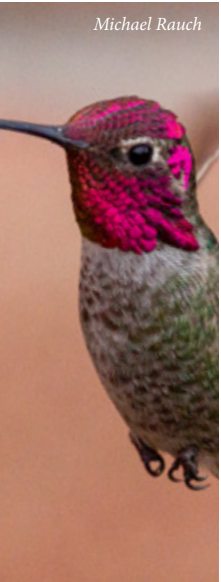


Michael Rauch



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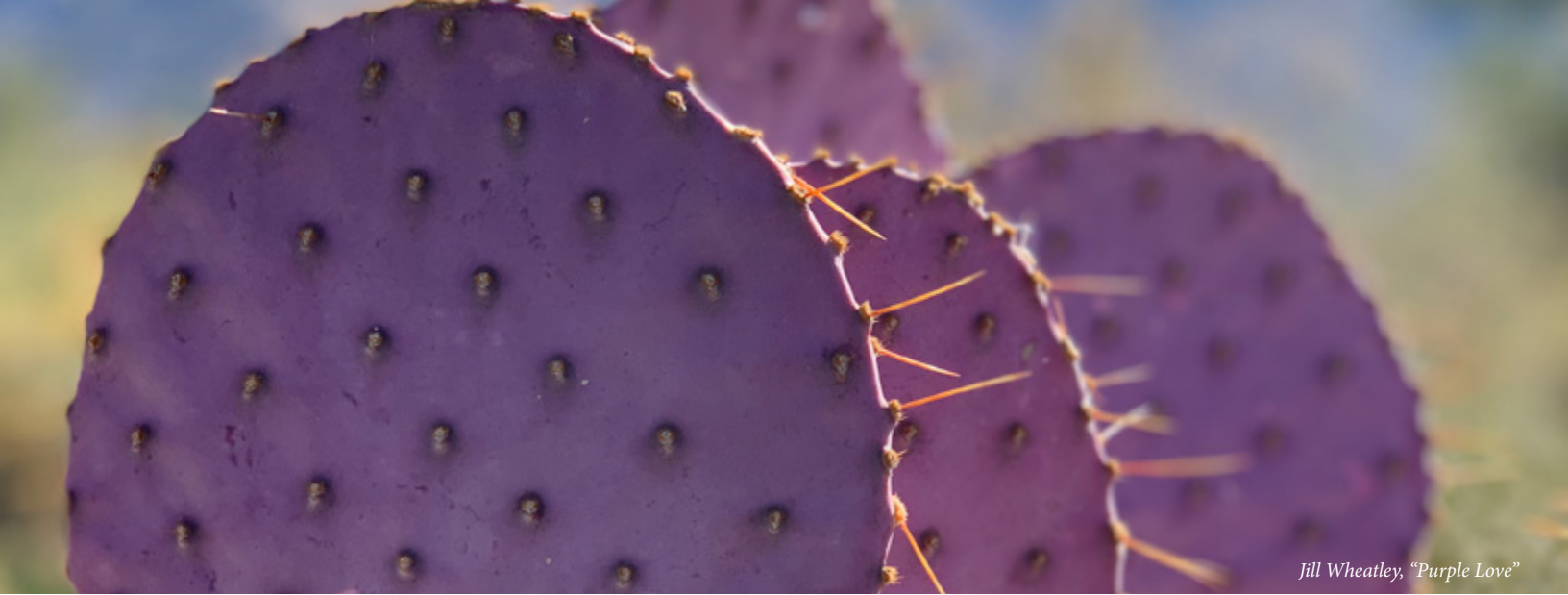


Town of ORO VALLEY, ARIZONA

POPULAR ANNUAL FINANCIAL REPORT

Fiscal Year ended June 30, 2024





Jill Wheatley, "Purple Love"

OVERVIEW

The Town of Oro Valley is proud to present its thirteenth annual Popular Annual Financial Report (PAFR) prepared by the Finance Department. The purpose of the PAFR is to provide a user-friendly summary of the financial position of the Town of Oro Valley and other interesting information for citizens who want a better understanding of the Town's finances. The financial information in the PAFR is taken from the Town's Annual Comprehensive Financial Report (ACFR). The ACFR outlines the Town's financial position and operating activities each fiscal year presented in conformity with generally accepted accounting principles (GAAP) and includes financial statements audited by Baker Tilly, LLP, a certified public accounting firm. The Town received an unmodified (or clean) audit opinion, which is the best audit opinion that the financial statements could receive.

While the numbers in the PAFR come from an audited source, they are presented in a summarized, unaudited non-GAAP format that is more accessible to the public. Additionally, some of the information in the PAFR is from the Town's Annual Budget. Citizens who wish to review the audited, GAAP-based, full disclosure financial statements can refer to the Town's ACFR available on the Town's website at www.orovalleyaz.gov, or contact the Finance Department by phone at 520-229-4700 or in person at 11000 N. La Cañada Drive, Oro Valley, AZ 85737.

[CLICK HERE TO VIEW ACFR](#)

Connect with us! Visit www.orovalleyaz.gov |    

ORO VALLEY TOWN COUNCIL



Left to right:

- Harry "Mo" Greene, II, Councilmember
- Elizabeth Robb, Councilmember
- Mary Murphy, Councilmember
- Joe Winfield, Mayor
- Melanie Barrett, Vice Mayor
- Joyce Jones-Ivey, Councilmember
- Josh Nicolson, Councilmember

HISTORY

After World War II, the Tucson area experienced dramatic population growth. In the early 1950s, the Oro Valley Country Club opened at the base of Pusch Ridge, and land owners began building residential homes. As the community continued to grow, area residents increasingly desired local control of the land in the area. In the late 1960s, a petition to incorporate began to circulate in Oro Valley, and Oro Valley was successfully incorporated in 1974. What began as a town with only 2.4 square miles and 1,200 residents has grown into a vibrant community and tourist destination featuring world-class amenities and outdoor attractions, excellent schools, and a diverse business environment.



ORO VALLEY FAST FACTS

INCORPORATED	1974
SERVICES	Police, Parks and Recreation, Water Utility, Stormwater Utility, Public Transit, Community Development and Public Works
FORM OF GOVERNMENT	Council/Manager
GOVERNING BODY	Mayor elected at large to four-year term; 6 councilmembers elected at large to four-year terms
POPULATION	49,111 (Arizona Commerce Authority)
# OF HOUSEHOLDS (US Census estimate)	21,019
BACHELOR'S DEGREE OR HIGHER (Age 25+)	56%
MEDIAN INCOME (US Census estimate)	\$101,394
# OF PARKS	7
PARK ACRES MAINTAINED	651
TRAILS AND PATHS	62 miles
PUBLIC STREET LANE MILES MAINTAINED	439
2024 BUDGET	\$148.5 million



MESSAGE *from the* TOWN MANAGER



Jeff Wilkins
Town Manager

We are pleased to present the Town of Oro Valley Popular Annual Financial Report (PAFR) for fiscal year 2023/24. This is the thirteenth consecutive year that we have produced this summarized overview of various financial aspects of the Town, including sources of revenues and expenditures, financial trends, assets and liabilities, and debt obligations. We are humbled to have earned recognition from the Government Finance Officers Association (GFOA) for the past twelve years with their Popular Annual Financial Reporting Award. The Town is one of only 18 government agencies in Arizona to prepare a PAFR, representing the Town's ongoing commitment to transparency, accountability and communicating the financial position of the Town in this easy-to-understand format.

The Town's audited financial statements once again received an unmodified or "clean" audit opinion by our outside, independent auditors, which is the highest form of audit opinion given.

The Town demonstrated strong financial performance during fiscal year 2023/24. In the General Fund, our main operating fund, revenues exceeded budget by \$1.6 million. Through a combination of strong revenue growth and expenditure savings, the Town reduced its use of fund balance in the General Fund from a budget of \$9.7 million to \$1.7 million. General Fund reserves total \$22.1 million, or 43% of budgeted expenditures for the coming fiscal year.

The Town's disciplined approach to budgeting, adherence to strong financial management principles and policies, and a track record of prudent financial decision-making help to ensure both near- and long-term fiscal health and sustainability. This is evidenced by the Town's strong credit rating, including our 'AA+' rating from Standard and Poor's.

In the coming year, we look forward to continuing investments in our facilities and infrastructure that provide maximum benefit to our community and managing your taxpayer dollars in the most efficient and effective manner.

We hope that our 2024 Popular Annual Financial Report fulfills its purpose as an understandable, informative publication, and thank you for your interest in the Town of Oro Valley government functions and finances.

Respectfully,

Jeff Wilkins, Town Manager

Charlie Alolkoy, "Oro Valley Country Club, Oro Valley"

FISCAL YEAR (FY) 23/24 ACCOMPLISHMENTS

Recognized as a "Triple Crown Winner" by the Government Finance Officers Association for receiving the Certificate of Achievement for Excellence in Financial Reporting Award (30th consecutive year), the Distinguished Budget Presentation Award (16th consecutive year) and the Popular Annual Financial Reporting Award (12th consecutive year)

Ended FY 23/24 with a \$22.1 million fund balance in the General Fund, exceeding budget expectations by \$8.0 million

Revised and updated comprehensive Town Financial and Budgetary Policies

Received an unmodified "clean" audit opinion for the Town's annual financial statements

Completed work on the \$25 million (including premium) bond-funded parks and recreation amenities and improvements, including Naranja Park improvements, Community Center and golf course irrigation improvements

Celebrated the Town of Oro Valley's 50th anniversary with numerous community events

Completed a community survey as part of Oro Valley Path Forward, the community's next 10-year General Plan update

Continued construction on the partnered and independent portion of the Water Utility's Northwest Recharge, Recovery and Delivery System (NWRDRS) project to reduce groundwater pumping and increase delivery of Central Arizona Project water to the Town by up to 150%

ACCOLADES

Oro Valley ranked second safest city in Arizona by Safewise.com

"Gold" level Bicycle Friendly Business

League of American Bicyclists 2022-2026

Oro Valley Aquatic Center voted Best Aquatic Park

Tucson Local Media Best of the Northwest 2024

Oro Valley Among Safest Places to Live in Arizona

Elite Personal Finance 2022

Oro Valley Police Department receives accreditation from the Arizona Association of Chiefs of Police 2022

Oro Valley's Peak Performance Program wins "Celebrating Innovation in the Workplace: Technology and Process Improvement" award from the Society for Human Resource Management of Greater Tucson 2022

The Government Finance Officers Association of the United States and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to the Town of Oro Valley for its Popular Annual Financial Report for the fiscal year ended June 30, 2023. The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports.

In order to receive this award, a government unit must publish a Popular Annual Financial Report, whose contents conform to program standards of creativity, presentation, understandability and reader appeal.

The award is valid for a period of one year only. We believe our current report continues to conform to program requirements, and we are submitting it to GFOA to determine eligibility for another award.



Government Finance Officers Association

Award for Outstanding Achievement in Popular Annual Financial Reporting

Presented to

Town of Oro Valley Arizona

For its Annual Financial Report For the Fiscal Year Ended

June 30, 2023

Christopher P. Merrill Executive Director/CEO

STATEMENT OF NET POSITION

The Statement of Net Position is presented in much more detail in the Town’s Annual Comprehensive Financial Report. Below is a very high-level summary that captures total assets and liabilities and compares them to prior years. The Statement of Net Position may serve as a useful overall indicator of the Town’s financial position and trends over the last few years.

The Town’s activities are presented in two categories. Governmental activities include most of the Town’s core services, such as public safety, parks and recreation, and street maintenance. Sales taxes, state-shared revenues and grants finance most of these activities. Business-type activities are the Water and Stormwater utilities, which are primarily financed through user fees and charges.



John Amato, “Coronado National Forest”

Statement of Net Position for the year ended June 30, 2024

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Assets			
Current assets and other assets	\$ 83,756,395	\$ 102,039,607	\$ 114,318,253
Capital assets, net	351,023,627	324,828,157	306,544,971
Total assets	434,780,022	426,867,764	420,863,224
Deferred outflows	15,152,879	12,686,309	36,546,659
Liabilities			
Current and other liabilities	11,071,607	12,855,925	13,442,686
Long-term liabilities	90,258,981	92,359,891	114,177,844
Total liabilities	101,330,588	105,215,816	127,620,530
Deferred inflows	3,151,021	\$ 2,579,157	\$ 12,633,621
Net Position	\$ 345,451,292	\$ 331,759,100	\$ 317,155,733

The largest portion of the Town’s net position reflects its investment in capital assets such as land, buildings and improvements, vehicles, machinery and equipment, and construction, less any outstanding debt used to acquire those assets. The Town uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending.

The following are significant transactions that impacted the Statement of Net Position:

- The addition of \$25.6 million in capital assets (net of dispositions) for governmental activities, largely attributable to parks and recreation and roadway improvements.
- Current assets decreased \$10.0 million and \$8.6 million for governmental activities and business-type activities, respectively, due to planned cash outlays for capital investment and spending of remaining parks and recreation bond proceeds.
- The addition of \$10.9 million and \$3.7 million for governmental activities and business-type activities, respectively, in accumulated depreciation/amortization due to depreciation/amortization expense.
- Long-term debt decreased \$1.7 million and \$3.4 million for governmental activities and business-type activities, respectively, due to debt payments made during 2024.



WHAT IT MEANS

Current Assets and Other Assets are assets that one can reasonably expect to convert to cash, sell, or consume within one year.

Capital Assets, Net are the Town’s land, buildings, equipment, improvements, right of use assets, infrastructure, and construction in progress, net of accumulated depreciation/amortization.

Deferred Outflows are outflows of resources that have already occurred but are applicable to future periods.

Deferred Inflows are inflows of resources that have already occurred but are applicable to future periods.

Liabilities are payments due to vendors and employees, lease and subscription payments due, and other long-term debt of the Town.

Net Position is the difference between assets plus deferred outflows and liabilities plus deferred inflows, which may or may not be available for future spending.

STATEMENT OF ACTIVITIES

The Statement of Activities, often referred to as the Town’s income statement, reflects all financial activity for the Town during the fiscal year ended June 30, 2024. This statement presents information to show how the Town’s net position changed during the year as a result of the financial activity (e.g. revenues and expenses). Over time, increases or decreases in net position may serve as a useful indicator of whether the Town’s financial position is improving or deteriorating. Below is a summarized version of the detailed statement of activities found in the Town’s Annual Comprehensive Financial Report.

Statement of Activities for the year ended June 30, 2024

Note: The totals below reflect both the governmental and business-type activities of the Town.

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Revenues	\$106,422,521	\$101,381,295	\$ 91,793,200
Expenses	92,730,329	86,777,928	76,510,383
Change in net position	13,692,192	14,603,367	15,282,817
Net position, beginning of year	331,759,100	317,155,733	301,872,916
Net position, end of year	\$345,451,292	\$ 331,759,100	\$ 317,155,733



The Statement of Activities shows that the Town’s total net position has improved over the beginning net position. Total expenses increased \$6.0 million. Personnel costs increased as a result of step and merit increases. Other operating costs increased primarily as a result of rising costs for software subscriptions, repair and maintenance for buildings and equipment, insurance, utilities, and telecommunications. Total revenues increased \$5.0 million, due primarily to state shared revenues, charges for services, and investment earnings.

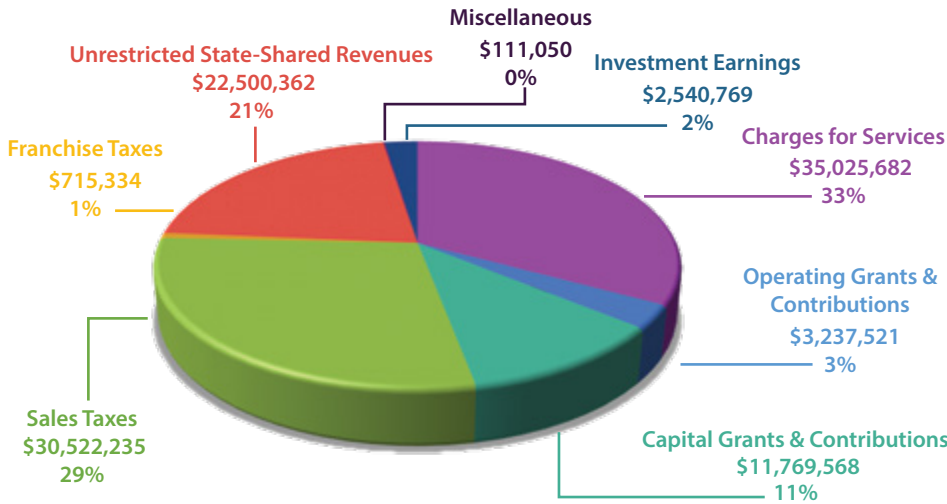


REVENUES

Where the money comes from

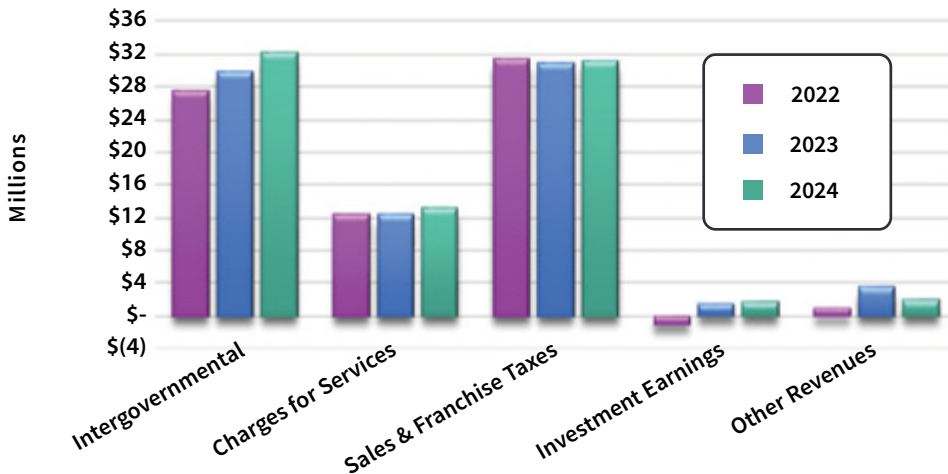
Revenues by Source

Includes Governmental & Business-Type Activities



This chart illustrates the sources and percentages of the Town’s revenues totaling \$106.4 million for FY 23/24. The Town’s primary revenue sources during FY 23/24 include charges for services, sales taxes and unrestricted state shared revenues. Together these three categories represented 83% of all revenue collections in FY 23/24.

Three-Year Historical Comparison - Revenues Governmental Funds Only



This three-year historical comparison chart provides a snapshot of the Town’s revenue growth for Governmental Funds for the last three fiscal years. The growth in intergovernmental revenues for FY 22/23 and FY 23/24 was attributable to an increase in state-shared revenues. The growth in other revenues for FY 22/23 was attributable to a one-time land donation.

WHAT IT MEANS

Charges for Services are revenues collected for services rendered to the public. Water sales make up the majority of these revenues.

Sales Taxes are levied on retail sales at 2.5%, utilities and construction activity at 4%, and lodging at 6%.

Franchise Taxes are negotiated fee revenues from a local cable provider.

Unrestricted State-Shared Revenues consist of the Town’s portion of Arizona state income tax, sales tax, and vehicle license tax revenue shared with incorporated cities, towns, and counties.

Capital Grants and Contributions are dedicated towards specific capital expenditures and purposes, such as highways and streets.

Operating Grants and Contributions are dedicated towards specific operating expenditures and purposes, such as employee salaries and ongoing maintenance costs for roadways, public safety, and culture and recreation.

Investment Earnings consist of interest income earned on the Town’s invested funds.



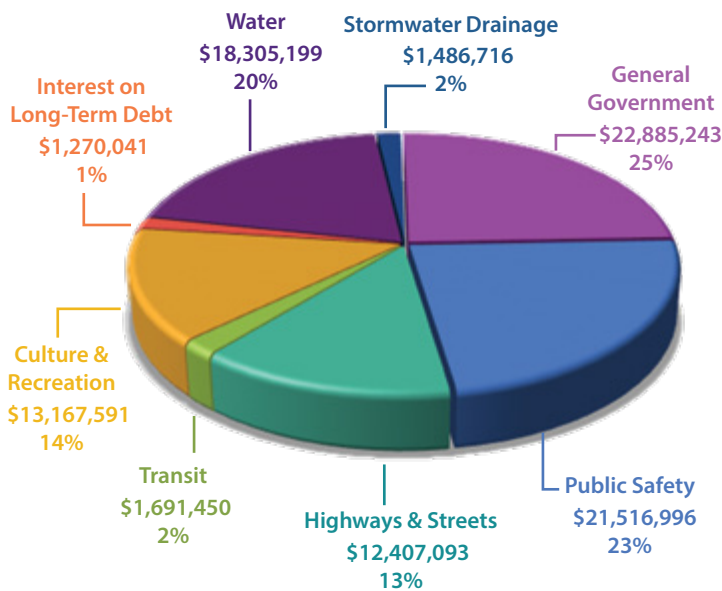
EXPENSES

Where the money goes

This chart illustrates the uses and percentages of the Town's expenses across all funds totaling \$92.7 million for FY 23/24. The majority of expenses relate to general government operations, public safety, and Water Utility operations. More than two-thirds of the Town's total expenses (68%) are from these three areas. Total expenses increased by \$6.0 million due primarily to personnel and other operating costs as noted previously.

Expenses by Category

Includes Governmental & Business-Type Activities



WHAT IT MEANS



General Government expenses are incurred by the Town's administrative departments, including Town Council, Town Manager, Legal Services, Finance, Town Clerk, Human Resources, Town Court, Information Technology, Economic Development and other non-departmental costs.

Highways and Streets expenses are related to the design, construction, maintenance and operation of all roadways, sidewalks and related infrastructure within the town.

Culture and Recreation expenses are those incurred by the Town to enrich the quality of life in Oro Valley through parks, recreational and cultural activities.

Public Safety expenses are those incurred by the Town to provide police and dispatch services to the public.

Water expenses are those incurred by the Town to provide water to the public.

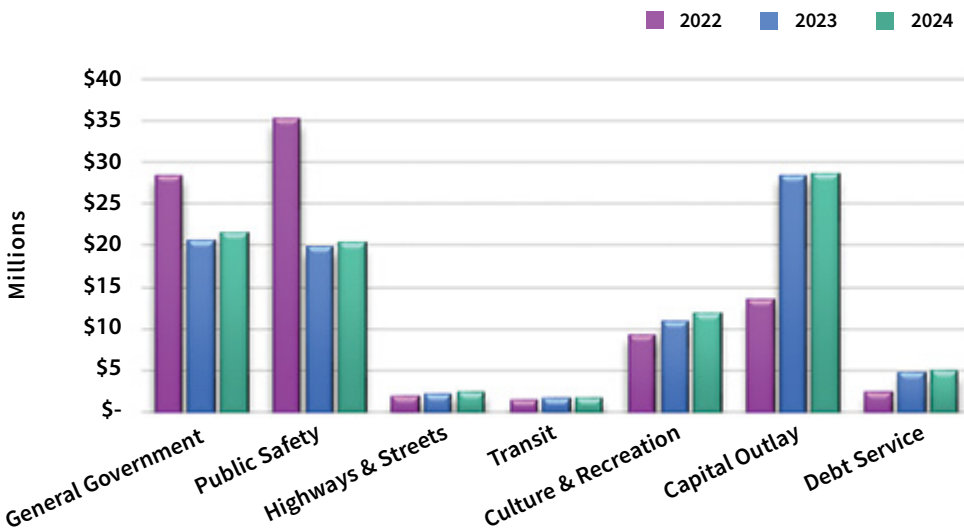
Transit expenses are those related to the operation of the Sun Shuttle Dial-a-Ride service funded through a partnership with the Regional Transportation Authority (RTA).

Stormwater Drainage expenses are those related to the design, construction, maintenance and operation of all stormwater drainageways within the Town.

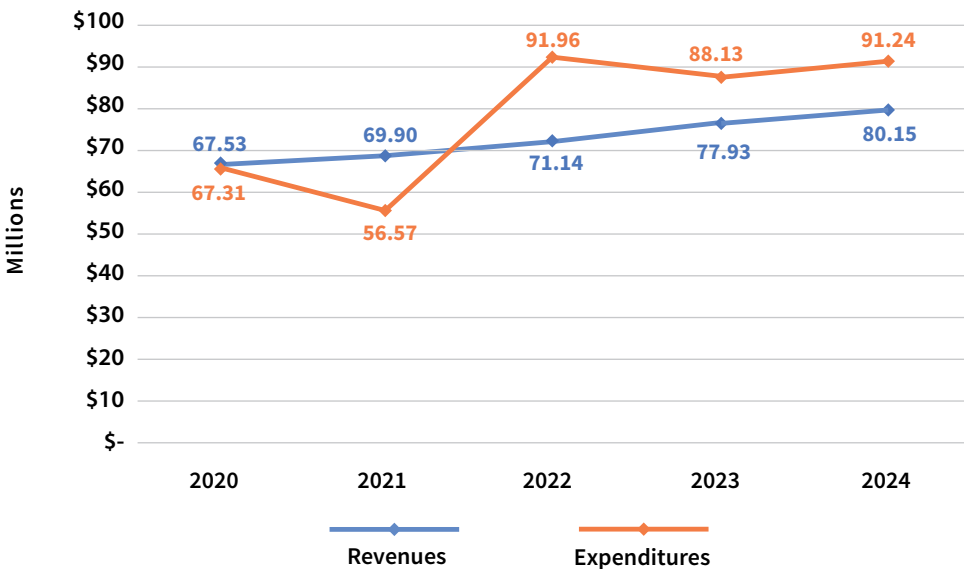
Interest on Long-Term Debt reflects the interest costs for long-term debt, such as bonds and loans. This does not include any interest costs on water-related debt.



Three-Year Historical Comparison - Expenditures Governmental Funds Only



Five-Year Historical Comparison - Revenues & Expenditures Governmental Funds Only



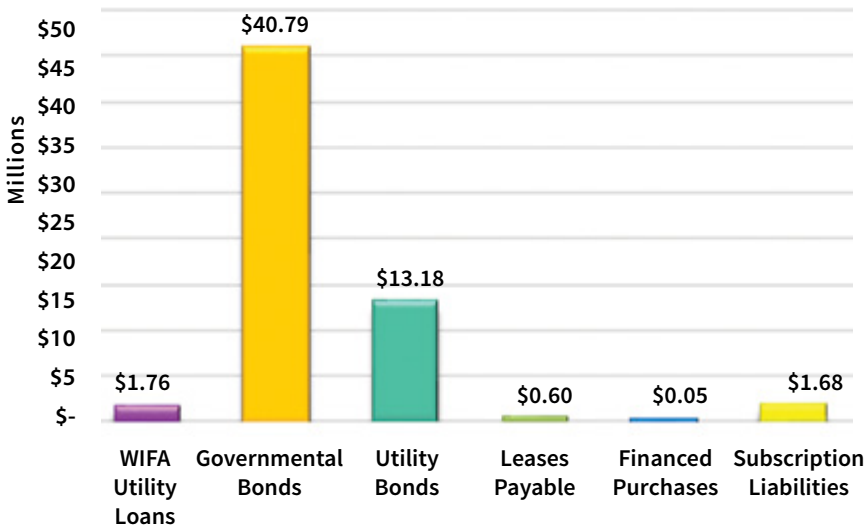
The charts on this page reflect information for the Town's governmental funds only. These funds account for most of the Town's basic services, such as general government, public safety, highways and streets, and culture and recreation. Sales taxes, state-shared revenues and charges for services finance most of these activities.

Historical comparison charts help illustrate trends in the Town's fiscal year revenue and expenditure growth. Decreases in general government and public safety expenditures for FY 22/23 reflect prior fiscal year funding of the Town's outstanding pension liability in the Public Safety Pension Retirement System. This was partially offset with planned capital outlay and increased operating costs. Revenue growth in FY 22/23 reflects investment earnings and state-shared revenues, as well as capital grants and contributions. Expenditures in excess of revenues for FY 21/22 through FY 23/24 reflect planned use of fund balance reserves to fund one-time capital and/or one-time operating expenditures.

DEBT & FINANCIAL RATINGS

As of June 30, 2024, the Town had \$58.1 million in long-term debt outstanding with \$6.6 million due within one year. Long-term debt decreased by \$5.1 million due to \$6.3 million in maturities and redemptions, offset with subscription liabilities. The chart below depicts the Town's outstanding debt for the fiscal year ended June 30, 2024.

Outstanding Debt Obligations as of June 30, 2024



The Town continues to maintain strong investment grade ratings on its outstanding excise tax bonds, which are rated 'AA' by Fitch and 'AA+' by Standard and Poor's. These ratings indicate high quality investments with very strong capacity for repayment of financial commitments. This is largely achieved by the Council's goal of continuing to diversify the Town's revenue base and maintaining strong fund balance reserves in the General Fund, currently at \$22.1 million, or 43% of FY 24/25 adopted expenditures of \$51.8 million. This is well above the Council-adopted policy threshold of 30% of expenditures.

WHAT IT MEANS

Governmental Bonds are used to finance long-lived capital improvements, including land acquisition and construction or improvement of Town facilities. The Town's excise taxes are pledged as repayment of the debt.

WIFA Utility Loans are low-interest loans from the Water Infrastructure Finance Authority of Arizona (WIFA). They finance the construction and improvement of drinking water, wastewater, wastewater reclamation, and other water quality projects.

Utility Bonds are issued to finance long-lived utility capital improvements for the Town's Water Utility. This debt is repaid with Water Utility revenues.

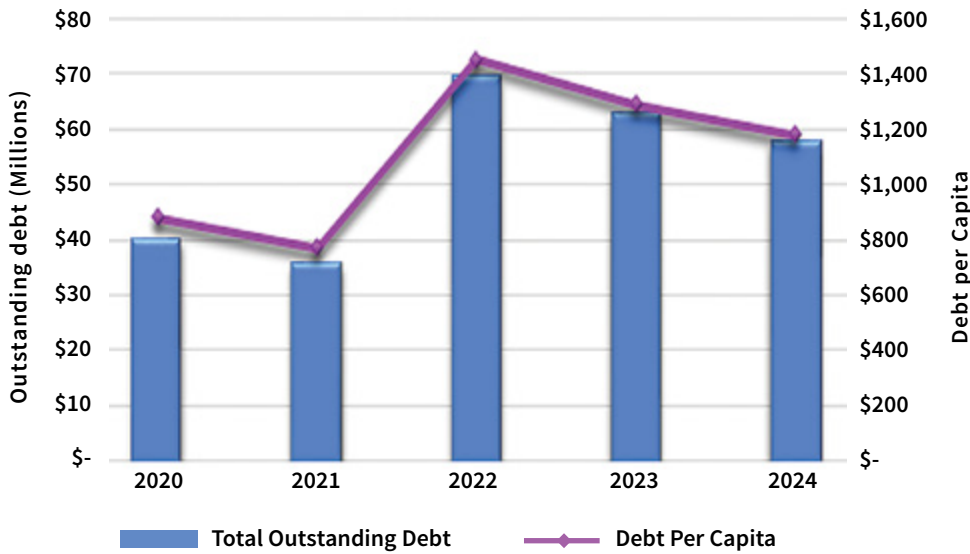
Leases Payable reflects future payments due on equipment leases entered into by the Town.

Financed Purchases represents future payments for equipment purchased under a contract.

Subscription Liabilities are future payments due on subscription-based information technology arrangements entered into by the Town.



Five Year Historical Comparison
Total Outstanding Debt & Debt Per Capita

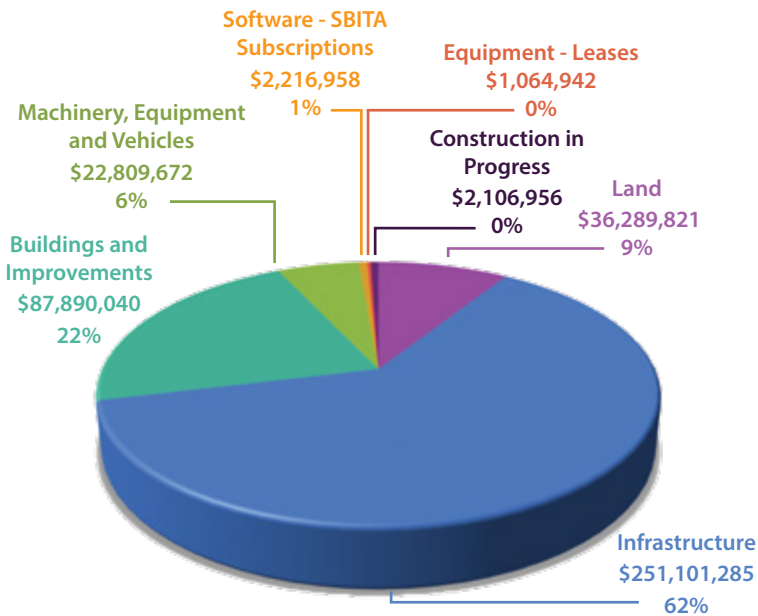


This historical comparison chart provides a snapshot of the Town’s total outstanding debt and debt per capita over the last five fiscal years. The increase in FY 21/22 was attributable to the issuance of excise tax bonds to fund parks and recreation improvements and pay off the Town’s unfunded liability in the Public Safety Personnel Retirement System.

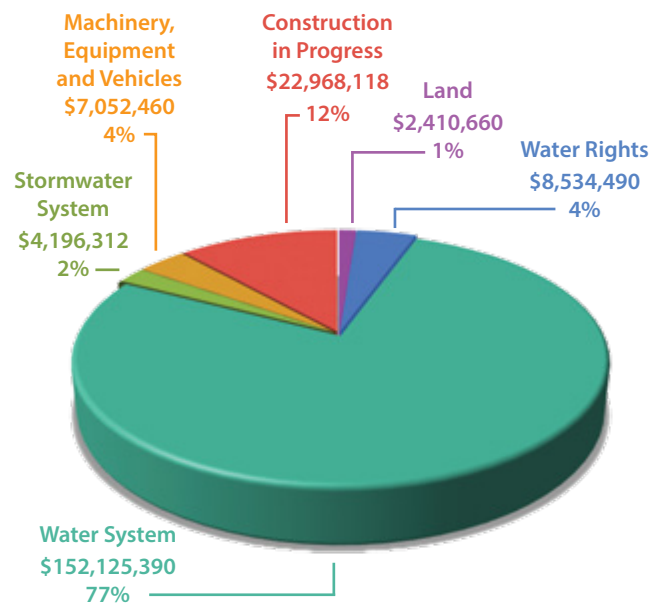
TOWN ASSETS

The Town develops a ten-year Capital Improvement Program (CIP) to systematically identify, plan, schedule, finance, track and monitor capital projects and acquisitions necessary to support service delivery to the community. Capital improvement projects are defined as infrastructure, equipment, vehicle purchases or construction which result in or make improvements to a capitalized asset costing more than \$50,000 and having a useful life of five or more years. These capital projects and acquisitions comprise the capital assets of the Town. At June 30, 2024, the Town had invested \$351.0 million in capital assets (net of accumulated depreciation/amortization), including buildings, facilities, vehicles, computers, equipment, right of use assets and infrastructure assets.

Capital Assets
Governmental Activities*



Capital Assets
Business-Type Activities*



*Totals do not include accumulated depreciation/amortization

ECONOMIC OUTLOOK AND FUTURE FOCUS

Local sales tax revenue exceeded budget expectations in FY 23/24 by 4%, while state shared revenues came in at 98.9% of budget. The Town continues to provide services and programs without a property tax to fund operations and, therefore, is dependent upon local sales tax and state shared revenues as major sources of revenue for its operating and capital expenditures. These sources accounted for approximately 84% of total General Fund revenue for FY 23/24.

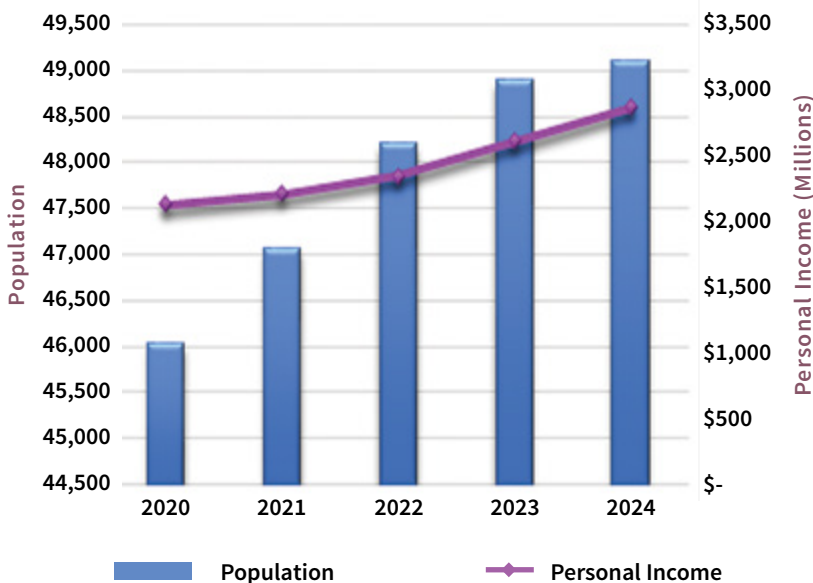
Critical to success in this area is the preparation of realistic growth assumptions helping guide Town revenue projections. Despite inflation and interest rate increases that occurred over the past couple of years, there continues to be economic growth and activity in Oro Valley, the Tucson metropolitan region and statewide. Arizona continues to do well in national economic rankings and remains one of the fastest growing states in both population and personal income. With Oro Valley’s proximity to the Tucson metro region, it is likely that the Town’s local economy will continue to benefit with increased housing sales, retail and tourism growth, and overall household and personal income growth.

Future population and economic growth of the Town depends largely on continued available land for development; therefore, strategic annexation efforts and discussions are ongoing as a means to address the potential for future buildout within existing town boundaries.

The Town continues to dedicate one-time revenues to funding one-time expenditures in the budget, specifically for capital improvement projects, while ensuring sufficient recurring revenues exist to fund recurring expenditures. With the current growth and activity expectations in future years, it will be important to continue to analyze the budget in this manner to avoid future reliance on one-time revenues to fund recurring costs.

For FY 24/25, the Town will focus its efforts on supporting elements of the Town Council adopted Strategic Plan while navigating any potential economic fluctuations that may occur. The FY 24/25 budget includes completion of a safety and efficiency expansion and improvement of the Town’s Court Building; Town-wide vehicle replacements; continued funding of the Town’s Pavement Preservation Program, which maintains the current condition of Town streets; and investments in the Town’s water system, continuing to ensure a safe, reliable and sustainable water supply to meet community needs.

Town Demographic & Economic Statistics



Town Employment Statistics Principal Employers in Oro Valley

	Employees
Roche Tissue Diagnostics	1,800
Oro Valley Hospital	700
Simpleview	450
Town of Oro Valley	449
Amphitheater Public Schools	439
Walmart	338
El Conquistador Tucson	294
Splendido at Rancho Vistoso	200
Fry's Food & Drug	182
Casa de la Luz Hospice	155