities.

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

As with all cities in the State of Arizona, the Town of Oro Valley is required to comply with Article IX, Section 20 (1) of the Arizona Constitution, which sets limits on the Town's legal budget capacity. The Town currently operates under the Alternative Expenditure Limitation – Home Rule Option. This option allows the Town Council to establish the budgetary limits locally, rather than being restricted by the State-imposed expenditure limitation. The voters must authorize this option every four years. It was last authorized by the citizens of Oro Valley in March of 2010.

The annual operating budget serves as the foundation for the Town's financial planning and control. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual operating budget approved by the Town Council. The Town's proposed operating budget is presented to the Town Council for review throughout the budget cycle starting in January and approved in June. The Town Council is required to hold a public hearing on the proposed budget and to adopt the final budget by no later than the second Monday in August. Budget amendments requiring the approval of the Town Council include the following: budget transfers between funds; transfers to fund additional personnel or increased expenditures as a result of personnel reclassifications; transfers that would reduce or eliminate funding for items designated in the adopted Capital Improvement Plan; and transfers that would reduce or eliminate funding for debt service. All other operational budget amendments that involve transfers between line items or expenditure categories require approval by the Town Manager.

MAJOR INITIATIVES AND ACCOMPLISHMENTS FOR THE YEAR

Oro Valley's Strategic Plan was revised during FY 2010/11 and includes the three main focus areas listed below. Also shown below are the Town's accomplishments in these areas during FY 2011/12.

- **Leadership and Communication**

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

- Began the transition to electronic devices used by members of the Town Council to streamline the production of Council meeting packets
- Conducted a fair and impartial election by providing timely and accurate information to candidates and voters
- Completed spring and fall Community Academies, providing residents a chance to learn more about their local government
- Initiated Community Budget Forum and Employee Budget Forum sessions to solicit input on FY 2012/13 annual budget
- Held community outreach meetings to discuss the benefits of annexation into the Town of Oro Valley
- Expanded use of NEOGOV software system to volunteer application process and expanded volunteer program
- Created online forms to simplify the process for customers to reserve parks and recreation facilities
- Collaborated with various partners for the provision of parks, recreation and cultural events, including Southern Arizona Arts and Cultural Alliance, the Town of Marana, Catalina State Park and Pusch Ridge Christian Academy

- **Finance and Economic Development**

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

- Town Council approved transition of the Oro Valley Public Library from an affiliate status to a branch status within the Pima County Public Library District, resulting in savings of approximately \$600,000 per year to the Town's General Fund
- Implemented self-funded medical insurance program and optional Health Savings Accounts for employees
- Town realized approximately \$900,000 savings from position vacancies during FY 2011/12
- Implemented streamlined development review process
- Completed a refunding of the Town's Water Utility debt resulting in net present value savings of approximately \$3.4 million
- Launched OV Dollars program to enhance the existing Shop Oro Valley campaign
- Completed the issuance of \$2.55 million in excise tax revenue obligations to fund the Aquatic Center Facility expansion project and created full funding strategy for entire \$5 million project
- Maintained investment grade 'AA-' bond rating on Town excise tax obligations and received upgraded bond rating to 'AA' on Town Water Utility revenue obligations
- Water Utility completed the installation of energy efficient motors at wells and booster pump facilities to reduce power costs

- **Community Infrastructure**

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

- Began delivery and distribution of approximately 1,500 acre feet of Central Arizona Project (CAP) water in partnership with Tucson Water, reducing our reliance on groundwater and preserving our aquifer
- Began capital improvements to the historic property Steam Pump Ranch, allowing the property to be opened to the public
- Initiated Sun Shuttle Dial-A-Ride service in partnership with the Regional Transportation Authority (RTA), expanding mobility options for the residents of the community
- Initiated construction of the \$5 million Aquatic Center Facility at James D. Kriegh Park to include a 50-meter competition pool, a 25-yard community pool, splash pad, water slide, family changing rooms, community multi-use classroom and concession stand
- Town secured transfer of Honeybee Park from Pima County
- Began development of an archery facility at Naranja Park, funded primarily by donations and grants
- Renovated Green Field at James D. Kriegh Park through a partnership with the Dodgers Dream Foundation and the Arizona Diamondbacks
- Completed construction of an accessible playground at James D. Kriegh Park funded by a grant from the Keg Steakhouse
- Continued construction on the widening of Lambert Lane
- Street crews crack sealed 100 lane-miles of paved streets and completed 55 lane-miles of pavement preservation treatments on town roadways
- Oro Valley police officers have adopted 139 local businesses under the Adopt-a-Business program
- The Citizen Volunteer Assistants Program (CVAP) volunteers donated 13,867 hours and conducted 8,650 dark house checks
- Water Utility completed construction of the 3 million gallon North La Canada reservoir and the La Canada 24-inch water main
- Water Utility replaced 2,747 water meters under the meter replacement program

ECONOMIC CONDITIONS AND OUTLOOK

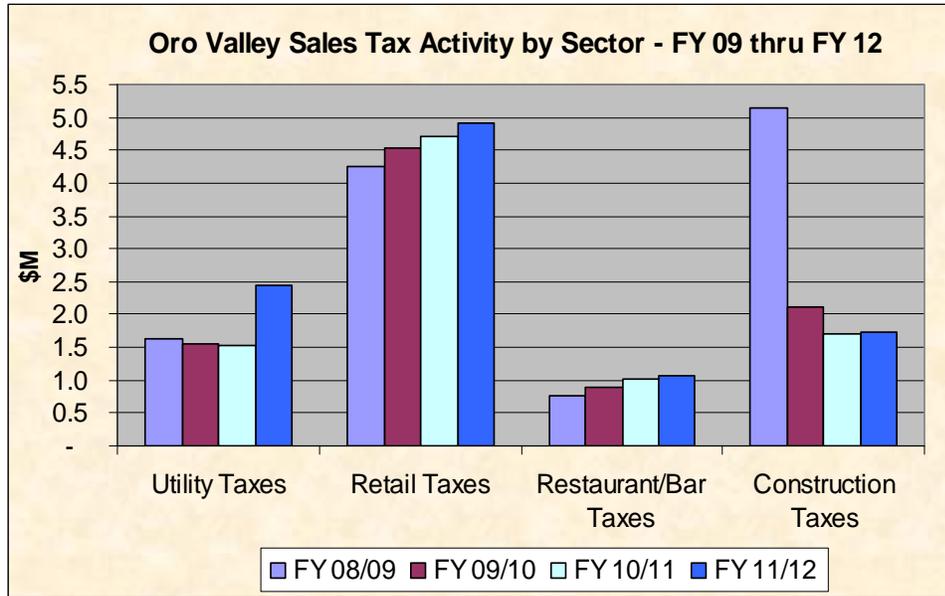
The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the Town operates.

Fiscal year 2011/12 in Oro Valley saw continued economic progress and recovery after enduring a somewhat sluggish period over the last three to four years during the recession. The Town continues to provide services and programs without a property tax to fund operations and, therefore, is dependent upon state shared revenues and local sales tax as major sources of operating revenue. These sources accounted for approximately 80% of total General Fund revenue for FY 2011/12.

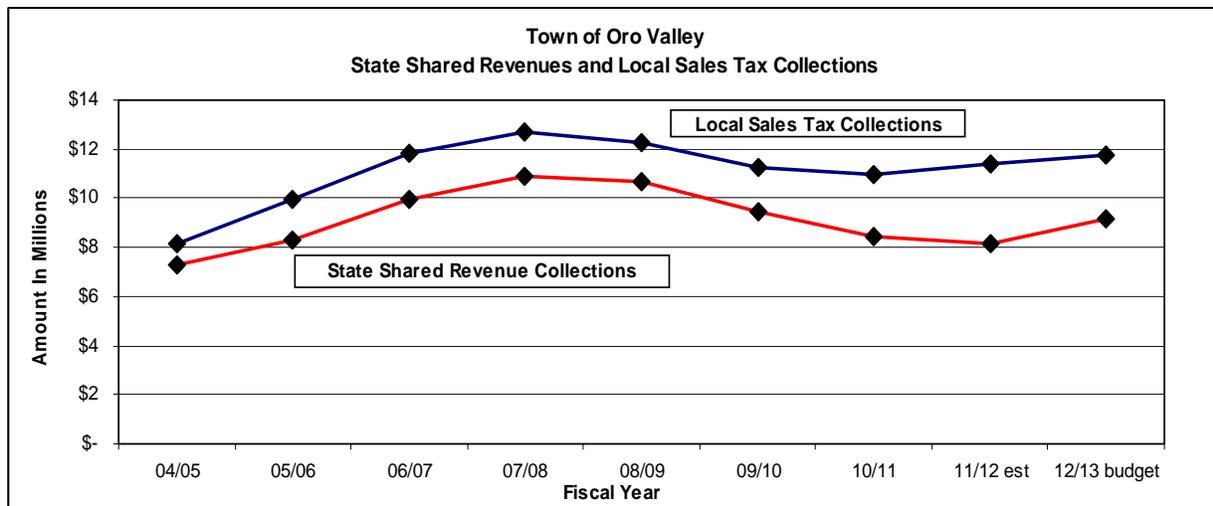
All of the major local sales tax categories experienced year-over-year increases compared to amounts collected in FY 2010/11 as discussed below:

- Retail tax collections totaled \$4.9 million for FY 11/12, up 4.3%, or \$205,000 over last fiscal year.
- Restaurant and bar tax collections totaled almost \$1.1 million for the fiscal year, up 3.8%, or \$39,000 over last fiscal year.
- Construction sales tax collections totaled \$1.8 million for the fiscal year, up 2.8%, or \$50,000 over last fiscal year.
- Utility tax collections totaled \$2.3 million for the fiscal year, up 72%, or \$1.0 million over last fiscal year due to the increase in the tax rate from 2% to 4% that became effective in August of 2011.

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



In FY 2011/12, the Town experienced its lowest amount collected for state shared revenues since FY 2005/06 at \$8.1 million. For FY 2012/13, state shared revenues are budgeted to increase by 12%, or by \$1 million, over FY 2011/12 indicating signs of a slowly recovering State economy as well. The trend chart below depicts the expected upward movement of both of these revenue categories for next fiscal year:



For the immediate future, as the forecasted revenues for the Town are slowly increasing, efforts to reduce recurring expenditures through significant vacancy savings were achieved during FY 2011/12. As staff vacancies occurred last year, management evaluated whether those positions needed to be refilled, filled with a part-time position or outsourced. This type of systematic personnel evaluation resulted in nearly \$900,000 in salary and benefit savings town-wide. Significant operations and maintenance savings, estimated at \$600,000, were also achieved during FY 2011/12, largely attributable to the staffing reductions mentioned above.

By achieving the sizable savings in our budget outlined above, along with a more positive revenue picture in FY 2012/13, the Town was in the enviable position of not having to close a significant General Fund budget deficit going into the FY 2012/13 budget process for the first time in four fiscal years.

Future Focus

In the next several years to come, the Town will focus its efforts on investing in the very elements of our operation that provide the highest return on investment for the future – our employees, our infrastructure and assets, economic development opportunities, enhanced programs and services for our community and regional partnerships.

These strategies will be fulfilled a number of different ways as highlighted below:

- A modest 2.5% cost of living adjustment (COLA) has been budgeted for our employees in FY 2012/13, the first since FY 2008/09. A commitment to provide performance merit and step increases has also been pledged for FY 2013/14.
- The FY 2012/13 budget includes the return of fleet replacement at a modest level for public safety vehicles and other vehicles used in the field. Also included is funding for the appropriate replacement of computers and other technology that is critical to maintaining smooth administrative functions.
- During FY 2011/12, the Oro Valley Town Council and the Pima County Board of Supervisors approved an intergovernmental agreement (IGA) transferring library operations to the Pima County Library District effective January 1, 2013. This will result in General Fund savings of \$583,000 to the Town and expanded library services to the community.
- The Town Council has approved a \$5 million Aquatic Center Facility expansion to the Oro Valley Municipal Pool located at James D. Kriegh Park. Completion of this facility will enable us to host large-scale events, generating increased tourism and becoming a source of economic activity.
- The Town will continue its successful partnership with the Regional Transportation Authority (RTA) for the provision of transit services to our residents. This partnership has expanded mobility options for our community and resulted in annual savings of approximately \$200,000 to the Town.
- The Town will continue to deliver 1,500 acre feet of Central Arizona Project (CAP) water to its customers through a partnership with Tucson Water. By utilizing Tucson Water's infrastructure, the Town saves significant capital costs by not having to construct a separate delivery system.

Additionally, annexation and the expansion of arts and culture will continue to be top priorities in the future. Extensive annexation outreach has been conducted and will increase in the coming year as more resources are allocated to this area.

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, 2011. This was the eighteenth consecutive year that the Town has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

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

Respectfully submitted,



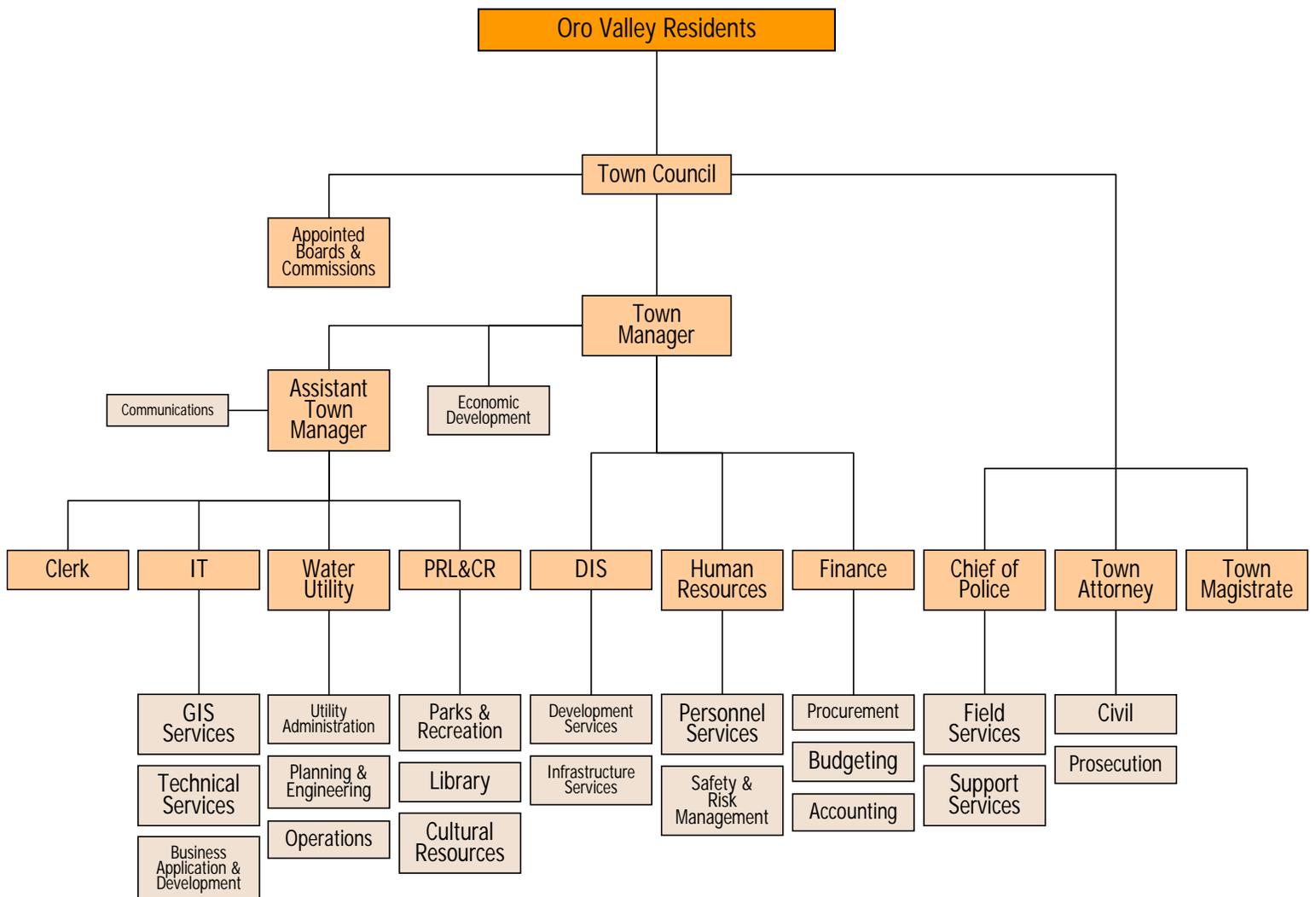
Greg Caton, ICMA-CM
Town Manager



Stacey Lemos, CPA
Finance Director



Organizational Chart



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

ELECTED OFFICIALS

Mayor	Dr. Satish Hiremath
Vice-Mayor	Mr. Lou Waters
Council Member	Mr. William Garner
Council Member	Mr. Joe Hornat
Council Member	Ms. Mary Snider
Council Member	Mr. Mike Zinkin
Council Member	Mr. Brendan Burns

DEPARTMENT HEADS

Town Manager	Greg Caton
Finance Director	Stacey Lemos, CPA
Human Resources Director	Ron Corbin
Town Clerk	Julie Bower
Magistrate	George Dunscomb
Town Attorney	Tobin Rosen
Water Utility Director	Philip Saletta
Chief of Police	Daniel G. Sharp
Development & Infrastructure Services Director	Paul Keesler
Parks, Recreation, Library and Cultural Resources Director	Ainsley Legner
Information Technology Director	Kevin Verville

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Town of Oro Valley
Arizona

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2011

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.



Linda C. Davison

President

Jeffrey R. Emer

Executive Director

FINANCIAL SECTION

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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, 2012, 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, 2012, 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 October 17, 2012 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.
CPAs and Business Consultants

October 17, 2012

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, 2012**

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, 2012. 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 2011-12 as follows.

- The Town's total net assets of governmental activities increased \$2.0 million to \$157.6 million and business-type activities increased \$4.4 million to \$64.7 million representing 71 percent and 29 percent respectively, of the total net assets of \$222.3 million.
- General revenues from governmental activities accounted for \$21.7 million in revenue, or 58 percent of all revenues from governmental activities. Program specific revenues in the form of charges for services and grants and contributions accounted for \$15.9 million or 42 percent of total governmental activities revenues. The Town had \$16.8 million of program revenues and \$167,106 in general revenues related to business-type activities.
- The Town had \$35.5 million in expenses related to governmental activities, an increase of one percent from the prior fiscal year. The Town had \$12.6 million in expenses related to business-type activities, a decrease of 4 percent from the prior fiscal year.
- Among major funds, the General Fund had \$25.1 million in revenues, which primarily consisted of sales taxes and intergovernmental revenues. The total expenditures of the General Fund were \$24.8 million. The General Fund's fund balance increased from \$11.0 million to \$11.4 million.
- The Highway User Revenue Fund, had \$3.1 million in revenues, which primarily consisted of intergovernmental revenues. The total expenditures of the Highway User Revenue Fund were \$3.8 million.
- The Townwide Roadway Development Impact Fee Fund had \$7.2 million in revenues, which primarily consisted of intergovernmental revenues. The total expenditures of the Townwide Roadway Development Impact Fee Fund were \$7.5 million.
- The Water Fund operating revenues of \$14.6 million exceeded operating expenses of \$9.6 million. The increase in net assets of \$4.2 million was primarily due to revenues from charges for services exceeding operating expenses.

**TOWN OF ORO VALLEY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2012**

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, 2012**

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

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

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

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

**TOWN OF ORO VALLEY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2012**

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 \$222.3 million as of the current fiscal year end.

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

The following table presents a summary of the Town's net assets for the fiscal years ended June 30, 2012 and June 30, 2011.

	2012	2011	2012	2011		
	Governmental	Governmental	Business-type	Business-type	2012 Total	2011 Total
	Activities	Activities	Activities	Activities		
Current and other assets	\$ 29,405,939	\$ 28,438,518	\$ 22,316,206	\$ 24,653,197	\$ 51,722,145	\$ 53,091,715
Capital assets, net	144,898,110	145,539,069	97,550,941	95,282,634	242,449,051	240,821,703
Total assets, net	<u>174,304,049</u>	<u>173,977,587</u>	<u>119,867,147</u>	<u>119,935,831</u>	<u>294,171,196</u>	<u>293,913,418</u>
Current and other liabilities	2,882,086	4,219,096	3,006,139	3,139,539	5,888,225	7,358,635
Long-term liabilities	13,822,115	14,165,670	52,123,740	56,419,499	65,945,855	70,585,169
Total liabilities	<u>16,704,201</u>	<u>18,384,766</u>	<u>55,129,879</u>	<u>59,559,038</u>	<u>71,834,080</u>	<u>77,943,804</u>
Invested in capital assets, net of related debt	135,336,862	132,956,156	45,669,488	40,005,568	181,006,350	172,961,724
Restricted	11,454,390	12,048,505			11,454,390	12,048,505
Unrestricted	10,808,596	10,588,160	19,067,780	20,371,225	29,876,376	30,959,385
Total net assets	<u>\$157,599,848</u>	<u>\$ 155,592,821</u>	<u>\$ 64,737,268</u>	<u>\$ 60,376,793</u>	<u>\$222,337,116</u>	<u>\$215,969,614</u>

**TOWN OF ORO VALLEY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2012**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Cont'd)

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

- The addition of \$8.9 million in business-type activities capital assets through improvements to the existing water system.
- The addition of \$7.2 million in governmental activities capital assets, mostly consisting of street improvements.
- The change of \$472,953 in governmental activities long-term debt was due to the payoff of a \$2.5 million Highway Extension Loan Program (HELP) loan from the La Canada Drive widening project and the issuance of \$2.6 million in revenue bonds for the Town's aquatic center project.
- The decrease of \$5.6 million in business-type activities long-term debt was due mainly to the issuance of \$16.6 million in revenue refunding bonds and a Town cash contribution of \$3.0 million to refund \$20.2 million of the 2003 Revenue Bonds.

Changes in net assets. The Town's total revenues for the current fiscal year were \$54.5 million. The total cost of all programs and services was \$48.2 million. The following table presents a summary of the changes in net assets for the fiscal years ended June 30, 2012 and June 30, 2011.

	2012 Governmental Activities	2011 Governmental Activities	2012 Business-type Activities	2011 Business-type Activities	2012 Total	2011 Total
Revenues:						
Program revenues:						
Charges for services	\$ 3,524,887	\$ 3,016,425	\$ 16,569,557	\$ 16,007,456	\$ 20,094,444	\$19,023,881
Operating grants and contributions	5,247,844	4,887,283			5,247,844	4,887,283
Capital grants and contributions	7,107,063	8,980,239	245,607	1,655,307	7,352,670	10,635,546
General revenues:						
Sales taxes	12,799,678	11,572,148			12,799,678	11,572,148
Franchise taxes	525,427	514,814			525,427	514,814
Unrestricted state shared revenues	8,145,065	8,409,590			8,145,065	8,409,590
Investment earnings	189,606	39,124	167,106	39,745	356,712	78,869
Total revenues	<u>37,539,570</u>	<u>37,419,623</u>	<u>16,982,270</u>	<u>17,702,508</u>	<u>54,521,840</u>	<u>55,122,131</u>
Expenses:						
General government	9,961,376	9,887,523			9,961,376	9,887,523
Public safety	12,349,948	12,509,201			12,349,948	12,509,201
Highways and streets	9,339,062	8,895,987			9,339,062	8,895,987
Culture and recreation	3,227,895	3,375,281			3,227,895	3,375,281
Interest on long-term debt	654,262	430,570			654,262	430,570
Water			11,984,829	12,527,851	11,984,829	12,527,851
Stormwater drainage			636,966	586,006	636,966	586,006
Total expenses	<u>35,532,543</u>	<u>35,098,562</u>	<u>12,621,795</u>	<u>13,113,857</u>	<u>48,154,338</u>	<u>48,212,419</u>
Change in net assets	<u>2,007,027</u>	<u>2,321,061</u>	<u>4,360,475</u>	<u>4,588,651</u>	<u>6,367,502</u>	<u>6,909,712</u>
Net assets, beginning	<u>155,592,821</u>	<u>153,271,760</u>	<u>60,376,793</u>	<u>55,788,142</u>	<u>215,969,614</u>	<u>209,059,902</u>
Net assets, ending	<u>\$ 157,599,848</u>	<u>\$ 155,592,821</u>	<u>\$ 64,737,268</u>	<u>\$ 60,376,793</u>	<u>\$ 222,337,116</u>	<u>\$215,969,614</u>

**TOWN OF ORO VALLEY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2012**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Concl'd)

Total revenues decreased \$600,291, or one percent, primarily due to a decrease in capital grants and contributions received from the prior year for street and stormwater projects. The increase of \$1.2 million in sales tax was largely due to an increase in the sales tax rate on utilities from 2% to 4% on August 1, 2011. Charges for services increased by \$1.1 million due to an increase in fees collected in the General Fund for administrative and financial services provided to the Water Utility. The Water Utility fund had an increase in charges for services due to an increase in the groundwater preservation fee rate from 0.75 cents to 0.95 cents per 1,000 gallons effective on October 1, 2011.

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

	2012		2011	
	Total Expenses	Net (Expense)/ Revenue	Total Expenses	Net (Expense)/ Revenue
Governmental Activities				
General government	\$ 9,961,376	\$ (6,560,335)	\$ 9,887,523	\$ (6,916,415)
Public safety	12,349,948	(11,126,636)	12,509,201	(11,495,163)
Highways and streets	9,339,062	1,228,958	8,895,987	3,254,449
Culture and recreation	3,227,895	(2,540,474)	3,375,281	(2,626,916)
Interest on long-term debt	654,262	(654,262)	430,570	(430,570)
Total	<u>\$ 35,532,543</u>	<u>\$ (19,652,749)</u>	<u>\$ 35,098,562</u>	<u>(18,214,615)</u>
Business-type Activities				
Water	\$ 11,984,829	\$ 4,037,800	\$ 12,527,851	\$ 2,793,387
Stormwater drainage	636,966	155,569	586,006	1,755,519
Total	<u>\$ 12,621,795</u>	<u>\$ 4,193,369</u>	<u>\$ 13,113,857</u>	<u>\$ 4,548,906</u>

- The cost of all governmental activities this year was \$35.5 million. The increase of \$433,981 from the prior year was due primarily to an increase in subdivision street improvements in the highway fund. Overall, personnel costs were reduced due to vacancy savings in all departments.
- The cost of all business-type activities this year was \$12.6 million, a decrease of \$492,062 from the prior year. Costs decreased slightly due to a decrease in Central Arizona Project (CAP) delivery charges and power purchased for pumping.
- Federal and State governments, developer contributions, and charges for services subsidized certain governmental programs and business-type programs with revenues of \$32.7 million.
- Net cost of governmental activities of \$19.7 million was financed by general revenues, which are made up of primarily sales taxes and state shared revenues of \$20.9 million.

**TOWN OF ORO VALLEY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2012**

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

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

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

The financial performance of the Town as a whole is reflected in its governmental funds. As the Town completed the year, its governmental funds reported a combined fund balance of \$23.5 million, an increase of \$2.5 million. This was primarily due to expended proceeds from the issuance of \$2.6 million in revenue bonds for the Town's aquatic center project.

The General Fund is the principal operating fund of the Town. The fund balance increased by \$394,511 in the General Fund to \$11.4 million for the current fiscal year.

The fund balance of the Highway User Revenue Fund showed a decrease of \$637,517 to \$3.0 million for the current fiscal year due to the planned use of fund balance for subdivision street improvements.

The Townwide Roadway Development Impact Fees Fund showed a decrease of \$267,550 to \$2.2 million for the current fiscal year due to the planned use of fund balance for the Lambert Lane road widening project.

Proprietary funds. Net assets of the Enterprise Funds at the end of the year amounted to \$64.7 million. The increase of \$4.4 million from the prior fiscal year was primarily due to operating income of \$5.0 million from the Water Utility Fund.

BUDGETARY HIGHLIGHTS

There were no amendments to the Town of Oro Valley's fiscal year 2011-12 operating and capital budget. A schedule showing the original and final budget amounts compared to the Town's actual financial activity for the General Fund is provided in this report as required supplementary information. The significant variances are summarized as follows:

- The favorable variance of \$77,749 in revenues was primarily a result of interest earnings from funds invested with PFM Asset Management.
- The favorable variance of \$1.3 million in expenditures was a result of personnel vacancy savings and operational cost savings.

**TOWN OF ORO VALLEY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2012**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. At year end, the Town had invested \$242.4 million in capital assets (net of accumulated depreciation), including buildings, facilities, vehicles, computers, equipment, and infrastructure assets. This amount represents a net increase of \$1.6 million from last year. In governmental activities, this was primarily due to street improvement projects. In business-type activities this was due to water system expansion of \$6.6 million and \$2.0 million in stormwater drainage facilities. Total depreciation expense for the year was \$10.2 million.

The following schedule presents capital asset balances for the fiscal years ended June 30, 2012 and June 30, 2011.

<u>Governmental Activities</u>	As of <u>June 30, 2012</u>	As of <u>June 30, 2011</u>
Land	\$ 18,878,468	\$ 18,878,468
Infrastructure	152,734,484	151,204,783
Buildings and improvements	24,330,218	24,218,778
Machinery, equipment, and vehicles	11,328,666	10,654,213
Construction in progress	6,083,031	1,778,211
Less: Accumulated depreciation	<u>(68,456,757)</u>	<u>(61,195,384)</u>
Total	<u>\$ 144,898,110</u>	<u>\$145,539,069</u>
<u>Business-type Activities</u>	As of <u>June 30, 2012</u>	As of <u>June 30, 2011</u>
Land	\$ 2,410,660	\$ 2,410,660
Water rights	8,534,490	8,534,490
Water system	107,415,415	100,847,841
Stormwater system	2,779,503	2,474,862
Equipment and vehicles	3,894,930	3,835,184
Construction in progress	2,572,273	4,397,627
Less: Accumulated depreciation	<u>(30,056,330)</u>	<u>(27,218,030)</u>
Total	<u>\$ 97,550,941</u>	<u>\$ 95,282,634</u>

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

**TOWN OF ORO VALLEY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2012**

CAPITAL ASSETS AND DEBT ADMINISTRATION (Concl'd)

Debt Administration. At year end, the Town had \$61.8 million in long-term debt outstanding, \$3.4 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, 2012 and June 30, 2011.

	Governmental Activities	
	2012	2011
Revenue bonds	\$ 9,424,960	\$ 7,149,780
Special assessment bonds	2,685,000	2,920,000
Loan payable		2,513,133
Total	\$ 12,109,960	\$ 12,582,913
	Business-type Activities	
	2012	2011
Revenue bonds	\$ 43,843,790	\$ 49,803,970
Loan payable	5,893,122	5,473,096
Capital leases		35,392
	\$ 49,736,912	\$ 55,312,458

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 \$125.9 million.

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

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

**TOWN OF ORO VALLEY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2012**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- The unemployment rate for the Town of Oro Valley is currently 6.4%. Pima County's and the State of Arizona's unemployment rates are 7.6% and 8.5%, respectively.
- The Town's secondary assessed valuation for the current year is \$629,340,548.
- Single family residential (SFR) building permits issued in this fiscal year totaled 56, as compared to 47 SFR building permits issued last fiscal year. Projections for SFR building permits are 70 for fiscal year 2012-13.

The adopted combined operating and capital expenditure budget for fiscal year 2012-13 totals \$95.4 million, an increase of 1.3% over last year's budget of \$94.2 million. This increase is primarily attributed to the expansion of the aquatics facility at James D. Kriegh Park. The budget for fiscal year 2012-13 continues to place emphasis on the following: investing in our employees and infrastructure assets, streamlining service delivery, increasing operating efficiencies through regional partnerships, and capitalizing on economic development opportunities that provide a significant return on investment for the Town.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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TOWN OF ORO VALLEY, ARIZONA
STATEMENT OF NET ASSETS
JUNE 30, 2012

	Governmental Activites	Business-type Activites	Total
<u>ASSETS</u>			
Current assets:			
Cash and cash equivalents	\$ 22,532,206	\$ 15,761,719	\$ 38,293,925
Taxes receivable	820,887		820,887
Accounts receivable	407,533	2,418,611	2,826,144
Intergovernmental receivable	2,570,748	157,132	2,727,880
Special assessments	2,685,000		2,685,000
Loan proceeds receivable		554,569	554,569
Prepaid items	29,670		29,670
Total current assets	29,046,044	18,892,031	47,938,075
Noncurrent assets:			
Deferred bond charges	359,895	3,424,175	3,784,070
Capital assets, non-depreciable	24,961,499	13,517,423	38,478,922
Capital assets, depreciable (net)	119,936,611	84,033,518	203,970,129
Total noncurrent assets	145,258,005	100,975,116	246,233,121
Total assets	174,304,049	119,867,147	294,171,196
<u>LIABILITIES</u>			
Current liabilities:			
Accounts payable	1,402,755	468,552	1,871,307
Accrued wages and benefits	825,295	104,486	929,781
Intergovernmental payable	120,008	997,755	1,117,763
Interest payable		1,188,297	1,188,297
Sales tax payable	278,774		278,774
Unearned revenue	182,486		182,486
Customer deposits payable	72,768	247,049	319,817
Compensated absences	1,287,895	159,909	1,447,804
Loans payable		311,742	311,742
Special assessment bonds	250,000		250,000
Revenue bonds	321,910	2,536,840	2,858,750
Total current liabilities	4,741,891	6,014,630	10,756,521
Noncurrent liabilities:			
Compensated absences	363,252	82,378	445,630
Loans payable		5,581,380	5,581,380
Special assessment bonds	2,435,000		2,435,000
Revenue bonds	9,164,058	43,451,491	52,615,549
Total noncurrent liabilities	11,962,310	49,115,249	61,077,559
Total liabilities	16,704,201	55,129,879	71,834,080
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	135,336,862	45,669,488	181,006,350
Restricted for:			
Public safety	1,058,088		1,058,088
Highways and streets	3,017,431		3,017,431
Capital outlay	6,210,546		6,210,546
Debt service	1,168,325		1,168,325
Unrestricted	10,808,596	19,067,780	29,876,376
Total net assets	\$ 157,599,848	\$ 64,737,268	\$ 222,337,116

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

**TOWN OF ORO VALLEY, ARIZONA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
Primary Government						
Governmental activities:						
General government	\$ 9,961,376	\$ 3,079,526	\$ 321,515		\$ (6,560,335)	
Public safety	12,349,948	33,109	1,190,203		(11,126,636)	
Highway and streets	9,339,062	329,420	3,131,537	7,107,063	1,228,958	
Culture and recreation	3,227,895	82,832	604,589		(2,540,474)	
Interest on long-term debt	654,262				(654,262)	
Total governmental activities	<u>35,532,543</u>	<u>3,524,887</u>	<u>5,247,844</u>	<u>7,107,063</u>	<u>(19,652,749)</u>	
Business-type activities:						
Water	11,984,829	15,817,345		205,284		
Stormwater drainage	636,966	752,212		40,323		
Total business-type activities	<u>12,621,795</u>	<u>16,569,557</u>		<u>245,607</u>		
Total primary government	<u>\$ 48,154,338</u>	<u>\$ 20,094,444</u>	<u>\$ 5,247,844</u>	<u>\$ 7,352,670</u>	<u>(19,652,749)</u>	
General revenues:						
Taxes:						
Sales taxes						12,799,678
Franchise taxes						525,427
Unrestricted state shared revenues						8,145,065
Investment earnings						189,606
Total general revenues						<u>21,659,776</u>
Changes in net assets						2,007,027
Net assets, beginning of year						<u>155,592,821</u>
Net assets, end of year						<u>\$ 157,599,848</u>

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

Net (Expense) Revenue and
Changes in Net Assets

Business-type Activities	Totals
\$	\$ (6,560,335) (11,126,636) 1,228,958 (2,540,474) (654,262) <hr style="border: 0.5px solid black;"/> (19,652,749)
4,037,800	4,037,800
155,569	155,569
4,193,369	4,193,369
4,193,369	(15,459,380)
12,799,678 525,427 8,145,065 167,106 <hr style="border: 0.5px solid black;"/> 167,106 <hr style="border: 0.5px solid black;"/> 21,826,882	
4,360,475	6,367,502
60,376,793	215,969,614
\$ 64,737,268	\$ 222,337,116

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FUND FINANCIAL STATEMENTS

**TOWN OF ORO VALLEY, ARIZONA
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2012**

	<u>General Fund</u>	<u>HURF</u>	<u>Oracle Road Debt Service</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 11,559,886	\$ 3,339,235	\$ 3,592
Taxes receivable	820,887		
Accounts receivable	400,885	6,648	
Intergovernmental receivable	459,461	242,798	
Special assessments			2,685,000
Prepaid items	29,670		
Total assets	<u>\$ 13,270,789</u>	<u>\$ 3,588,681</u>	<u>\$ 2,688,592</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ 455,477	\$ 505,582	\$
Accrued wages and benefits	759,627	65,668	
Intergovernmental payable	120,008		
Sales tax payable	278,774		
Deferred revenue	182,486		2,685,000
Customer deposits payable	72,768		
Total liabilities	<u>1,869,140</u>	<u>571,250</u>	<u>2,685,000</u>
Fund balances:			
Restricted		3,017,431	3,592
Committed			
Assigned	1,608,035		
Unassigned	9,793,614		
Total fund balances	<u>11,401,649</u>	<u>3,017,431</u>	<u>3,592</u>
Total liabilities and fund balances	<u>\$ 13,270,789</u>	<u>\$ 3,588,681</u>	<u>\$ 2,688,592</u>

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

Townwide Roadway Development Impact Fees	Non-Major Governmental Funds	Total Governmental Funds
\$ 556,223	\$ 7,047,515	\$ 22,506,451
		820,887
1,868,489		407,533
		2,570,748
		2,685,000
		29,670
<u>\$ 2,424,712</u>	<u>\$ 7,047,515</u>	<u>\$ 29,020,289</u>
\$ 195,716	\$ 220,225	\$ 1,377,000
		825,295
		120,008
		278,774
		2,867,486
		72,768
<u>195,716</u>	<u>220,225</u>	<u>5,541,331</u>
2,228,996	6,204,371	11,454,390
	622,919	622,919
		1,608,035
		9,793,614
<u>2,228,996</u>	<u>6,827,290</u>	<u>23,478,958</u>
<u>\$ 2,424,712</u>	<u>\$ 7,047,515</u>	<u>\$ 29,020,289</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, 2012**

Total governmental fund balances **\$ 23,478,958**

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	\$ 213,354,867	
Less accumulated depreciation	<u>(68,456,757)</u>	144,898,110

Special assessments receivable are not available to pay for current period expenditures and therefore are not reported in the funds.		2,685,000
--------------------------------------------------------------------------------------------------------------------------------------	--	-----------

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

Deferred bond charges	359,895	
Deferred bond premium	<u>(61,008)</u>	298,887

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

Special assessment bonds	(2,685,000)	
Revenue bonds	(9,424,960)	
Compensated absences	<u>(1,651,147)</u>	<u>(13,761,107)</u>

Net assets of governmental activities **\$ 157,599,848**

The notes to the basic 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, 2012

	General Fund	HURF	Oracle Road Debt Service
Revenues:			
Sales taxes	\$ 11,656,582	\$ 348,378	\$
Franchise taxes	525,427		
In lieu fees			
Impact fees			
Special assessments			366,028
Intergovernmental	9,968,445	2,694,079	
Licenses, fees & permits	1,138,348	47,514	
Fines, forfeitures & penalties	212,922		
Charges for services	1,209,814		
Contributions and donations	995		
Investment earnings	159,182	10,809	
Other	214,052	25,173	
Total revenues	25,085,767	3,125,953	366,028
Expenditures:			
Current -			
General government	8,974,197		
Public safety	11,874,887		
Highway and streets	572,827	2,618,827	
Culture and recreation	2,954,549		
Capital outlay	447,982	1,144,643	
Debt service -			
Bond issuance costs			
Principal retirement			235,000
Interest and fiscal charges			132,423
Total expenditures	24,824,442	3,763,470	367,423
Excess (deficiency) of revenues over expenditures	261,325	(637,517)	(1,395)
Other financing sources (uses):			
Issuance of revenue bonds			
Premium on bonds issued			
Transfers in	318,426		
Transfers out	(185,240)		
Total other financing sources (uses):	133,186		
Changes in fund balances	394,511	(637,517)	(1,395)
Fund balances, beginning of year	11,007,138	3,654,948	4,987
Fund balances, end of year	\$ 11,401,649	\$ 3,017,431	\$ 3,592

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

Townwide Roadway Development Impact Fees	Non-Major Governmental Funds	Total Governmental Funds
\$	\$ 794,718	\$ 12,799,678
		525,427
	834	834
238,733	178,175	416,908
		366,028
6,976,035	84,527	19,723,086
		1,185,862
	682,898	895,820
		1,209,814
		995
1,534	18,081	189,606
18,000	203,287	460,512
<u>7,234,302</u>	<u>1,962,520</u>	<u>37,774,570</u>
	238,669	9,212,866
	118,977	11,993,864
		3,191,654
		2,954,549
4,886,385	450,824	6,929,834
	75,800	75,800
2,513,133	304,820	3,052,953
102,334	319,517	554,274
<u>7,501,852</u>	<u>1,508,607</u>	<u>37,965,794</u>
<u>(267,550)</u>	<u>453,913</u>	<u>(191,224)</u>
	2,580,000	2,580,000
	113,835	113,835
	685,240	1,003,666
	(818,426)	(1,003,666)
	<u>2,560,649</u>	<u>2,693,835</u>
<u>(267,550)</u>	<u>3,014,562</u>	<u>2,502,611</u>
2,496,546	3,812,728	20,976,347
<u>\$ 2,228,996</u>	<u>\$ 6,827,290</u>	<u>\$ 23,478,958</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, 2012**

Net changes in fund balances - total governmental funds **\$ 2,502,611**

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	\$ 6,723,230	
Less current year depreciation	<u>(7,364,189)</u>	(640,959)

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. (235,000)

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

Loan principal retirement	2,513,133	
Revenue bond principal retirement	304,820	
Special assessment bond principal retirement	<u>235,000</u>	3,052,953

Issuance of revenue bonds provides current financial resources to governmental funds, but the issuance increases long term liabilities in the Statement of Net Assets. (2,580,000)

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

Amortization of deferred charges	(24,188)	
Compensated absences	<u>(68,390)</u>	<u>(92,578)</u>

Change in net assets in governmental activities **\$ 2,007,027**

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

TOWN OF ORO VALLEY, ARIZONA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2012

	Enterprise Funds		
	Water	Non-Major Enterprise Funds	Totals
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 15,211,745	\$ 549,974	\$ 15,761,719
Accounts receivable	2,354,532	64,079	2,418,611
Due from federal government		157,132	157,132
Loan proceeds receivable	554,569		554,569
Total current assets	<u>18,120,846</u>	<u>771,185</u>	<u>18,892,031</u>
Noncurrent assets:			
Deferred bond charges	3,424,175		3,424,175
Capital assets, non-depreciable	13,517,423		13,517,423
Capital assets, depreciable (net)	81,010,687	3,022,831	84,033,518
Total noncurrent assets	<u>97,952,285</u>	<u>3,022,831</u>	<u>100,975,116</u>
Total assets	<u>116,073,131</u>	<u>3,794,016</u>	<u>119,867,147</u>
LIABILITIES			
Current liabilities:			
Accounts payable	465,348	3,204	468,552
Accrued wages and benefits	94,460	10,026	104,486
Intergovernmental payable	997,755		997,755
Interest payable	1,188,297		1,188,297
Customer deposits payable	247,049		247,049
Compensated absences	146,910	12,999	159,909
Loans payable	311,742		311,742
Revenue bonds	2,536,840		2,536,840
Total current liabilities	<u>5,988,401</u>	<u>26,229</u>	<u>6,014,630</u>
Noncurrent liabilities:			
Compensated absences	75,681	6,697	82,378
Loans payable	5,581,380		5,581,380
Revenue bonds	43,451,491		43,451,491
Total noncurrent liabilities	<u>49,108,552</u>	<u>6,697</u>	<u>49,115,249</u>
Total liabilities	<u>55,096,953</u>	<u>32,926</u>	<u>55,129,879</u>
NET ASSETS			
Invested in capital assets, net of related debt	42,646,657	3,022,831	45,669,488
Unrestricted	18,329,521	738,259	19,067,780
Total net assets	<u>\$ 60,976,178</u>	<u>\$ 3,761,090</u>	<u>\$ 64,737,268</u>

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

Governmental
Activities:
Internal Service
Funds

\$ 25,755

25,755

25,755

25,755

25,755

25,755

\$

TOWN OF ORO VALLEY, ARIZONA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Enterprise Funds		
	Water	Non-Major Enterprise Funds	Totals
Operating revenues:			
Charges for services	\$ 14,451,480	\$ 752,212	\$ 15,203,692
Other	143,145		143,145
Total operating revenues	<u>14,594,625</u>	<u>752,212</u>	<u>15,346,837</u>
Operating expenses:			
Costs of sales and services	6,694,191	538,295	7,232,486
Depreciation and amortization	2,909,579	96,890	3,006,469
Total operating expenses	<u>9,603,770</u>	<u>635,185</u>	<u>10,238,955</u>
Operating income (loss)	<u>4,990,855</u>	<u>117,027</u>	<u>5,107,882</u>
Nonoperating revenues (expenses):			
Development impact fees	759,958		759,958
Connection fees	462,762		462,762
Investment earnings	166,654	452	167,106
Interest expense	(2,381,059)	(1,781)	(2,382,840)
Total nonoperating revenues (expenses)	<u>(991,685)</u>	<u>(1,329)</u>	<u>(993,014)</u>
Income (loss) before capital contributions	<u>3,999,170</u>	<u>115,698</u>	<u>4,114,868</u>
Capital contributions	<u>205,284</u>	<u>40,323</u>	<u>245,607</u>
Changes in net assets	<u>4,204,454</u>	<u>156,021</u>	<u>4,360,475</u>
Total net assets, beginning of year	56,771,724	3,605,069	60,376,793
Total net assets, end of year	<u>\$ 60,976,178</u>	<u>\$ 3,761,090</u>	<u>\$ 64,737,268</u>

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

Governmental
Activities:
Internal Service
Funds

\$ 436,271

436,271

436,271

436,271

\$

**TOWN OF ORO VALLEY, ARIZONA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

	Enterprise Funds			Governmental Activities
	Water	Non-Major Enterprise Funds	Total	Internal Service Fund
<u>Increase (Decrease) in Cash and Cash Equivalents</u>				
Cash flows from operating activities:				
Cash received from customers	\$ 14,398,175	\$ 736,022	\$ 15,134,197	\$ 436,271
Cash payments to suppliers for goods and services	(4,307,238)	(384,272)	(4,691,510)	(380,513)
Cash payments to employees for services	(2,439,204)	(252,121)	(2,691,325)	(86,817)
Net cash provided by (used for) operating activities	7,651,733	99,629	7,751,362	(31,059)
Cash flows from noncapital and related financing activities:				
Connection fees	462,762		462,762	
Grants received		301,777	301,777	
Net cash provided by noncapital financing activities	462,762	301,777	764,539	
Cash flows from capital and related financing activities:				
Development impact fees	759,958		759,958	
Acquisition of capital assets	(4,469,255)	(189,663)	(4,658,918)	
Proceeds from loans	173,127		173,127	
Proceeds from sale of bonds	16,595,000		16,595,000	
Principal paid on long-term debt	(22,862,850)	(35,392)	(22,898,242)	
Interest on long-term debt	(2,422,531)	(1,781)	(2,424,312)	
Net cash used for capital and related financing activities	(12,226,551)	(226,836)	(12,453,387)	
Cash flows from investing activities:				
Investment income	166,654	452	167,106	
Net cash provided by investing activities	166,654	452	167,106	
Net increase (decrease) in cash and cash equivalents	(3,945,402)	175,022	(3,770,380)	(31,059)
Cash and cash equivalents, beginning of year	19,157,147	374,952	19,532,099	56,814
Cash and cash equivalents, end of year	\$ 15,211,745	\$ 549,974	\$ 15,761,719	\$ 25,755
<u>Reconciliation of Operating Income to</u>				
<u>Net Cash Provided by (Used for) Operating Activities</u>				
Operating income	\$ 4,990,855	\$ 117,027	\$ 5,107,882	\$
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:				
Depreciation and amortization	2,909,579	96,890	3,006,469	
Change in assets and liabilities:				
Increase in accounts receivable	(212,328)	(16,190)	(228,518)	
Decrease in accounts payable	(110,912)	(117,910)	(228,822)	(25,788)
Increase (decrease) in accrued payroll and employee benefits	6,111	3,246	9,357	(5,271)
Increase in compensated absences payable	52,550	16,566	69,116	
Increase in deposits held for others	15,878		15,878	
Total adjustments	2,660,878	(17,398)	2,643,480	(31,059)
Net cash provided by (used for) operating activities	\$ 7,651,733	\$ 99,629	\$ 7,751,362	\$ (31,059)
<u>Non-cash capital and financing activities</u>				
Contribution of assets from developers	\$ 205,284	\$ 40,323		

TOWN OF ORO VALLEY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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.

TOWN OF ORO VALLEY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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

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

B. Government-Wide and Fund Financial Statements

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

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

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

TOWN OF ORO VALLEY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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

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

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

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

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

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

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

TOWN OF ORO VALLEY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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

The Town reports the following major governmental funds.

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

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

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

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

The Town reports the following major proprietary funds.

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

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

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

TOWN OF ORO VALLEY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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

D. Cash and Investments

For purposes of the Statement of Cash Flows, the Town considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents at June 30, 2012 were cash in bank and investments held by the County and State Treasurers.

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

E. Investment Income

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

F. Receivables and Payables

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

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

G. Prepaid Items

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

H. Capital Assets

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

TOWN OF ORO VALLEY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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

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

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

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

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

I. Compensated Absences

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

J. Long-term Obligations

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

TOWN OF ORO VALLEY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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

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

K. Interfund Activity

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

L. Estimates

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

NOTE 2 – FUND BALANCE CLASSIFICATIONS

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

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

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

TOWN OF ORO VALLEY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 2 – FUND BALANCE CLASSIFICATIONS (Cont'd)

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

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

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

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

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

	General Fund	Highway User Revenue Fund	Oracle Road Debt Service Fund	Townwide Roadway Development Impact Fees	Non-Major Governmental Funds
Fund Balances:					
Restricted:					
Highways and streets	\$	\$ 3,017,431	\$	\$	
Debt service			3,592		1,164,733
Capital projects				2,228,996	3,981,550
Public safety					1,058,088
Committed					622,919
Assigned	1,608,035				
Unassigned	9,793,614				
Total fund balances	<u>\$11,401,649</u>	<u>\$ 3,017,431</u>	<u>\$ 3,592</u>	<u>\$ 2,228,996</u>	<u>\$ 6,827,290</u>

TOWN OF ORO VALLEY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 3 – CASH AND INVESTMENTS

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

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

Custodial Credit Risk – Deposits. Custodial Credit risk is the risk that in the event of bank failure the Town’s deposits may not be returned to the Town. The Town does not have a deposit policy for custodial credit risk. At year end, the carrying value of the Town’s deposits was \$603,681 and the bank balance was \$1,960,491.

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investments Maturities</u>	
		<u>(in Years)</u>	
		<u>Less than 1</u>	<u>1-5</u>
Money Market - U.S. Treasuries	\$ 6,586,522	\$6,586,522	\$
Municipal Bonds/Notes	412,828		412,828
U.S Treasury Bonds/Notes	5,764,981		5,764,981
U.S. Agencies Bonds/Notes	19,038,405	1,999,055	17,039,350
		<u>\$8,585,577</u>	<u>\$ 23,217,159</u>
County Treasurer’s investment pool	1,169,176	332 days average maturities	
State Treasurer’s investment pool 5	4,662,235	26 days average maturities	
Total	<u>\$37,634,147</u>		

TOWN OF ORO VALLEY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 3 – CASH AND INVESTMENTS (Concl'd)

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

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

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

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

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

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

Concentration of Credit Risk. The Town places no limit on the amount the Town may invest in any one issuer. More than 5 percent of the Town's investments are in FHLMC and FNMA notes. These investments are 16% and 24% of the Town's total investments, respectively.

TOWN OF ORO VALLEY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 4 – RECEIVABLES

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

	<u>General Fund</u>	<u>HURF Fund</u>	<u>Townwide Roadway Development Impact Fees</u>
Intergovernmental receivables:			
Due from Federal government	\$ 131,455	\$	\$
Due from State government	328,006	242,798	
Due from other districts			1,868,489
Net intergovernmental receivables	<u>\$ 459,461</u>	<u>\$ 242,798</u>	<u>\$ 1,868,489</u>

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

	<u>Unavailable</u>	<u>Unearned</u>
Prepaid developer fees (General Fund)	\$	\$ 182,486
Special assessments (Oracle Road Debt Service Fund)	2,685,000	
Total deferred revenue for governmental funds	<u>\$ 2,685,000</u>	<u>\$ 182,486</u>

TOWN OF ORO VALLEY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 5 – CAPITAL ASSETS

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

<u>Governmental Activities</u>	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 18,878,468	\$	\$	\$ 18,878,468
Construction in progress	1,778,211	4,800,564	495,744	6,083,031
Total capital assets, not being depreciated	<u>20,656,679</u>	<u>4,800,564</u>	<u>495,744</u>	<u>24,961,499</u>
Capital assets, being depreciated:				
Infrastructure	151,204,783	1,529,701		152,734,484
Buildings and improvements	24,218,778	111,440		24,330,218
Machinery, equipment, and vehicles	10,654,213	777,269	102,816	11,328,666
Total capital assets being depreciated	<u>186,077,774</u>	<u>2,418,410</u>	<u>102,816</u>	<u>188,393,368</u>
Less accumulated depreciation for:				
Infrastructure	(49,394,389)	(5,843,852)		(55,238,241)
Buildings and improvements	(5,019,643)	(546,690)		(5,566,333)
Machinery, equipment, and vehicles	(6,781,352)	(973,647)	(102,816)	(7,652,183)
Total accumulated depreciation	<u>(61,195,384)</u>	<u>(7,364,189)</u>	<u>(102,816)</u>	<u>(68,456,757)</u>
Total capital assets, being depreciated, net	<u>124,882,390</u>	<u>(4,945,779)</u>		<u>119,936,611</u>
Governmental activities capital assets, net	<u>\$ 145,539,069</u>	<u>\$ (145,215)</u>	<u>\$ 495,744</u>	<u>144,898,110</u>
<u>Business-Type Activities</u>	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 2,410,660	\$	\$	\$ 2,410,660
Water rights	8,534,490			8,534,490
Construction in progress	4,397,627	1,965,766	3,791,120	2,572,273
Total	<u>15,342,777</u>	<u>1,965,766</u>	<u>3,791,120</u>	<u>13,517,423</u>
Capital assets, being depreciated:				
Water system	100,847,841	6,567,574		107,415,415
Stormwater system	2,474,862	304,641		2,779,503
Equipment and vehicles	3,835,184	59,746		3,894,930
Total capital assets being depreciated	<u>107,157,887</u>	<u>6,931,961</u>		<u>114,089,848</u>
Less accumulated depreciation for:				
Water system	(24,914,997)	(2,512,167)		(27,427,164)
Stormwater system	(76,436)	(56,209)		(132,645)
Equipment and vehicles	(2,226,597)	(269,924)		(2,496,521)
Total accumulated depreciation	<u>(27,218,030)</u>	<u>(2,838,300)</u>		<u>(30,056,330)</u>
Total capital assets, being depreciated, net	<u>79,939,857</u>	<u>4,093,661</u>		<u>84,033,518</u>
Business-type activities capital assets, net	<u>\$ 95,282,634</u>	<u>\$ 6,059,427</u>	<u>\$ 3,791,120</u>	<u>\$ 97,550,941</u>

**TOWN OF ORO VALLEY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 5 – CAPITAL ASSETS (Concl'd)

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 654,140
Public Safety	416,756
Highways and streets	5,946,029
Culture and recreation	<u>347,264</u>
Total depreciation expense – governmental activities	<u>\$7,364,189</u>
Business-type activities:	
Water	\$2,741,410
Stormwater	<u>96,890</u>
Total depreciation expense – business-type activities	<u>\$2,838,300</u>

Construction Commitments – As of year end, the Town was involved in several construction projects. The estimated cost to complete the construction projects is \$12.0 million.

NOTE 6 – LOANS PAYABLE

The Town received two loans from the Water Infrastructure Finance Authority of Arizona for water system projects. The loans payable at current fiscal year end are presented below.

<u>Business-type activities:</u>	<u>Interest Rate (Including Fees)</u>	<u>Remaining Maturities</u>	<u>Outstanding Principal June 30, 2012</u>	<u>Due Within One Year</u>
WIFA Loan, 2007	2.04%	7/1/12-27	\$ 3,802,002	\$ 179,266
WIFA Loan, 2009	2.75%	7/1/12-18	<u>2,091,120</u>	<u>132,476</u>
Total			<u>\$ 5,893,122</u>	<u>\$ 311,742</u>

TOWN OF ORO VALLEY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 6 – LOANS PAYABLE (Concl'd)

Principal and interest payments on the business-type activities loans payable at June 30, 2012 are summarized as follows.

Year ending June 30:	<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2013	\$ 311,742	\$ 185,498
2014	281,954	185,162
2015	290,521	175,372
2016	300,461	165,264
2017	310,740	154,808
2018-22	1,720,663	604,211
2023-27	2,042,352	283,454
2028	<u>634,689</u>	<u>24,106</u>
Total	<u>\$ 5,893,122</u>	<u>\$ 1,777,875</u>

NOTE 7 – BONDS PAYABLE

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

<u>Purpose</u>	<u>Original Amount Issued</u>	<u>Interest Rates</u>	<u>Remaining Maturities</u>	<u>Outstanding Principal June 30, 2012</u>	<u>Due Within One Year</u>
Governmental activities:					
Revenue Bonds, 2005	\$ 4,164,050	3.50-4.75%	7/1/12-25	\$ 3,246,150	\$ 177,550
Refunding Revenue Bonds, 2007	1,389,180	4.25-5.00%	7/1/12-26	1,278,810	9,360
Excise Tax Revenue Obligations, 2010	2,445,000	2.00-6.59%	7/1/12-27	2,320,000	135,000
Revenue Bonds, 2012	2,580,000	2.00-4.00%	7/1/13-27	<u>2,580,000</u>	
Total				<u>\$ 9,424,960</u>	<u>\$ 321,910</u>

TOWN OF ORO VALLEY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 7 – BONDS PAYABLE (Cont'd)

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

Year ending June 30:	Governmental Activities	
	Principal	Interest
2013	\$ 321,910	\$ 371,951
2014	444,000	382,639
2015	479,440	367,991
2016	530,920	350,711
2017	539,960	330,665
2018-22	3,158,410	1,271,322
2023-27	3,565,320	484,114
2028	385,000	9,562
Total	\$ 9,424,960	\$ 3,568,955

Purpose	Original Amount Issued	Interest Rates	Remaining Maturities	Outstanding Principal June 30, 2012	Due Within One Year
Business-type activities:					
Revenue Bonds, 2003	\$ 31,750,000	3.25-5.00%	7/1/12-28	\$ 2,425,000	\$ 1,445,000
Refunding Revenue Bonds, 2003	10,225,080	3.50-5.00%	7/1/12-19	8,108,750	893,750
Revenue Bonds, 2005	2,050,950	3.13-4.75%	7/1/12-25	1,598,850	87,450
Refunding Revenue Bonds, 2007	16,420,820	4.25-5.00%	7/1/12-26	15,116,190	110,640
Refunding Revenue Bonds, 2012	16,595,000	2.00-5.00%	7/1/13-28	16,595,000	
Total				\$ 43,843,790	\$ 2,536,840

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
2013	\$ 2,536,840	\$ 2,501,643
2014	2,408,500	2,637,450
2015	2,885,310	1,547,164
2016	3,106,080	1,442,110
2017	3,256,040	1,328,372
2018-22	17,006,340	4,638,892
2023-27	11,934,680	1,256,171
2028-29	710,000	24,084
Total	\$ 43,843,790	\$ 15,375,886

TOWN OF ORO VALLEY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 7 – BONDS PAYABLE (Concl'd)

Issuance of refunding bonds – business-type activities. On May 24, 2012, the Town issued \$16,595,000 in refunding bonds, with an effective interest rate of 2.2 percent, to advance refund \$20,185,000 of outstanding Senior Lien Water Project Revenue Bonds, Series 2003, with an average interest rate of 5.0 percent. The net proceeds of \$18.3 million, which includes \$1.9 million of bond premium, (after payment of \$315,950 in underwriting fees, insurance, and other issuance costs) and an additional Town contribution of \$3.5 million were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent, to provide for all future debt service payments of the refunded revenue bonds. As a result, the refunded revenue bonds are considered to be defeased, and the liability for those bonds has been removed from both the government-wide and proprietary funds financial statements. The advanced refunding was undertaken to reduce total debt service payments over the next 17 years by \$5.5 million and resulted in an economic gain (difference between the present values of the old and new debt service payments) of \$3.4 million.

Pledged revenues – governmental activities. The Town has pledged future sales (excise) tax revenues to repay outstanding revenue bonds and refunding revenue bonds of \$9.4 million as of June 30, 2012. Proceeds from the original bond issuances, including those subsequently refunded, provided financing for land acquisition and facility construction. The bonds are paid solely from the Town's sales taxes and are payable through 2028. Total annual principal and interest payments for all sales tax revenue bonds are expected to require less than 7% of gross revenues. The total principal and interest to be paid on the bonds is \$13.0 million. The current total sales tax revenues were \$12.5 million and the total principal and interest paid on the bonds was \$619,523, or 5% 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 \$43.8 million as of June 30, 2012. 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 \$59.2 million. The current total customer gross revenues were \$16.0 million and the total principal and interest paid on the bonds was \$4.6 million or 29% of gross revenues.

TOWN OF ORO VALLEY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 8 – SPECIAL ASSESSMENT BONDS

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

Purpose	Original Amount Issued	Interest Rates	Remaining Maturities	Outstanding Principal June 30, 2012	Due Within One Year
Governmental activities:					
Special assessments debt	\$3,945,000	4.20-5.00%	1/1/12-21	\$ 2,685,000	\$ 250,000
Total				<u>\$ 2,685,000</u>	<u>\$ 250,000</u>

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

Year ending June 30:	Governmental Activities	
	Principal	Interest
2013	\$ 250,000	\$ 117,578
2014	260,000	105,867
2015	270,000	94,602
2016	280,000	82,637
2017	295,000	69,102
2018-21	1,330,000	128,019
Total	<u>\$ 2,685,000</u>	<u>\$ 597,805</u>

NOTE 9 – OBLIGATIONS UNDER CAPITAL LEASES

The business-type activities of the Town have acquired a street sweeper and dump truck under the provisions of long-term lease agreements classified as a capital leases. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. Revenues from the Stormwater Fund are used to pay the capital lease obligations. As of June 30, 2012, the obligations under capital leases were fully paid.

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

Asset:	Business-type Activities
Vehicles	\$ 307,648
Less: Accumulated depreciation	84,545
Total	<u>\$ 223,103</u>

TOWN OF ORO VALLEY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 10 – 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>
Governmental activities:					
Revenue bonds payable	\$ 7,149,780	\$ 2,580,000	\$ 304,820	\$ 9,424,960	\$ 321,910
Deferred bond premium	69,323		8,315	61,008	
Special assessments payable	2,920,000		235,000	2,685,000	250,000
Loan payable	2,513,133		2,513,133		
Compensated absences payable	<u>1,582,757</u>	<u>1,599,051</u>	<u>1,530,661</u>	<u>1,651,147</u>	<u>1,287,895</u>
Governmental activity long-term liabilities	<u>\$ 14,234,993</u>	<u>\$ 4,179,051</u>	<u>\$ 4,591,929</u>	<u>\$ 13,822,115</u>	<u>\$ 1,859,805</u>
Business-type activities:					
Revenue bonds payable	\$ 49,803,970	\$ 16,595,000	\$22,555,180	\$ 43,843,790	\$ 2,536,840
Deferred bond premium	933,870	1,866,841	656,170	2,144,541	
Loan payable	5,473,096	727,696	307,670	5,893,122	311,742
Capital lease payable	35,392		35,392		
Compensated absences payable	<u>173,171</u>	<u>245,142</u>	<u>176,026</u>	<u>242,287</u>	<u>159,909</u>
Business-type activities long-term liabilities	<u>\$ 56,419,499</u>	<u>\$ 19,434,679</u>	<u>\$23,730,438</u>	<u>\$ 52,123,740</u>	<u>\$ 3,008,491</u>

NOTE 11 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund transfers:

<u>Transfers out</u>	<u>Transfers in</u>		
	<u>General Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total</u>
General Fund	\$	\$ 185,240	\$ 185,240
Non-Major Governmental Funds	318,426	500,000	818,426
Total	<u>\$ 318,426</u>	<u>\$ 685,240</u>	<u>\$1,003,666</u>

Transfers were made from the General Fund to the Townwide Facilities Projects Fund to separately account for the receipt and expenditure of Town Recreation in Lieu Fee revenue. In addition, transfers were made from the Bed Tax Fund to the General and Aquatic Center Project Funds to fund Transit service operations in the General Fund and to provide funding for the construction of the Aquatic Center Facility at James D. Kriegh Park as approved by the Town Council.

TOWN OF ORO VALLEY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 12 – CONTINGENT LIABILITIES

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

NOTE 13 – RISK MANAGEMENT

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

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

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

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

NOTE 14 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

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

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

**TOWN OF ORO VALLEY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

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

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

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

Each plan issues a publicly available financial report that includes its financial statements and required supplementary information. A report may be obtained by writing or calling the applicable plan. The reports are also available on their websites at www.azasrs.gov and www.psprs.com.

ASRS

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

PSPRS/CORP

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

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

Cost-sharing plans – The Arizona State Legislature establishes and may amend active plan members' and the Town's contribution rates. For the current fiscal year, active ASRS members were required by statute to contribute at the actuarially determined rate of 10.74 percent (10.50 percent for retirement and 0.24 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 10.74 percent (9.87 percent for retirement, 0.63 percent for health insurance premium, and 0.24 percent for long-term disability) of the members' annual covered payroll.

**TOWN OF ORO VALLEY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

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

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

	<u>Retirement Fund</u>	<u>Health Benefit Supplement Fund</u>	<u>Long-Term Disability Fund</u>
Year ending June 30:			
2012	\$ 924,771	\$ 59,028	\$ 22,487
2011	985,116	77,959	47,248
2010	949,928	75,174	45,560

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 16.31 and 9.13 percent. The health insurance premium portion of the contribution rate was actuarially set at 0.69 percent of covered payroll for PSPRS and 0.44 percent for CORP.

Actuarial methods and assumptions – The contribution requirements for the year ended June 30, 2012 were established by the June 30, 2010 actuarial valuations, and those actuarial valuations were based on the following actuarial methods and assumptions. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. The required schedule of funding programs which follows provides multi-year trend information that shows whether the actuarial value of the plans' assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

	<u>PSPRS</u>	<u>CORP</u>
Contribution rates:		
Town	16.31%	9.13%
Plan members	7.65%	7.96%
Actuarial valuation date	June 30, 2010	June 30, 2010
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%
Amortization method	Level percent closed for unfunded actuarial liability, open for excess	Level percent closed for unfunded actuarial liability, open for excess
Remaining amortization	26 years for unfunded actuarial accrued liability, 20 years for excess	26 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value	7-year smoothed market value

TOWN OF ORO VALLEY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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

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

	PSPRS		CORP	
	Pension	Health Insurance	Pension	Health Insurance
Annual pension/OPEB cost	\$ 914,787	\$ 40,410	\$ 40,512	\$ 2,051
Contributions made	914,787	40,410	40,512	2,051

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

Oro Valley Police Plan (PSPRS):

Year Ended <u>June 30,</u>	Annual Pension <u>Cost (APC)</u>	Percentage of APC <u>Contributed</u>	Net Pension <u>Obligation</u>
<i>Pension</i>			
2012	\$ 914,787	100%	-0-
2011	874,605	100%	-0-
2010	891,682	100%	-0-
<i>Health Insurance</i>			
2012	40,410	100%	-0-
2011	36,442	100%	-0-
2010	88,075	100%	-0-

Oro Valley Dispatchers Plan (CORP):

Year Ended <u>June 30,</u>	Annual Pension <u>Cost (APC)</u>	Percentage of APC <u>Contributed</u>	Net Pension <u>Obligation</u>
<i>Pension</i>			
2012	\$ 40,512	100%	-0-
2011	47,611	100%	-0-
2010	52,845	100%	-0-
<i>Health Insurance</i>			
2012	2,051	100%	-0-
2011	1,925	100%	-0-
2010	5,085	100%	-0-

TOWN OF ORO VALLEY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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

Funding Progress – An analysis of funding progress for each of the agent plans as of the most recent actuarial valuations follows.

Oro Valley Police Plan (PSPRS):

Pension

Valuation Date June 30,	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Funding Liability (a-b)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded Liability as Percentage of Covered Payroll ([a-b]/c)
2011	\$19,281,518	\$25,262,364	\$(5,980,846)	76.3%	\$5,728,605	104.40%
2010	17,152,906	21,796,927	(4,644,021)	78.7%	5,994,879	77.47%
2009	15,727,624	20,322,658	(4,595,034)	77.4%	5,951,423	77.21%

Health Insurance

2011	\$ -0-	\$ 942,374	\$ (942,374)	0.0%	\$5,728,605	16.45%
2010	-0-	715,698	(715,698)	0.0%	5,994,879	11.94%
2009	-0-	628,965	(628,965)	0.0%	5,951,423	10.57%

Oro Valley Dispatchers Plan (CORP):

Pension

Valuation Date June 30,	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Funding Liability (a-b)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded Liability as Percentage of Covered Payroll [a-b]/c)
2011	\$1,160,778	\$1,670,411	\$(509,633)	69.5%	\$477,701	106.68%
2010	1,057,358	1,349,198	(291,840)	78.4%	513,337	56.85%
2009	1,082,181	1,581,254	(499,073)	68.4%	604,184	82.60%

Health Insurance

2011	\$ -0-	\$ 61,474	\$ (61,474)	0.0%	\$477,701	12.87%
2010	-0-	45,521	(45,521)	0.0%	513,337	8.87%
2009	-0-	54,580	(54,580)	0.0%	604,184	9.03%

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**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, 2012

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original & Final	Actual	
Revenues:			
Sales taxes	\$ 11,901,316	\$ 11,656,582	\$ (244,734)
Franchise taxes	500,000	525,427	25,427
Intergovernmental	9,872,457	9,968,445	95,988
Licenses, fees & permits	1,126,894	1,138,348	11,454
Fines, forfeitures & penalties	190,000	212,922	22,922
Charges for services	1,237,851	1,209,814	(28,037)
Contributions and donations		995	995
Investment earnings	22,000	159,182	137,182
Other	157,500	214,052	56,552
Total revenues	<u>25,008,018</u>	<u>25,085,767</u>	<u>77,749</u>
Expenditures:			
Current -			
General government	11,117,377	8,974,197	2,143,180
Public safety	12,096,513	11,874,887	221,626
Highway and streets		572,827	(572,827)
Culture and recreation	2,876,702	2,954,549	(77,847)
Capital outlay		447,982	(447,982)
Total expenditures	<u>26,090,592</u>	<u>24,824,442</u>	<u>1,266,150</u>
Excess (deficiency) of revenues over expenditures	<u>(1,082,574)</u>	<u>261,325</u>	<u>1,343,899</u>
Other financing sources (uses):			
Transfers in	1,125,926	318,426	(807,500)
Transfers out	(223,352)	(185,240)	38,112
Total other financing sources (uses):	<u>902,574</u>	<u>133,186</u>	<u>(769,388)</u>
Changes in fund balances	<u>(180,000)</u>	<u>394,511</u>	<u>574,511</u>
Fund balances, beginning of year	180,000	11,007,138	10,827,138
Fund balances, end of year	<u>\$</u>	<u>\$ 11,401,649</u>	<u>\$ 11,401,649</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, 2012

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	<u>Original & Final</u>	<u>Actual</u>	<u>(Negative)</u>
Revenues:			
Sales taxes	\$ 367,400	\$ 348,378	\$ (19,022)
Intergovernmental	2,878,464	2,694,079	(184,385)
Licenses, fees & permits	42,000	47,514	5,514
Investment earnings	10,700	10,809	109
Other	10,000	25,173	15,173
Total revenues	<u>3,308,564</u>	<u>3,125,953</u>	<u>(182,611)</u>
Expenditures:			
Current -			
Highway and streets	4,093,277	2,618,827	1,474,450
Capital outlay		1,144,643	(1,144,643)
Total expenditures	<u>4,093,277</u>	<u>3,763,470</u>	<u>329,807</u>
Excess (deficiency) of revenues over expenditures	<u>(784,713)</u>	<u>(637,517)</u>	<u>147,196</u>
Other financing sources (uses):			
Transfers out	(400,000)		400,000
Total other financing sources (uses):	<u>(400,000)</u>		<u>400,000</u>
Changes in fund balances	<u>(1,184,713)</u>	<u>(637,517)</u>	<u>547,196</u>
Fund balances, beginning of year	1,184,713	3,654,948	2,470,235
Fund balances, end of year	<u>\$</u>	<u>\$ 3,017,431</u>	<u>\$ 3,017,431</u>

See accompanying notes to this schedule.

TOWN OF ORO VALLEY, ARIZONA
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2012

NOTE 1 – BUDGETARY BASIS OF ACCOUNTING

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

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

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GOVERNMENTAL FUNDS

TOWN OF ORO VALLEY, ARIZONA
COMBINING BALANCE SHEET - ALL NON-MAJOR GOVERNMENTAL FUNDS - BY FUND TYPE
JUNE 30, 2012

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 1,747,162	\$ 1,164,733	\$ 4,135,620
Total assets	<u>\$ 1,747,162</u>	<u>\$ 1,164,733</u>	<u>\$ 4,135,620</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ 66,155	\$	\$ 154,070
Total liabilities	<u>66,155</u>	<u></u>	<u>154,070</u>
Fund balances:			
Restricted	1,058,088	1,164,733	3,981,550
Committed	622,919		
Total fund balances	<u>1,681,007</u>	<u>1,164,733</u>	<u>3,981,550</u>
Total liabilities and fund balances	<u>\$ 1,747,162</u>	<u>\$ 1,164,733</u>	<u>\$ 4,135,620</u>

Total Non-
Major
Governmental
Fund

\$ 7,047,515
\$ 7,047,515

\$ 220,225
220,225

6,204,371
622,919
6,827,290

\$ 7,047,515

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, 2012

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Revenues:			
Sales taxes	\$ 794,718	\$	\$
In lieu fees			834
Impact fees			178,175
Intergovernmental		84,527	
Fines, forfeitures & penalties	682,898		
Investment earnings	11,859	82	6,140
Other		203,287	
Total revenues	<u>1,489,475</u>	<u>287,896</u>	<u>185,149</u>
Expenditures:			
Current -			
General government	238,669		
Public safety	118,977		
Capital outlay	99,198		351,626
Debt service -			
Bond issuance costs			75,800
Principal retirement		304,820	
Interest and fiscal charges		319,427	90
Total expenditures	<u>456,844</u>	<u>624,247</u>	<u>427,516</u>
Excess (deficiency) of revenues over expenditures	<u>1,032,631</u>	<u>(336,351)</u>	<u>(242,367)</u>
Other financing sources (uses):			
Issuance of revenue bonds			2,580,000
Premium on bonds issued			113,835
Transfers in			685,240
Transfers out	(818,426)		
Total other financing sources (uses):	<u>(818,426)</u>		<u>3,379,075</u>
Changes in fund balances	<u>214,205</u>	<u>(336,351)</u>	<u>3,136,708</u>
Fund balances, beginning of year	1,466,802	1,501,084	844,842
Fund balances, end of year	<u>\$ 1,681,007</u>	<u>\$ 1,164,733</u>	<u>\$ 3,981,550</u>

Total Non-
Major
Governmental
Funds

\$ 794,718
834
178,175
84,527
682,898
18,081
203,287
1,962,520

238,669
118,977
450,824

75,800
304,820
319,517

1,508,607

453,913

2,580,000
113,835
685,240
(818,426)
2,560,649

3,014,562

3,812,728

\$ 6,827,290

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SPECIAL REVENUE FUNDS

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

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

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

Bed Tax – accounts for the collection of the 6 percent bed tax revenues which funds economic development and tourism initiatives.

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, 2012

	State Seizures and Forfeitures	Federal Seizures and Forfeitures	Bed Tax
<u>ASSETS</u>			
Cash and cash equivalents	\$ 476,491	\$ 613,629	\$ 657,042
Total assets	\$ 476,491	\$ 613,629	\$ 657,042
 <u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ 12,308	\$ 19,724	\$ 34,123
Total liabilities	12,308	19,724	34,123
Fund balances:			
Restricted	464,183	593,905	
Committed			622,919
Total fund balances	464,183	593,905	622,919
 Total liabilities and fund balances	 \$ 476,491	 \$ 613,629	 \$ 657,042

Totals

\$ 1,747,162
\$ 1,747,162

\$ 66,155
66,155

1,058,088
622,919
1,681,007

\$ 1,747,162
\$ 1,747,162

TOWN OF ORO VALLEY, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2012

	<u>State Seizures and Forfeitures</u>	<u>Federal Seizures and Forfeitures</u>	<u>Bed Tax</u>
Revenues:			
Sales taxes	\$	\$	\$ 794,718
Fines, forfeitures & penalties	339,650	306,208	
Investment earnings	1,404	2,903	7,552
Total revenues	<u>341,054</u>	<u>309,111</u>	<u>802,270</u>
Expenditures:			
Current -			
General government			201,629
Public safety	39,647	79,330	
Capital outlay	5,816	93,382	
Total expenditures	<u>45,463</u>	<u>172,712</u>	<u>201,629</u>
Excess (deficiency) of revenues over expenditures	<u>295,591</u>	<u>136,399</u>	<u>600,641</u>
Other financing sources (uses):			
Transfers out			(818,426)
Total other financing sources (uses):			<u>(818,426)</u>
Changes in fund balances	<u>295,591</u>	<u>136,399</u>	<u>(217,785)</u>
Fund balances, beginning of year	168,592	457,506	840,704
Fund balances, end of year	<u>\$ 464,183</u>	<u>\$ 593,905</u>	<u>\$ 622,919</u>

<u>Impound Fee</u>	<u>Totals</u>
\$ 37,040	\$ 794,718
	682,898
	11,859
<u>37,040</u>	<u>1,489,475</u>
37,040	238,669
	118,977
	99,198
<u>37,040</u>	<u>456,844</u>
	<u>1,032,631</u>
	(818,426)
	<u>(818,426)</u>
	214,205
	1,466,802
<u>\$</u>	<u>\$ 1,681,007</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, 2012

	State Seizures and Forfeitures		Variance - Positive (Negative)
	Budget	Actual	
Revenues:			
Sales taxes	\$	\$	\$
Fines, forfeitures & penalties	102,500	339,650	237,150
Investment earnings		1,404	1,404
Total revenues	<u>102,500</u>	<u>341,054</u>	<u>238,554</u>
Expenditures:			
Current -			
General government			
Public safety	344,420	39,647	304,773
Capital outlay		5,816	(5,816)
Total expenditures	<u>344,420</u>	<u>45,463</u>	<u>298,957</u>
Excess (deficiency) of revenues over expenditures	<u>(241,920)</u>	<u>295,591</u>	<u>537,511</u>
Other financing sources (uses):			
Transfers out			
Total other financing sources (uses):			
Changes in fund balances	<u>(241,920)</u>	<u>295,591</u>	<u>537,511</u>
Fund balances, beginning of year	241,920	168,592	(73,328)
Fund balances, end of year	<u>\$</u>	<u>\$</u> 464,183	<u>\$</u> 464,183

Federal Seizures and Forfeitures			Bed Tax		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$ 251,300	\$ 306,208	\$ 54,908	\$ 899,626	\$ 794,718	\$ (104,908)
	2,903	2,903	1,800	7,552	5,752
<u>251,300</u>	<u>309,111</u>	<u>57,811</u>	<u>901,426</u>	<u>802,270</u>	<u>(99,156)</u>
696,661	79,330	617,331	638,276	201,629	436,647
	93,382	(93,382)			
<u>696,661</u>	<u>172,712</u>	<u>523,949</u>	<u>638,276</u>	<u>201,629</u>	<u>436,647</u>
(445,361)	136,399	581,760	263,150	600,641	337,491
			(1,125,926)	(818,426)	307,500
			<u>(1,125,926)</u>	<u>(818,426)</u>	<u>307,500</u>
(445,361)	136,399	581,760	(862,776)	(217,785)	644,991
445,361	457,506	12,145	862,776	840,704	(22,072)
<u>\$</u>	<u>\$ 593,905</u>	<u>\$ 593,905</u>	<u>\$</u>	<u>\$ 622,919</u>	<u>\$ 622,919</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, 2012

	Impound Fee		Variance - Positive (Negative)
	Budget	Actual	
Revenues:			
Sales taxes	\$	\$	\$
Fines, forfeitures & penalties	50,000	37,040	(12,960)
Investment earnings			
Total revenues	<u>50,000</u>	<u>37,040</u>	<u>(12,960)</u>
Expenditures:			
Current -			
General government	52,283	37,040	15,243
Public safety			
Capital outlay			
Total expenditures	<u>52,283</u>	<u>37,040</u>	<u>15,243</u>
Excess (deficiency) of revenues over expenditures	<u>(2,283)</u>		<u>2,283</u>
Other financing sources (uses):			
Transfers out			
Total other financing sources (uses):			
Changes in fund balances	<u>(2,283)</u>		<u>2,283</u>
Fund balances, beginning of year	2,283		(2,283)
Fund balances, end of year	<u>\$</u>	<u>\$</u>	<u>\$</u>

Totals		
Budget	Actual	Variance - Positive (Negative)
\$ 899,626	\$ 794,718	\$ (104,908)
403,800	682,898	279,098
1,800	11,859	10,059
<u>1,305,226</u>	<u>1,489,475</u>	<u>184,249</u>
690,559	238,669	451,890
1,041,081	118,977	922,104
	99,198	(99,198)
<u>1,731,640</u>	<u>456,844</u>	<u>1,274,796</u>
<u>(426,414)</u>	<u>1,032,631</u>	<u>1,459,045</u>
<u>(1,125,926)</u>	<u>(818,426)</u>	<u>307,500</u>
<u>(1,125,926)</u>	<u>(818,426)</u>	<u>307,500</u>
<u>(1,552,340)</u>	<u>214,205</u>	<u>1,766,545</u>
1,552,340	1,466,802	(85,538)
<u>\$</u>	<u>\$ 1,681,007</u>	<u>\$ 1,681,007</u>

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MUNICIPAL DEBT SERVICE FUND

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

**TOWN OF ORO VALLEY, ARIZONA
 COMBINING BALANCE SHEET - NON-MAJOR DEBT SERVICE FUNDS
 JUNE 30, 2012**

	Municipal Debt Service	Totals
<u>ASSETS</u>		
Cash and cash equivalents	\$ 1,164,733	\$ 1,164,733
Total assets	\$ 1,164,733	\$ 1,164,733
 Fund balances:		
Restricted	1,164,733	1,164,733
Total fund balances	1,164,733	1,164,733
 Total liabilities and fund balances	\$ 1,164,733	\$ 1,164,733

TOWN OF ORO VALLEY, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NON-MAJOR DEBT SERVICE FUNDS
YEAR ENDED JUNE 30, 2012

	Municipal Debt Service	Totals
Revenues:		
Intergovernmental	\$ 84,527	\$ 84,527
Investment earnings	82	82
Other	203,287	203,287
Total revenues	287,896	287,896
Expenditures:		
Debt service -		
Principal retirement	304,820	304,820
Interest and fiscal charges	319,427	319,427
Total expenditures	624,247	624,247
Changes in fund balances	(336,351)	(336,351)
Fund balances, beginning of year	1,501,084	1,501,084
Fund balances, end of year	\$ 1,164,733	\$ 1,164,733

TOWN OF ORO VALLEY, ARIZONA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
ALL DEBT SERVICE FUNDS
YEAR ENDED JUNE 30, 2012

	Municipal Debt Service		Variance - Positive (Negative)
	Budget	Actual	
Revenues:			
Special assessments	\$	\$	\$
Intergovernmental	85,777	84,527	(1,250)
Investment earnings		82	82
Other		203,287	203,287
Total revenues	<u>85,777</u>	<u>287,896</u>	<u>202,119</u>
Expenditures:			
Debt service -			
Principal retirement	1,885,937	304,820	1,581,117
Interest and fiscal charges		319,427	(319,427)
Total expenditures	<u>1,885,937</u>	<u>624,247</u>	<u>1,261,690</u>
Excess (deficiency) of revenues over expenditures	<u>(1,800,160)</u>	<u>(336,351)</u>	<u>1,463,809</u>
Other financing sources (uses):			
Transfers in	228,647		(228,647)
Total other financing sources (uses):	<u>228,647</u>		<u>(228,647)</u>
Changes in fund balances	<u>(1,571,513)</u>	<u>(336,351)</u>	<u>1,235,162</u>
Fund balances, beginning of year	1,571,513	1,501,084	(70,429)
Fund balances, end of year	<u>\$</u>	<u>\$ 1,164,733</u>	<u>\$ 1,164,733</u>

Oracle Road Debt Service			Totals		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$ 364,703	\$ 366,028	\$ 1,325	\$ 364,703	\$ 366,028	\$ 1,325
			85,777	84,527	(1,250)
				82	82
				203,287	203,287
<u>364,703</u>	<u>366,028</u>	<u>1,325</u>	<u>450,480</u>	<u>653,924</u>	<u>203,444</u>
370,332	235,000	135,332	2,256,269	539,820	1,716,449
	132,423	(132,423)		451,850	(451,850)
<u>370,332</u>	<u>367,423</u>	<u>2,909</u>	<u>2,256,269</u>	<u>991,670</u>	<u>1,264,599</u>
<u>(5,629)</u>	<u>(1,395)</u>	<u>4,234</u>	<u>(1,805,789)</u>	<u>(337,746)</u>	<u>1,468,043</u>
			228,647		(228,647)
			<u>228,647</u>		<u>(228,647)</u>
<u>(5,629)</u>	<u>(1,395)</u>	<u>4,234</u>	<u>(1,577,142)</u>	<u>(337,746)</u>	<u>1,239,396</u>
5,629	4,987	(642)	1,577,142	1,506,071	(71,071)
<u>\$</u>	<u>\$ 3,592</u>	<u>\$ 3,592</u>	<u>\$</u>	<u>\$ 1,168,325</u>	<u>\$ 1,168,325</u>

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CAPITAL PROJECTS FUNDS

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

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

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

Aquatic Center Project – accounts for construction of expanded Aquatic Center at James D. Krieh Park.

TOWN OF ORO VALLEY, ARIZONA
COMBINING BALANCE SHEET - NON-MAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2012

	General Impact Fees	Townwide Facilities Projects	Aquatic Center Project
<u>ASSETS</u>			
Cash and cash equivalents	\$ 598,287	\$ 414,651	\$ 3,122,682
Total assets	\$ 598,287	\$ 414,651	\$ 3,122,682
 <u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ 153,720	\$	\$ 350
Total liabilities	153,720	\$	350
Fund balances:			
Restricted	444,567	414,651	3,122,332
Total fund balances	444,567	414,651	3,122,332
 Total liabilities and fund balances	 \$ 598,287	 \$ 414,651	 \$ 3,122,682

Totals

\$ 4,135,620
\$ 4,135,620

\$ 154,070
154,070

3,981,550
3,981,550

\$ 4,135,620

TOWN OF ORO VALLEY, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NON-MAJOR CAPITAL PROJECTS FUNDS
YEAR ENDED JUNE 30, 2012

	General Impact Fees	Townwide Facilities Projects	Aquatic Center Project
Revenues:			
In lieu fees	\$	\$ 834	\$
Impact fees	178,175		
Investment earnings	591		5,549
Total revenues	<u>178,766</u>	<u>834</u>	<u>5,549</u>
Expenditures:			
Current -			
Capital outlay	320,219	30,245	1,162
Debt service -			
Bond issuance costs			75,800
Interest and fiscal charges			90
Total expenditures	<u>320,219</u>	<u>30,245</u>	<u>77,052</u>
Excess (deficiency) of revenues over expenditures	<u>(141,453)</u>	<u>(29,411)</u>	<u>(71,503)</u>
Other financing sources (uses):			
Issuance of revenue bonds			2,580,000
Premium on bonds issued			113,835
Transfers in		185,240	500,000
Total other financing sources (uses):		<u>185,240</u>	<u>3,193,835</u>
Changes in fund balances	<u>(141,453)</u>	<u>155,829</u>	<u>3,122,332</u>
Fund balances, beginning of year	586,020	258,822	
Fund balances, end of year	<u>\$ 444,567</u>	<u>\$ 414,651</u>	<u>\$ 3,122,332</u>

Totals

\$ 834
178,175
6,140
185,149

351,626

75,800
90
427,516

(242,367)

2,580,000

113,835
685,240
3,379,075

3,136,708

844,842

\$ 3,981,550

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, 2012

	General Impact Fees		Variance - Positive (Negative)
	Budget	Actual	
Revenues:			
In lieu fees	\$	\$	\$
Impact fees	262,433	178,175	(84,258)
Investment earnings		591	591
Total revenues	<u>262,433</u>	<u>178,766</u>	<u>(83,667)</u>
Expenditures:			
Current -			
Capital outlay	777,455	320,219	457,236
Debt service -			
Bond issuance costs			
Interest and fiscal charges			
Total expenditures	<u>777,455</u>	<u>320,219</u>	<u>457,236</u>
Excess (deficiency) of revenues over expenditures	<u>(515,022)</u>	<u>(141,453)</u>	<u>373,569</u>
Other financing sources (uses):			
Issuance of revenue bonds			
Premium on bonds issued			
Transfers in			
Total other financing sources (uses):			
Changes in fund balances	<u>(515,022)</u>	<u>(141,453)</u>	<u>373,569</u>
Fund balances, beginning of year	515,022	586,020	70,998
Fund balances, end of year	<u>\$</u>	<u>\$ 444,567</u>	<u>\$ 444,567</u>

Townwide Facilities Projects			Aquatic Center Project		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$	\$ 834	\$ 834	\$	\$	\$
				5,549	5,549
	834	834		5,549	5,549
258,821	30,245	228,576		1,162	(1,162)
				75,800	(75,800)
				90	(90)
258,821	30,245	228,576		77,052	(77,052)
(258,821)	(29,411)	229,410		(71,503)	(71,503)
				2,580,000	2,580,000
	185,240	185,240		113,835	113,835
	185,240	185,240		500,000	500,000
(258,821)	155,829	414,650		3,193,835	3,193,835
258,821	258,822	1		3,122,332	3,122,332
\$	\$ 414,651	\$ 414,651	\$	\$ 3,122,332	\$ 3,122,332

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, 2012

	Totals		Variance - Positive (Negative)
	Budget	Actual	
Revenues:			
In lieu fees	\$	\$ 834	\$ 834
Impact fees	262,433	178,175	(84,258)
Investment earnings		6,140	6,140
Total revenues	<u>262,433</u>	<u>185,149</u>	<u>(77,284)</u>
Expenditures:			
Current -			
Capital outlay	1,036,276	351,626	684,650
Debt service -			
Bond issuance costs		75,800	(75,800)
Interest and fiscal charges		90	(90)
Total expenditures	<u>1,036,276</u>	<u>427,516</u>	<u>608,760</u>
Excess (deficiency) of revenues over expenditures	<u>(773,843)</u>	<u>(242,367)</u>	<u>531,476</u>
Other financing sources (uses):			
Issuance of revenue bonds		2,580,000	2,580,000
Premium on bonds issued		113,835	113,835
Transfers in		685,240	685,240
Total other financing sources (uses):		<u>3,379,075</u>	<u>3,379,075</u>
Changes in fund balances	<u>(773,843)</u>	<u>3,136,708</u>	<u>3,910,551</u>
Fund balances, beginning of year	773,843	844,842	70,999
Fund balances, end of year	<u>\$</u>	<u>\$ 3,981,550</u>	<u>\$ 3,981,550</u>

STATISTICAL SECTION

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

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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

Demographic and Economic Information

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

Operating Information

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

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental activities										
Invested in capital assets, net of related debt	\$ 21,188,015	\$ 30,546,282	\$ 92,541,223	\$ 107,413,486	\$ 106,644,847	\$ 115,177,344	\$ 120,515,962	\$ 127,712,057	\$ 132,956,156	\$ 135,336,862
Restricted	2,303,550	3,958,033	15,360,660	8,919,398	8,326,731	14,072,781	7,537,331	9,580,610	9,048,505	11,454,390
Unrestricted	13,828,711	19,248,712	15,394,707	15,063,081	23,571,109	26,698,611	26,135,593	15,979,093	10,588,160	10,808,596
Total governmental activities net assets	\$ 37,320,276	\$ 53,753,027	\$ 123,296,590	\$ 131,395,965	\$ 138,542,687	\$ 155,948,736	\$ 154,188,886	\$ 153,271,760	\$ 152,592,821	\$ 157,599,848
Business-type activities										
Invested in capital assets, net of related debt	\$ 3,745,153	\$ (14,913,572)	\$ 546,602	\$ 7,240,791	\$ 15,534,043	\$ 21,274,023	\$ 28,212,750	\$ 31,383,715	\$ 40,005,568	\$ 45,669,488
Restricted	3,575,789	3,492,488	2,310,980	2,331,001	-	-	-	-	-	-
Unrestricted	10,262,534	33,107,781	24,499,050	22,958,536	23,252,747	24,651,948	24,393,984	24,404,427	20,371,225	19,067,780
Total business-type activities net assets	\$ 17,583,476	\$ 21,686,697	\$ 27,356,632	\$ 32,530,328	\$ 38,786,790	\$ 45,925,971	\$ 52,606,734	\$ 55,788,142	\$ 60,376,793	\$ 64,737,268
Primary government										
Invested in capital assets, net of related debt	\$ 24,933,168	\$ 15,632,710	\$ 93,087,825	\$ 114,654,277	\$ 122,178,890	\$ 136,451,367	\$ 148,728,712	\$ 159,095,772	\$ 172,961,724	\$ 181,006,350
Restricted	5,879,339	7,450,521	17,671,640	11,250,399	8,326,731	14,072,781	7,537,331	9,580,610	9,048,505	11,454,390
Unrestricted	24,091,245	52,356,493	39,893,757	38,021,617	46,823,856	51,350,559	50,529,577	40,383,520	30,959,385	29,876,376
Total primary government net assets	\$ 54,903,752	\$ 75,439,724	\$ 150,653,222	\$ 163,926,293	\$ 177,329,477	\$ 201,874,707	\$ 206,795,620	\$ 209,059,902	\$ 212,969,614	\$ 222,337,116

Source: Town of Oro Valley Finance Department

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses										
Governmental activities:										
General government	\$ 5,592,498	\$ 5,971,319	\$ 5,997,864	\$ 7,162,732	\$ 7,529,245	\$ 9,080,766	\$ 9,936,639	\$ 9,950,053	\$ 9,887,523	\$ 9,961,376
Public Safety	9,013,391	9,520,219	10,309,453	11,155,542	12,352,671	14,347,250	15,019,980	13,730,593	12,509,201	12,349,948
Highways and streets	2,613,170	2,850,172	4,789,234	5,732,026	7,757,276	7,292,972	9,481,040	9,353,689	8,895,987	9,339,062
Culture and recreation	2,352,445	2,566,173	2,631,306	3,014,341	3,375,314	3,644,973	3,806,555	3,527,949	3,375,281	3,227,895
Interest on long-term debt	564,798	456,107	653,331	805,123	996,336	987,074	954,645	1,767,155	430,570	654,262
Total governmental activities/expenses	<u>20,136,302</u>	<u>21,363,990</u>	<u>24,381,188</u>	<u>27,869,764</u>	<u>32,010,842</u>	<u>35,353,035</u>	<u>39,198,859</u>	<u>38,329,439</u>	<u>35,098,562</u>	<u>35,532,543</u>
Business-type activities:										
Water	9,025,235	8,957,988	9,642,592	10,438,869	11,446,958	12,676,275	13,495,124	12,830,137	12,527,851	11,984,829
Stormwater drainage	104,948	45,551	271,469	111,695	74,235	177,673	494,166	486,994	586,006	636,966
Total business-type activities expenses	<u>9,130,183</u>	<u>9,003,539</u>	<u>9,914,061</u>	<u>10,550,564</u>	<u>11,521,193</u>	<u>12,853,948</u>	<u>13,989,290</u>	<u>13,317,131</u>	<u>13,113,857</u>	<u>12,621,795</u>
Total primary government expenses	<u>\$ 29,266,485</u>	<u>\$ 30,367,529</u>	<u>\$ 34,295,249</u>	<u>\$ 38,420,328</u>	<u>\$ 43,532,035</u>	<u>\$ 48,206,983</u>	<u>\$ 53,188,149</u>	<u>\$ 51,646,570</u>	<u>\$ 48,212,419</u>	<u>\$ 48,154,338</u>
Program Revenues										
Governmental activities:										
Fees, Fines and Charges for Services:										
General government	\$ 2,991,105	\$ 3,902,024	\$ 3,784,049	\$ 4,013,368	\$ 3,291,983	\$ 3,830,060	\$ 2,835,884	\$ 2,261,815	\$ 2,455,182	\$ 3,079,526
Public Safety	-	-	-	-	229,546	69,256	83,279	28,785	33,976	33,109
Highways and streets	121,484	170,543	396,602	183,842	122,124	211,088	119,847	137,436	400,977	329,420
Culture and recreation	-	-	-	-	121,358	73,149	110,857	119,273	126,290	82,832
Operating grants and contributions	3,512,097	3,675,674	4,216,642	4,558,864	4,893,869	5,619,003	5,392,667	4,728,050	4,887,283	5,247,844
Capital grants and contributions	1,520,898	13,437,638	13,834,121	3,994,640	8,321,691	10,264,829	1,781,571	6,514,602	8,980,239	7,107,063
Total governmental activities program revenues	<u>8,145,584</u>	<u>21,185,879</u>	<u>22,231,414</u>	<u>12,750,714</u>	<u>16,980,571</u>	<u>20,067,385</u>	<u>10,324,105</u>	<u>13,789,961</u>	<u>16,883,947</u>	<u>15,879,794</u>
Business-type activities:										
Charges for services:										
Water	10,380,720	11,917,546	11,951,413	14,038,391	13,617,336	16,803,950	16,098,086	15,136,784	15,119,065	15,817,345
Stormwater Utility	75	-	14,710	21,401	125	357,602	746,655	927,238	888,391	752,212
Operating grants and contributions	297,500	-	-	-	-	-	-	-	-	-
Capital grants and contributions	1,856,151	840,096	2,934,747	628,501	3,066,170	3,567,083	3,697,229	362,273	1,655,307	245,607
Total business-type activities program revenues	<u>12,534,446</u>	<u>12,757,642</u>	<u>14,900,870</u>	<u>14,688,293</u>	<u>16,683,631</u>	<u>20,728,635</u>	<u>20,541,970</u>	<u>16,426,295</u>	<u>17,662,763</u>	<u>16,815,164</u>
Total primary government program revenues	<u>\$ 20,680,030</u>	<u>\$ 33,943,521</u>	<u>\$ 37,132,284</u>	<u>\$ 27,439,007</u>	<u>\$ 33,664,202</u>	<u>\$ 40,796,020</u>	<u>\$ 30,866,075</u>	<u>\$ 30,216,256</u>	<u>\$ 34,546,710</u>	<u>\$ 32,694,958</u>

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Net (Expense)/Revenues										
Governmental activities	\$ (11,990,718)	\$ (178,111)	\$ (2,149,774)	\$ (15,119,050)	\$ (15,030,271)	\$ (15,285,650)	\$ (28,874,754)	\$ (24,539,478)	\$ (18,214,615)	\$ (19,652,749)
Business-type activities	3,404,263	3,754,103	4,986,809	4,137,729	5,162,438	7,874,687	6,552,680	3,109,164	4,548,906	4,193,369
Total primary government net expenses	<u>\$ (8,586,455)</u>	<u>\$ 3,575,992</u>	<u>\$ 2,837,035</u>	<u>\$ (10,981,321)</u>	<u>\$ (9,867,833)</u>	<u>\$ (7,410,963)</u>	<u>\$ (22,322,074)</u>	<u>\$ (21,430,314)</u>	<u>\$ (13,665,709)</u>	<u>\$ (15,459,380)</u>
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Taxes:										
Sales taxes	\$ 5,876,309	\$ 7,924,855	\$ 9,536,791	\$ 12,455,609	\$ 16,873,630	\$ 17,168,998	\$ 15,376,408	\$ 12,970,865	\$ 11,572,148	\$ 12,799,678
Franchise taxes	341,489	371,697	402,482	435,428	478,175	516,652	506,685	509,285	514,814	525,427
Impact fees*	885,371	1,189,848	1,547,819	1,098,977	1,038,217	910,741	441,020	584,113	-	-
Unrestricted state revenue sharing	3,161,005	2,845,866	2,935,615	3,343,471	4,473,305	5,544,763	5,886,132	5,086,953	4,520,935	3,461,359
Unrestricted state sales tax revenue sharing	2,322,772	2,686,614	2,958,376	3,432,007	3,744,864	3,621,016	3,134,789	2,891,386	2,569,666	3,204,612
Unrestricted auto lieu tax revenue sharing	1,307,305	1,374,464	1,395,094	1,541,560	1,726,149	1,738,875	1,655,875	1,484,125	1,318,989	1,479,094
Special assessments	-	-	5,433,301	-	-	-	-	-	-	-
Investment earnings (loss)	(244,770)	281,518	557,238	991,151	1,471,641	1,590,654	113,995	95,625	39,124	189,606
Special item - Loss on sale of fixed assets	(30,525)	-	-	-	-	-	-	-	-	-
Transfers	-	(64,000)	(91,194)	(79,778)	69,813	1,600,000	-	-	-	-
Total governmental activities	<u>13,618,956</u>	<u>16,610,862</u>	<u>24,675,522</u>	<u>23,218,425</u>	<u>29,875,794</u>	<u>32,691,699</u>	<u>27,114,904</u>	<u>23,622,352</u>	<u>20,535,676</u>	<u>21,659,776</u>
Business-type activities:										
Investment earnings (loss)	(50,977)	285,118	591,932	956,189	1,163,837	864,494	128,083	72,244	39,745	167,106
Transfers	-	64,000	91,194	79,778	(69,813)	(1,600,000)	-	-	-	-
Total business-type activities	<u>(50,977)</u>	<u>349,118</u>	<u>683,126</u>	<u>1,035,967</u>	<u>1,094,024</u>	<u>(735,506)</u>	<u>128,083</u>	<u>72,244</u>	<u>39,745</u>	<u>167,106</u>
Total primary government	<u>\$ 13,567,979</u>	<u>\$ 16,959,980</u>	<u>\$ 25,358,648</u>	<u>\$ 24,254,392</u>	<u>\$ 30,969,818</u>	<u>\$ 31,956,193</u>	<u>\$ 27,242,987</u>	<u>\$ 23,694,596</u>	<u>\$ 20,575,421</u>	<u>\$ 21,826,882</u>
Change in Net Assets										
Governmental activities	\$ 1,628,238	\$ 16,432,751	\$ 22,525,748	\$ 8,099,375	\$ 14,845,523	\$ 17,406,049	\$ (1,759,850)	\$ (917,126)	\$ 2,321,061	\$ 2,007,027
Business-type activities	3,353,286	4,103,221	5,669,935	5,173,696	6,256,462	7,139,181	6,680,763	3,181,408	4,588,651	4,360,475
Total primary government	<u>\$ 4,981,524</u>	<u>\$ 20,535,972</u>	<u>\$ 28,195,683</u>	<u>\$ 13,273,071</u>	<u>\$ 21,101,985</u>	<u>\$ 24,545,230</u>	<u>\$ 4,920,913</u>	<u>\$ 2,264,282</u>	<u>\$ 6,909,712</u>	<u>\$ 6,367,502</u>

Source: Town of Oro Valley Finance Department

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

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Fund										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	1,769,333	1,608,035
Reserved	354,091	7,172	112	7,267	-	-	-	-	-	-
Unreserved	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>\$ 8,441,337</u>	<u>\$ 9,384,539</u>	<u>\$ 11,744,272</u>	<u>\$ 14,363,491</u>	<u>\$ 18,477,706</u>	<u>\$ 16,666,388</u>	<u>\$ 15,940,438</u>	<u>\$ 11,904,429</u>	<u>\$ 11,007,138</u>	<u>\$ 11,401,649</u>
All Other Governmental Funds										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-	-	-	-	9,128,505	11,454,390
Committed	-	-	-	-	-	-	-	-	840,704	622,919
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-	-
Reserved	5,079	17,912	36,076	80,624	-	-	-	-	-	-
Unreserved, reported in:	-	-	-	-	-	-	-	-	-	-
Special revenue funds	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	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	176,514	314,301	403,332	280,055	245,208	263,478	158,816	1,929,635	-	-
Total all other governmental funds	<u>\$ 7,719,925</u>	<u>\$ 13,625,865</u>	<u>\$ 15,269,245</u>	<u>\$ 9,786,088</u>	<u>\$ 9,657,021</u>	<u>\$ 21,193,694</u>	<u>\$ 15,117,296</u>	<u>\$ 11,731,202</u>	<u>\$ 9,969,209</u>	<u>\$ 12,077,309</u>

Source: Town of Oro Valley Finance Department

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

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues										
Taxes	\$ 6,217,798	\$ 8,296,552	\$ 9,939,273	\$ 12,891,037	\$ 17,351,805	\$ 17,685,650	\$ 15,883,093	\$ 13,480,150	\$ 12,086,962	\$ 13,325,105
Intergovernmental	11,786,746	23,990,005	25,339,848	16,773,215	18,405,713	21,863,875	17,616,213	17,940,749	18,040,619	19,723,086
Fines and forfeitures	307,570	463,150	326,427	462,246	429,458	391,921	413,720	612,031	560,941	895,820
Licenses and permits	1,784,568	2,536,576	2,524,484	2,433,264	2,368,851	2,792,684	1,507,930	1,108,411	1,059,309	1,185,862
Charges for services	633,406	823,287	880,582	942,676	1,026,921	1,040,694	1,066,376	965,455	926,135	1,209,814
Contributions and donations	37,331	30,251	-	97,327	19,171	249,999	1,000	59	15,000	995
Special assessments	885,371	-	1,547,819	-	189,820	193,023	367,539	368,152	365,811	366,028
Impact fees	-	1,189,848	1,488,301	1,098,977	1,038,217	910,741	441,020	584,113	481,619	417,742
Investment earnings	(244,770)	281,518	557,238	991,151	1,471,641	1,590,654	113,995	95,625	39,124	189,606
Other revenues	178,376	229,411	458,034	325,428	135,261	555,790	233,123	216,030	297,109	460,512
Total revenues	\$ 21,586,396	\$ 37,840,598	\$ 43,062,006	\$ 36,015,321	\$ 42,436,858	\$ 47,275,031	\$ 37,644,009	\$ 35,370,775	\$ 33,872,629	\$ 37,774,570
Expenditures										
General government	6,698,052	5,800,477	5,676,217	9,988,956	7,019,030	8,767,496	9,586,029	9,452,778	9,848,393	9,212,866
Public safety	8,796,643	9,426,215	10,089,128	11,636,915	11,808,799	13,549,170	14,289,423	12,979,291	11,928,567	11,993,864
Highways and streets	8,892,030	17,193,322	21,727,223	13,773,561	3,768,851	4,107,871	3,848,725	3,475,556	3,288,349	3,191,654
Culture and recreation	2,394,212	2,540,949	2,640,777	3,868,249	3,109,228	3,324,066	3,416,305	3,157,369	3,031,520	2,954,549
Capital Outlay	-	-	-	-	10,662,190	13,090,313	11,332,914	3,189,765	7,014,659	6,929,834
Debt Service										
Principal retirement	516,960	541,290	2,559,190	2,856,595	1,077,813	3,403,102	938,900	3,400,877	3,459,970	3,052,953
Interest and fiscal charges	564,798	426,472	589,725	731,358	921,205	907,658	1,034,061	831,580	470,578	554,274
Payment to bond escrow agent	-	-	-	-	-	-	-	6,279,112	-	-
Bond Issuance costs	-	93,415	251,327	107,897	28,868	-	-	26,550	-	75,800
Total expenditures	27,862,695	36,022,140	43,533,587	42,963,531	38,395,984	47,149,676	44,446,357	42,792,878	39,042,036	37,965,794
Excess of revenues over (under) expenditures	\$ (6,276,299)	\$ 1,911,873	\$ (220,254)	\$ (6,840,313)	\$ 4,069,742	\$ 125,355	\$ (6,802,348)	\$ (7,395,553)	\$ (5,169,407)	\$ (191,224)

Other Financing Sources (Uses)	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Premium on bonds issued	-	-	-	-	25,719	-	-	-	-	113,835
Proceeds from loan	1,716,000	-	-	-	-	-	-	-	-	-
Issuance of long-term loan payable	-	5,000,000	4,030,033	-	-	8,000,000	-	-	-	-
Issuance of refunding debt	-	5,572,700	-	-	1,389,180	-	-	-	-	-
Payment to bond escrow agent	-	(5,478,016)	-	-	(1,540,438)	-	-	-	-	-
Issuance of long-term debt	-	-	-	4,164,050	-	-	-	-	2,445,000	2,580,000
Transfers in	1,328,148	1,182,168	1,105,422	1,248,569	2,927,754	8,447,951	1,950,898	10,012,679	860,143	1,003,666
Transfers out	(1,328,148)	(1,246,168)	(1,196,616)	(1,328,347)	(2,857,941)	(6,847,951)	(1,950,898)	(10,012,679)	(795,020)	(1,003,666)
Total other financing sources (uses)	1,716,000	5,030,684	3,938,839	4,084,272	(55,726)	9,600,000	-	-	2,510,123	2,693,835
Net change in fund balances	\$ (4,560,299)	\$ 6,942,557	\$ 3,718,585	\$ (2,756,041)	\$ 4,014,016	\$ 9,725,355	\$ (6,802,348)	\$ (7,395,553)	\$ (2,659,284)	\$ 2,502,611
Debt service as a percentage of noncapital expenditures	4.45%	5.06%	14.09%	13.41%	7.27%	12.51%	5.88%	26.38%	12.36%	11.79%

Source: Town of Oro Valley Finance Department

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

<u>Employer</u>	2012			2003		
	<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	1350	1	7.83%	379	2	2.75%
Amphitheater Public Schools	733	2	4.25%	171	6	1.24%
Oro Valley Hospital	600	3	3.48%			
Hilton El Conquistador Golf & Tennis Resort	458	4	2.66%	395	1	2.86%
Town of Oro Valley	404	5	2.34%	337	3	2.44%
Walmart Supercenter	330	6	1.91%			
Fry's Food & Drug Store	244	7	1.41%	283	4	2.05%
Splendido at Rancho Vistoso	190	8	1.10%			
Target	170	9	0.99%	150	7	1.09%
Kohls	100	10	0.58%			
Hilton El Conquistador Country Club				230	5	1.67%
Long Realty				125	8	0.90%
Home Depot				124	9	0.85%
Stone Canyon Golf/Golf Club at Vistoso				117	10	0.85%
Total	<u><u>4,579</u></u>		<u><u>26.55%</u></u>	<u><u>2,311</u></u>		<u><u>16.69%</u></u>

Source: Principal Employers Arizona Workforce Informer

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

Taxpayer	Business Type	Fiscal Year 2012			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	Utility	\$ 1,440,824	1	11.36%			
Taxpayer B	Accommodation	1,059,593	2	8.35%	\$ 1,086,800	1	11.66%
Taxpayer C	Retail Trade	812,589	3	6.41%			
Taxpayer D	Retail Trade	533,191	4	4.20%	584,705	3	6.27%
Taxpayer E	Retail Trade	399,395	5	3.15%	532,775	4	5.72%
Taxpayer F	Utility	397,916	6	3.14%			
Taxpayer G	Retail Trade	330,603	7	2.61%			
Taxpayer H	Retail Trade	286,884	8	2.26%	221,823	5	2.38%
Taxpayer I	Retail Trade	250,360	9	1.97%			
Taxpayer J	Utility	240,906	10	1.90%			
Taxpayer K	Construction				709,681	2	7.61%
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	Construction				157,634	9	1.69%
Taxpayer P	Construction				123,461	10	1.32%
Total		<u>\$ 5,752,261</u>		<u>45.36%</u>	<u>\$ 3,973,071</u>		<u>42.63%</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									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Construction	\$ 1,978	\$ 3,014	\$ 3,594	\$ 5,602	\$ 6,895	\$ 7,038	\$ 5,143	\$ 2,110	\$ 1,707	\$ 1,738
Manufacturing	4	29	137	165	181	280	230	230	266	258
Transportation, Warehousing, Communications & Utilities	101	50	116	91	226	1,279	1,632	1,554	1,534	2,450
Wholesale Trade	31	46	54	56	58	69	54	75	93	106
Retail Trade	2,086	2,722	2,942	3,229	3,665	4,017	4,264	4,544	4,720	4,925
Restaurants, Bars & Lodging	1,354	1,556	1,888	2,392	2,720	2,775	2,333	2,283	2,314	2,314
Finance, Insurance & Real Estate	62	101	142	155	859	496	324	381	324	333
Services	285	393	379	262	313	312	322	378	417	456
All Other	50	(13)	68	197	167	337	896	627	102	103
Cable Franchise	342	372	402	435	478	517	507	509	515	525
Total	<u>\$ 6,293</u>	<u>\$ 8,270</u>	<u>\$ 9,722</u>	<u>\$ 12,584</u>	<u>\$ 15,562</u>	<u>\$ 17,120</u>	<u>\$ 15,705</u>	<u>\$ 12,691</u>	<u>\$ 11,992</u>	<u>\$ 13,208</u>
Town sales tax rate*	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%

Source: Arizona Department of Revenue

*Note:

- 1% Additional Bed Tax Effective May 1, 1990
- 3% Additional Bed Tax Effective September 1, 2001
- 4% Construction Sales Tax Effective May 1, 2004
- 6% Additional Bed Tax Effective January 1, 2006
- 2% Utility Sales Tax Effective April 1, 2007
- 2% Additional Utility Sales Tax Effective August 1, 2011

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
2003	2.00%	3.00%	2.00%	0.00%	5.60%
2004	2.00%	3.00%	4.00%	0.00%	5.60%
2005	2.00%	3.00%	4.00%	0.00%	5.60%
2006	2.00%	6.00%	4.00%	0.00%	6.10%
2007	2.00%	6.00%	4.00%	2.00%	6.10%
2008	2.00%	6.00%	4.00%	2.00%	6.10%
2009	2.00%	6.00%	4.00%	2.00%	6.10%
2010	2.00%	6.00%	4.00%	2.00%	7.10%
2011	2.00%	6.00%	4.00%	2.00%	7.10%
2012	2.00%	6.00%	4.00%	4.00%	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			
2003	-	4,170,000	1,716,000	6,594,116	-	38,155,744	4,328,100	-	-	54,963,960	4.21%	1,475
2004	-	610,000	6,716,000	9,734,132	-	65,625,010	-	-	-	82,685,142	6.08%	2,193
2005	-	420,000	4,803,100	9,413,909	3,945,000	64,222,360	-	-	-	82,804,369	5.67%	2,106
2006	-	215,000	2,604,143	13,173,254	3,945,000	64,437,008	-	-	-	84,374,405	5.48%	2,098
2007	-	-	2,500,000	12,891,148	3,760,000	61,568,852	-	-	-	80,720,000	4.81%	1,897
2008	-	-	8,000,000	12,183,046	3,565,000	59,586,954	-	-	5,731,766	89,066,766	5.02%	2,040
2009	-	-	8,000,000	11,449,146	3,360,000	57,575,854	-	107,046	5,788,122	86,280,168	4.72%	1,975
2010	-	-	5,513,133	4,939,750	3,145,000	52,305,500	-	123,883	6,305,650	72,332,916	3.86%	1,662
2011	-	-	2,513,133	7,149,780	2,920,000	49,803,970	-	35,392	5,473,096	67,895,371	3.73%	1,656
2012	-	-	-	9,424,960	2,685,000	43,843,790	-	-	5,893,122	61,846,872	3.72%	1,496

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, 2012
(UNAUDITED)

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Pima County	\$ 455,856,000	7.42%	\$ 33,824,515
Pima County Community College District	6,645,000	7.42%	493,059
Amphitheater Unified School District No. 10	83,035,000	18.41%	<u>15,286,744</u>
Total Overlapping			49,604,318
Town of Oro Valley	12,109,960	100.00%	<u>12,109,960</u>
Total Direct			12,109,960
Total direct and overlapping debt			<u><u>\$ 61,714,278</u></u>

Source: Pima County, Pima County Community College District and Amphitheater Unified School District No. 10.
(1) Proportion applicable to the Town of Oro Valley, Arizona, is computed on the ratio of secondary assessed valuation for 2011-12. Outstanding debt for Pima County not available for 2012.

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Debt Limit	\$ 76,608,850	\$ 84,941,970	\$ 93,101,081	\$ 108,807,180	\$ 120,435,053	\$ 151,537,994	\$ 178,543,952	\$ 180,420,396	\$ 174,800,436	\$ 163,628,543
Total net debt applicable to limit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Legal debt margin	<u>\$ 76,608,850</u>	<u>\$ 84,941,970</u>	<u>\$ 93,101,081</u>	<u>\$ 108,807,180</u>	<u>\$ 120,435,053</u>	<u>\$ 151,537,994</u>	<u>\$ 178,543,952</u>	<u>\$ 180,420,396</u>	<u>\$ 174,800,436</u>	<u>\$ 163,628,543</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, 2012
 (UNAUDITED)

Net secondary assessed valuation		\$ 629,340,548
<u>Water, Sewer, Light, Parks, Open Space and Recreational Facility Bonds</u>		
Debt limit - 20% of secondary net assessed valuation		\$ 125,868,110
Debt applicable to limit		
General obligation bonds outstanding	\$ -	
Less amount set aside for repayment of debt	<u>-</u>	
Net debt applicable to limit		<u>-</u>
20% legal debt margin		\$ 125,868,110
<u>All other general obligation bonds</u>		
Debt Limit - 6% of secondary net assessed valuation		37,760,433
Debt applicable to limit		
General obligation bonds outstanding	\$ -	
Less amount set aside for repayment of debt	<u>-</u>	
Net debt applicable to limit		<u>-</u>
All other general obligation bonds debt margin		<u>37,760,433</u>
Total legal debt margin		<u><u>\$ 163,628,543</u></u>

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	
2003	10,380,720	1,578,040	2,395,359	3,973,399	2.61
2004	12,202,664	1,478,710	2,650,195	4,128,905	2.96
2005	12,544,928	1,473,710	2,949,409	4,423,119	2.84
2006	14,989,621	1,907,362	2,888,226	4,795,588	3.13
2007	14,810,173	2,336,330	2,552,081	4,888,411	3.03
2008	17,668,212	1,981,898	2,452,583	4,434,481	3.98
2009	16,223,544	2,011,100	2,784,444	4,795,544	3.38
2010	15,207,113	5,270,354	2,689,427	7,959,781	1.91
2011	15,359,681	2,501,530	2,505,960	5,007,490	3.07
2012	15,983,999	2,370,180	2,190,894	4,561,074	3.50

Governmental Revenue Bonds

Fiscal Year	Gross Revenues	Debt Service			Coverage
		Principal	Interest	Total	
2003	16,435,018	346,960	320,599	667,559	24.62
2004	19,837,894	361,290	386,228	747,518	26.54
2005	21,011,720	456,290	433,108	889,398	23.62
2006	25,018,727	452,638	415,640	868,278	28.81
2007	29,200,152	788,670	642,711	1,431,381	20.40
2008	30,629,130	708,102	501,150	1,209,252	25.33
2009	28,084,482	733,900	486,372	1,220,272	23.01
2010	25,695,598	6,510,516	933,536	7,444,052	3.45
2011	23,921,715	234,970	253,984	488,954	48.92
2012	25,085,767	304,820	314,703	619,523	40.49

Certificates of Participation

Fiscal Year	Gross Revenues	Debt Service			Coverage
		Principal	Interest	Total	
2003	16,435,018	170,000	237,994	407,994	40.28
2004	19,837,894	180,000	15,768	195,768	101.33
2005	21,011,720	190,000	26,690	216,690	96.97
2006	25,018,727	205,000	16,566	221,566	112.92
2007	29,200,152	-	-	-	0.00
2008	30,629,130	-	-	-	0.00
2009	28,084,482	-	-	-	0.00
2010	25,695,598	-	-	-	0.00
2011	23,921,715	-	-	-	0.00
2012	25,085,767	-	-	-	0.00

Special Assessment

Fiscal Year	Gross Revenues	Debt Service			Coverage
		Principal	Interest	Total	
2003	-	-	-	-	0.00
2004	-	-	-	-	0.00
2005	-	-	-	-	0.00
2006	-	-	176,967	176,967	0.00
2007	379,840	185,000	186,828	371,828	0.00
2008	365,810	195,000	177,577	372,577	0.98
2009	367,539	205,000	248,429	453,429	0.81
2010	368,152	215,000	152,203	367,203	1.00
2011	365,811	225,000	147,548	372,548	0.98
2012	366,028	235,000	132,423	367,423	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
2003	37,260	1,305,649,691	35,042	2.9%
2004	37,700	1,360,700,031	36,093	2.6%
2005	39,310	1,461,373,787	37,176	2.5%
2006	40,215	1,539,868,259	38,291	3.0%
2007	42,551	1,678,195,258	39,440	2.6%
2008	43,651	1,773,226,205	40,623	3.0%
2009	43,694	1,828,222,176	41,841	5.1%
2010	43,521	1,875,613,105	43,097	6.2%
2011	41,011	1,820,460,164	44,390	6.0%
2012	41,335	1,661,839,665	40,204	6.4%

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>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Administration										
Town Clerk	4.44	4.60	4.00	4.60	4.60	4.60	4.50	4.50	4.00	4.00
Town Manager	7.10	7.10	8.10	8.50	8.10	6.00	6.00	5.00	4.00	4.00
Human Resources	5.00	5.00	4.00	4.00	4.00	4.00	3.00	3.00	3.00	3.00
Economic Development	1.00	1.00	1.40	1.40	2.25	2.25	2.00	2.00	2.00	2.00
Finance	7.00	7.00	7.00	9.00	9.00	8.00	7.50	7.50	7.50	7.50
Information Systems	6.50	8.00	8.00	7.00	8.00	5.00	4.00	4.00	2.00	2.00
Legal	8.00	8.00	7.00	10.00	10.25	10.25	10.25	6.25	8.00	9.00
Community Development										
Building Safety	0.00	0.00	13.00	16.00	18.00	17.00	16.00	16.00	17.00	17.00
Community Development Admin.	0.00	0.00	0.00	0.00	0.00	0.00	4.00	4.00	4.00	4.00
Planning & Zoning	0.00	0.00	13.00	16.00	16.00	14.00	13.50	13.50	13.50	14.00
Development & Infrastructure Services										
	73.38	73.10	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Parks and Recreation										
	20.62	22.70	27.50	27.60	28.10	27.00	20.80	20.80	20.30	20.30
Cultural Resources										
	1.30	1.30	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Library										
	18.55	18.40	18.50	18.70	19.40	19.30	19.43	14.00	14.00	14.00
Police										
Civilians	30.25	29.70	30.70	33.00	34.00	34.00	29.00	28.00	29.00	29.00
Officers	97.96	95.00	97.90	102.40	108.00	105.00	96.00	92.00	88.00	74.00
Magistrate Court										
	8.00	9.00	9.00	9.00	8.50	8.50	8.50	8.50	7.50	7.50
Public Works										
	0.00	0.00	47.70	52.90	56.10	53.13	54.00	51.50	28.50	33.00
Water Utility										
	36.00	34.00	35.00	36.30	35.50	35.50	34.00	34.00	33.00	33.00
Total	325.10	323.90	331.80	356.40	369.8	353.53	332.48	314.55	285.30	277.30

Source: Town of Oro Valley Finance Department

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

<u>Fiscal Year</u>	<u>Residential</u>	<u>Commercial</u>	<u>Irrigation</u>	<u>Irrigation Reclaimed</u>	<u>Construction</u>	<u>Construction Reclaimed</u>	<u>Turf</u>	<u>Turf Reclaimed</u>	<u>Wholesale/ Unmetered</u>	<u>Total</u>
2003	6,004,443	500,836	686,857	-	199,075	-	1,156,792	-	51,296	8,599,299
2004	6,396,018	499,034	751,420	-	253,128	-	1,140,124	-	53,346	9,093,070
2005	6,758,806	515,989	833,179	-	401,095	-	1,200,402	-	-	9,709,471
2006	7,227,509	614,474	921,364	-	368,784	-	940,753	670,968	1,235	10,745,087
2007	7,187,885	614,404	978,556	1,555	542,879	-	680,833	1,015,709	-	11,021,820
2008	7,511,067	667,910	1,146,222	796	652,446	1,630	666,558	1,039,969	-	11,686,598
2009	7,573,960	749,019	1,093,852	9,007	349,994	3,757	265,413	1,389,783	-	11,434,785
2010	8,040,762	902,432	1,152,529	14,240	222,447	720	354,308	1,383,592	-	12,071,030
2011	8,043,658	921,825	1,166,921	13,258	92,257	814	130,704	1,669,045	-	12,038,482
2012	7,761,639	954,472	1,050,602	13,466	120,830	653	115,568	1,561,750	-	11,578,980

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>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Police										
Burglaries	69	94	124	97	112	125	125	120	100	134
Citations (traffic)	8,195	9,413	8,660	8,203	8,183	7,497	9,256	6,736	5,244	5,084
Investigations	4,719	3,788	4,216	5,106	6,656	6,892	917	732	746	711
Total Arrests	2,156	2,184	2,076	2,053	2,236	2,254	2,478	2,176	1,932	1,716
Thefts	448	572	580	568	575	577	528	567	656	571
Development & Infrastructure Services										
Street resurfacing (miles)	14.0	8.0	17.3	5.4	7.7	10.5	53.4	14.8	13.9	22.4
Parks and Recreation										
Recreation Programs Held Annually	21	23	30	38	42	46	46	40	47	37
Months of Public Pool Operations	10	10	10	10	10	10	10	12	12	12
Parks Maintenance Man-Hours Worked	13,520	13,520	13,520	13,520	15,600	17,472	16,288	16,120	18,680	16,016
Library										
Collection volume	70,000	75,000	80,000	86,000	90,000	96,000	95,750	100,142	100,652	97,364
Water										
New connections	470	533	377	508	367	346	196	68	61	97
Total connections	16,045	16,578	16,955	17,463	17,830	18,177	18,373	18,441	18,502	18,599
Transit										
Total route miles	167,313	177,283	190,609	165,202	165,202	175,841	163,964	138,752	138,333	200,058
Passengers	12,486	13,991	15,937	14,387	14,858	16,908	17,101	15,573	14,873	20,119

Source: Town of Oro Valley Finance Department

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

<u>Year</u>	<u>Base Rate monthly</u>	<u>Tier 1 per 1,000</u>	<u>Tier 2 per 1,000</u>	<u>Tier 3 per 1,000</u>	<u>Tier 4 per 1,000</u>	<u>GPF per 1,000</u>
2003	\$ 12.00	\$ 1.90	\$ 2.35	\$ 3.00	N/A	N/A
2004	12.30	1.92	2.55	3.25	N/A	\$ 0.21
2005	12.65	1.98	2.68	3.58	N/A	0.21
2006	12.65	1.98	2.68	3.58	N/A	0.21
2007	13.25	2.08	2.81	3.76	N/A	0.25
2008	13.25	2.08	2.81	3.76	\$ 5.00	0.40
2009	13.91	2.18	2.95	3.95	5.25	0.55
2010	14.19	2.20	2.99	4.03	5.38	0.75
2011	14.19	2.20	2.99	4.03	5.38	0.75
2012	14.19	2.20	2.99	4.03	5.38	0.95

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>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Substations	2	3	3	3	2	2	2	3	3	3
Patrol units	83	93	103	105	105	113	109	108	53	67
Other fleet	0	0	0	0	0	0	0	0	55	42
Development & Infrastructure Services										
Streets (miles)	175.7	182.7	188.0	191.3	201.9	220.1	220.1	214.0	203.8	203.8
Streetlights	163	171	187	187	193	218	253	272	234	270
Traffic signals	7	8	10	10	15	16	16	18	16	17
Parks and recreation										
Acreage	87	87	87	300	300	300	300	374	374	436
Playgrounds	2	2	2	2	2	2	2	2	2	2
Baseball/softball diamonds	7	7	7	7	7	7	7	7	7	7
Water										
Wells	25	21	22	22	22	19	22	18	22	22
Storage capacity (MG)	14	16	17	17	17.5	18	19	19	20	20
Booster capacity	26	29	28	28	28	27	27	26	25	25
Transit										
Transit vans	8	8	9	9	9	9	9	9	5	5
Transit mini buses	0	0	0	0	0	0	0	0	5	10

Source: Town of Oro Valley Finance Department