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Town of **ORO VALLEY, ARIZONA**

POPULAR ANNUAL FINANCIAL REPORT

Fiscal Year ended June 30, 2025





OVERVIEW

The Town of Oro Valley is proud to present its fourteenth 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	49,159 (Arizona Office of Economic Opportunity)
# OF HOUSEHOLDS (US Census estimate)	23,997
BACHELOR'S DEGREE OR HIGHER (Age 25+)	56.5%
MEDIAN INCOME (US Census estimate)	\$108,178
# OF PARKS	7
PARK ACRES MAINTAINED	651
TRAILS AND PATHS	62 miles
PUBLIC STREET LANE MILES MAINTAINED	439
2025 BUDGET	\$150.8 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 2024-25. This is the fourteenth 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 thirteen years with their Popular Annual Financial Reporting Award. The Town is one of only 17 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.

In the face of slowing growth and revenue declines in some areas, the Town demonstrated steady financial performance during fiscal year 2024/25. In the General Fund, our main operating fund, expenditure savings totaled nearly \$4.4 million. These savings more than offset a slight shortfall in budgeted revenues and resulted in a use of fund balance of just \$1.4 million, compared to a budget of \$5.4 million. General Fund reserves total \$20.7 million, or 39% 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 services, infrastructure and facilities that provide maximum benefit to our community and managing your taxpayer dollars in the most efficient and effective manner.

We hope that our 2025 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

Jeff Wilkins, Town Manager



FISCAL YEAR (FY) 24-25 ACCOMPLISHMENTS

ACCOLADES

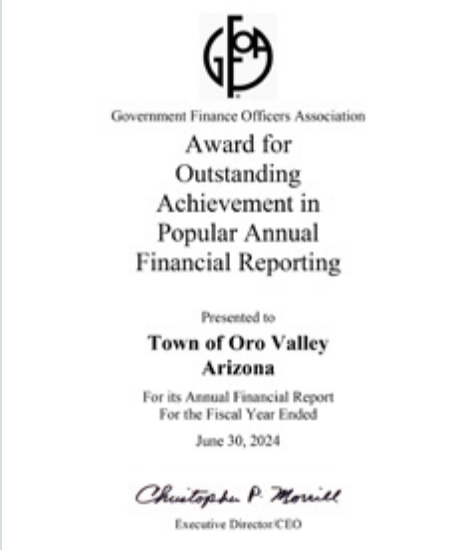
.....
Recognized as a “Triple Crown Winner” by the Government Finance Officers Association for receiving the Certificate of Achievement for Excellence in Financial Reporting Award (31st consecutive year), the Distinguished Budget Presentation Award (17th consecutive year) and the Popular Annual Financial Reporting Award (13th consecutive year)	Received an unmodified “clean” audit opinion for the Town’s annual financial statements
.....
Ended FY 24-25 with a \$20.7 million fund balance in the General Fund, exceeding budget expectations by \$4.0 million	Issued \$6.1 million in bonds and secured a \$12.0 million Water Infrastructure Finance Authority loan (including \$1 million in forgivable principal) to finance a portion of the Town’s independent and partnered components of the regional Northwest Recharge, Recovery and Delivery System (NWRDRS) project. The NWRDRS project will reduce groundwater pumping and increase delivery of Central Arizona Project water to the Town by up to 150%
.....
Reached 99.7% plan funded status in the Town’s Public Safety Personnel Retirement System for the Oro Valley Police Department	Completed Phase 1 and the first half of Phase 2 for Oro Valley Path Forward, the community’s next 10-year General Plan update
.....

- 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 and Marana, Arizona honored with the prestigious Governor’s Tourism Award for Best Tourism Partnership by the Arizona Office of Tourism (AOT) 2024

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, 2024. 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.



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.

Statement of Net Position for the year ended June 30, 2025

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Assets			
Current assets and other assets	\$80,403,755	\$83,756,395	\$102,039,607
Capital assets, net	364,882,644	351,023,627	324,828,157
Total assets	445,286,399	434,780,022	426,867,764
Deferred outflows	11,130,907	15,152,879	12,686,309
Liabilities			
Current and other liabilities	18,354,296	20,261,828	21,749,213
Long-term liabilities	75,099,105	81,068,760	83,466,603
Total liabilities	93,453,400	101,330,588	105,215,816
Deferred inflows	4,884,268	3,151,021	2,579,157
Net Position	\$358,079,638	\$345,451,292	\$331,759,100

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 \$15.4 million and \$15.6 million in capital assets (net of dispositions) for governmental and business-type activities, respectively, attributable to roadway improvements, building improvements and construction in progress for the Water Utility.
- Current assets decreased \$3.9 million for business-type activities, due to planned cash outlays for capital investment.
- The addition of \$13.3 million and \$3.9 million for governmental activities and business-type activities, respectively, in accumulated depreciation due to depreciation expense.
- Noncurrent liabilities decreased \$8.9 million for governmental activities resulting from debt repayments and prior fiscal year funding of the Town's outstanding PSPRS pension liability.
- Noncurrent liabilities increased \$2.9 for business-type activities, due to bonds issued in FY 24-25.
- Deferred outflows for governmental activities decreased \$4.1 million, due to prior fiscal year funding of the Town's outstanding PSPRS pension liability.

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, 2025. 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, 2025

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

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Revenues	\$109,778,742	\$106,422,521	\$101,381,295
Expenses	97,150,396	92,730,329	86,777,928
Change in net position	12,628,346	13,692,192	14,603,367
Net position, beginning of year	345,451,292	331,759,100	317,155,733
Net position, end of year	\$358,079,638	\$345,451,292	\$ 331,759,100

The Statement of Activities shows that the Town's total net position has improved over the beginning net position. Total expenses increased \$4.4 million, or 4.8%. Personnel costs remained mostly flat due to reduced pension funding requirements and vacancy savings, offset with merit and step increases. Other operating costs increased due to depreciation, claim settlements, water wheeling and delivery charges, rising software costs, credit card processing fees, repair and maintenance, contracted services, utilities and insurance. Total revenues increased \$3.4 million, or 3.2% due to additional water sales, groundwater preservation fees, and impact fees, as well as additional revenues from the Town's golf contractor operations and Community Center.



Cheryl Hesters, "Catalinas Reflected"

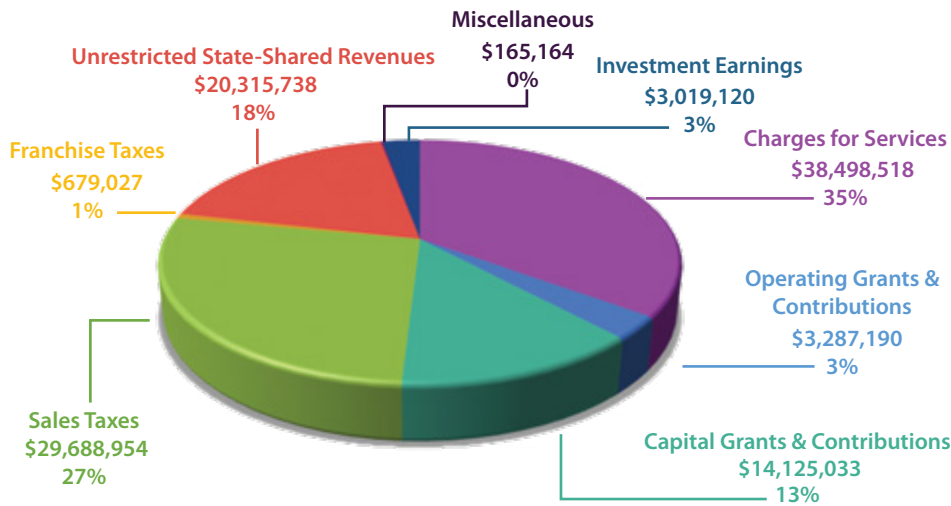


REVENUES

Where the money comes from

Revenues by Source

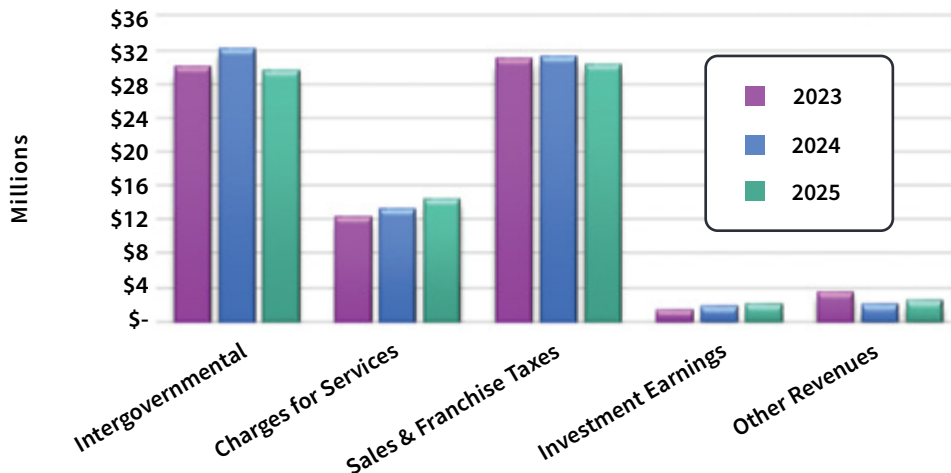
Includes Governmental & Business-Type Activities



This chart illustrates the sources and percentages of the Town's revenues totaling \$109.8 million for FY 24-25. The Town's primary revenue sources during FY 24-25 include charges for services, sales taxes and unrestricted state shared revenues. Together these three categories represented 81% of all revenue collections in FY 24-25.

Three-Year Historical Comparison - Revenues

Governmental Funds Only



This three-year historical comparison chart provides a snapshot of the Town's revenue for Governmental Funds for the last three fiscal years. The decrease in intergovernmental revenues for FY 24-25 was attributable to a legislative reduction in state-shared income taxes. The decrease in sales taxes for FY 24-25 was due to a decline in construction sales tax activity. The increase in charges for services revenues for FY 24-25 was due to impact fees and additional revenues from the Town's golf contractor operations and Community Center. Other revenues for FY 22-23 included 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.



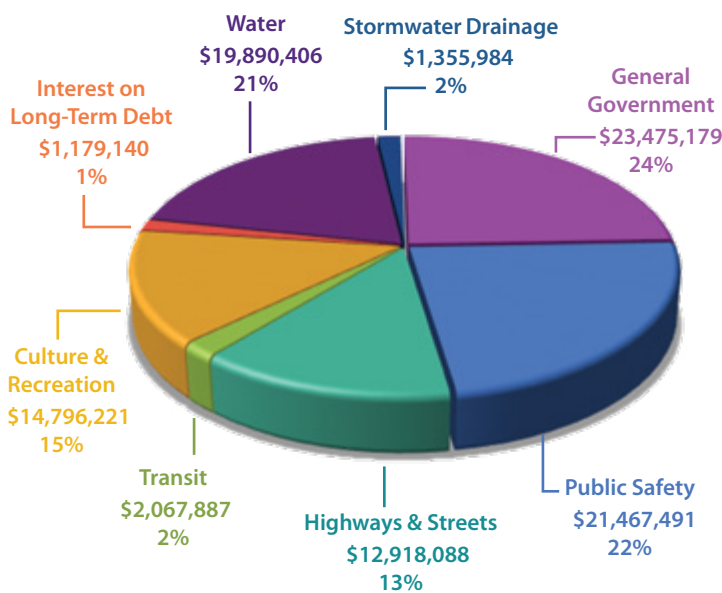
EXPENSES

Where the money goes

This chart illustrates the uses and percentages of the Town's expenses across all funds totaling \$97.2 million for FY 24-25. 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 \$4.4 million due primarily to the operating cost increases 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.

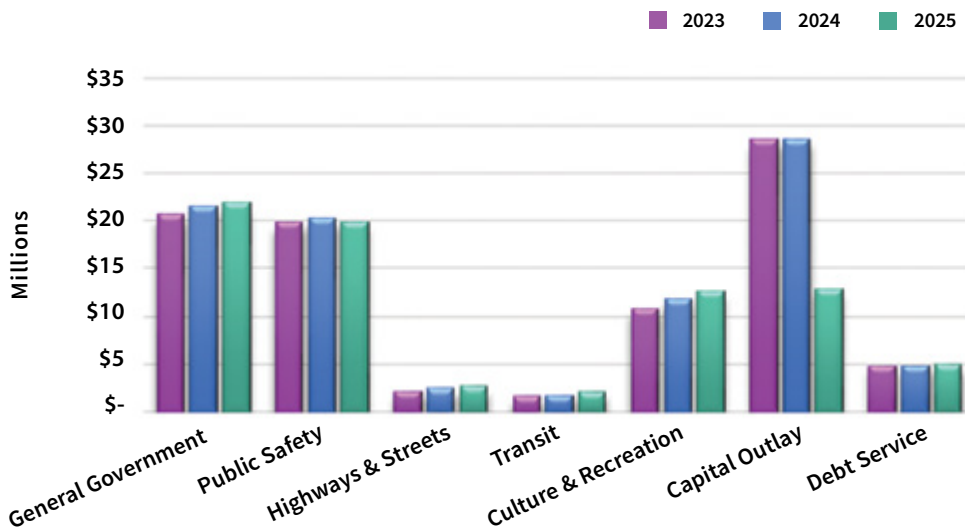
Transit expenses are those related to the operation of the Sun Shuttle Dial-a-Ride service funded through a partnership with the Regional Transportation Authority (RTA).

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

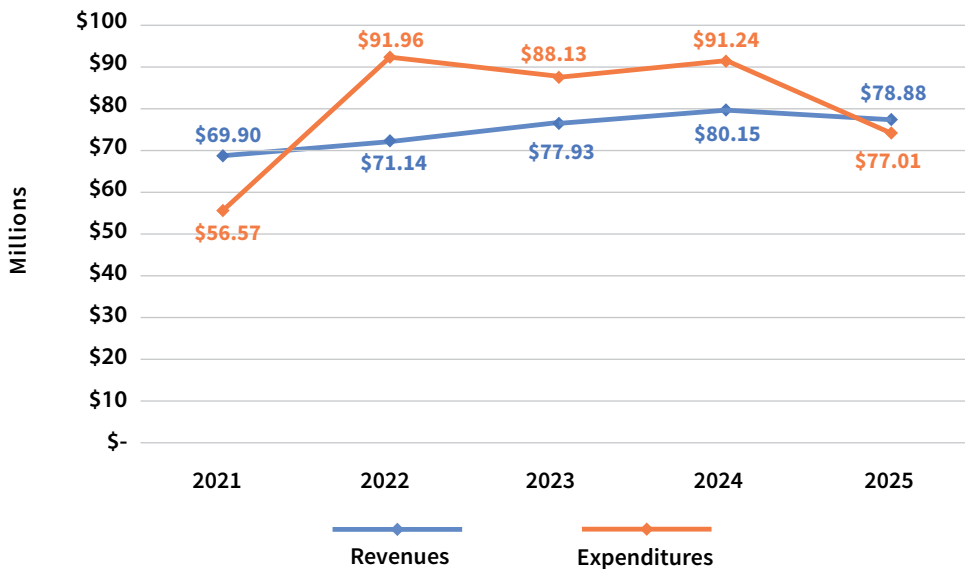
Interest on Long-Term Debt reflects the interest costs for long-term debt, such as bonds and loans. This does not include any interest costs on water-related debt.



Three-Year Historical Comparison - Expenditures Governmental Funds Only



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



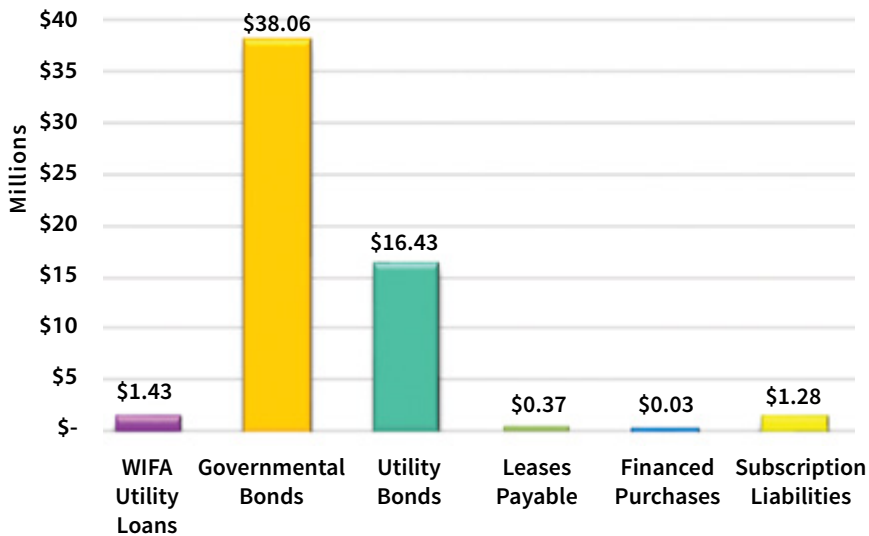
The charts on this page reflect information for the Town's governmental funds only. These funds account for most of the Town's basic services, such as general government, public safety, highways and streets, and culture and recreation. Sales taxes, state-shared revenues and charges for services finance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

Historical comparison charts help illustrate trends in the Town's fiscal year revenue and expenditure growth. The decrease in capital outlay expenditures for FY 24-25 was due to projects completed in the prior year. 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. The Town relies heavily on economically sensitive revenue sources, specifically sales taxes and state-shared revenues, both of which experienced declines in FY 24-25.

DEBT & FINANCIAL RATINGS

As of June 30, 2025, the Town had \$57.6 million in long-term debt outstanding with \$6.8 million due within one year. Long-term debt decreased by \$463,795 due to \$6.6 million in maturities and redemptions, offset with a new utility bond issuance. The chart below depicts the Town's outstanding debt for the fiscal year ended June 30, 2025.

Outstanding Debt Obligations as of June 30, 2025



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 maintaining healthy fund balance reserves in the General Fund, currently at \$20.7 million, or 39% of FY 25-26 adopted expenditures of \$52.8 million. This is well above the Council-adopted policy threshold of 25% of expenditures. Strong bond ratings not only enhance investor confidence, but also result in real savings for taxpayers through lower borrowing costs and improved long term financial stability.

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.

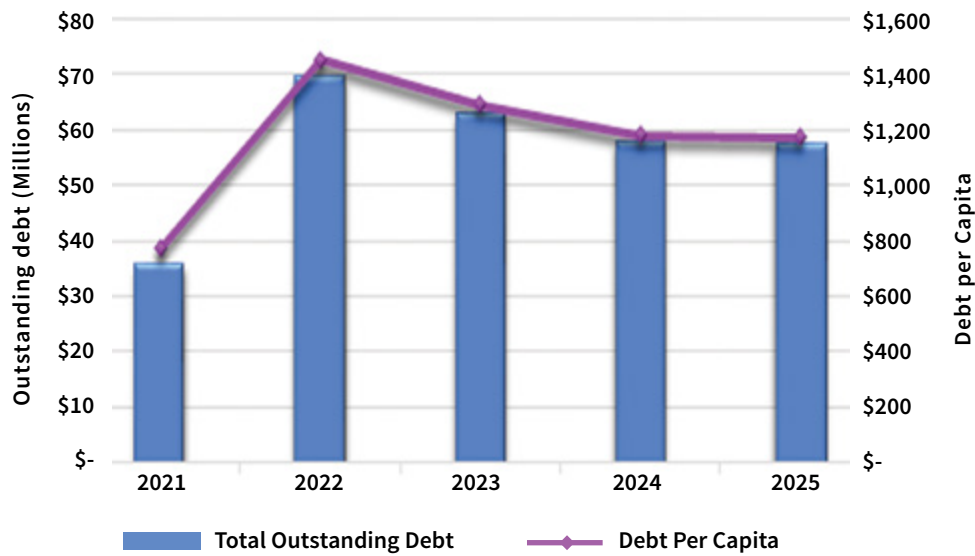
Leases Payable reflects future payments due on equipment leases entered into by the Town.

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

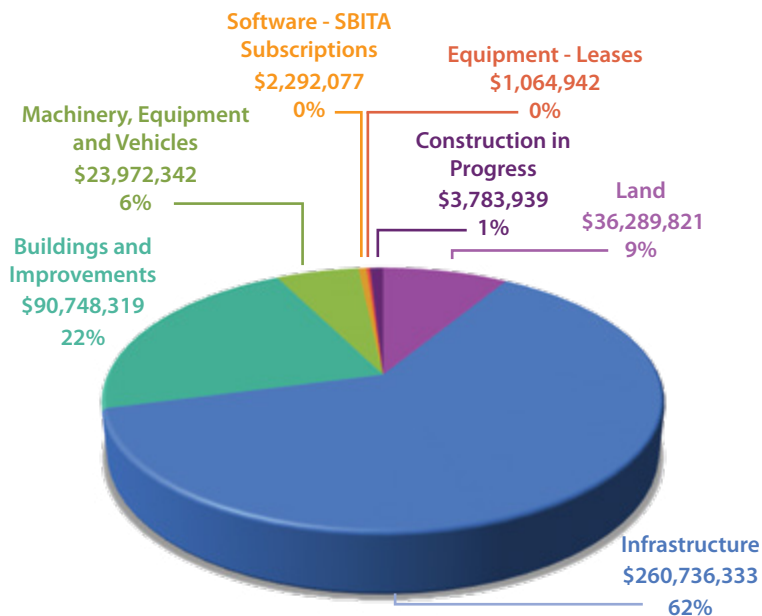


This historical comparison chart provides a snapshot of the Town's total outstanding debt and debt per capita over the last five fiscal years. The increase in FY 21-22 was attributable to the issuance of excise tax bonds to fund parks and recreation improvements and pay off the Town's unfunded liability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

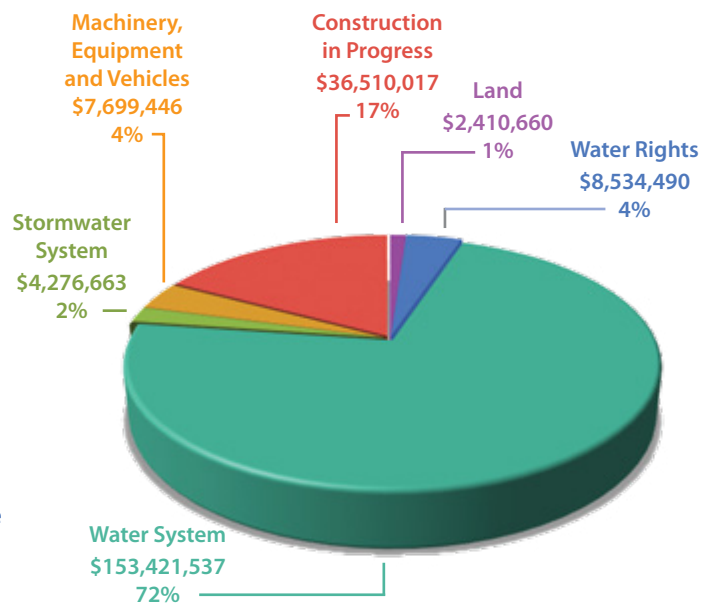
TOWN ASSETS

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, 2025, the Town had invested \$364.9 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

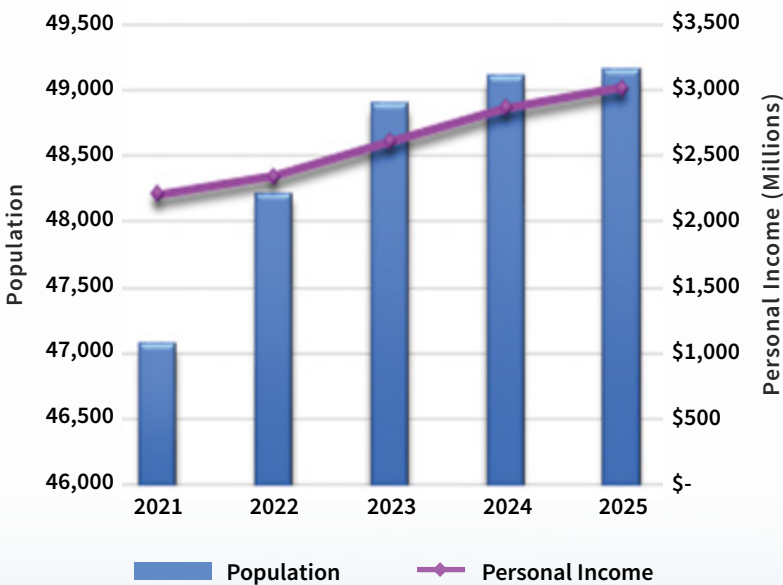
ECONOMIC OUTLOOK AND FUTURE FOCUS

During FY 25-26, the Town will continue to identify and quantify both one-time revenues derived from construction activity and recurring revenues derived from such areas as local sales taxes and state-shared sources. This is especially important given the recent declines in state shared revenues and construction sales tax. The Town does not have a property tax to fund operations.

Ongoing efforts include the prioritization of financial stability by evaluating current costs and revenue sources, controlling expenditures and exploring new opportunities for diversification of General Fund resources. One-time revenues will continue to be dedicated towards the funding of 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, ongoing analysis of the budget in this manner is imperative in avoiding future reliance on one-time revenues to fund recurring costs.

The Town will focus its efforts in the coming fiscal year on supporting elements of the Town Council adopted Strategic Plan all while navigating any potential economic fluctuations that may occur. The FY 25-26 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	1,600
Oro Valley Hospital	650
Town of Oro Valley	560
Simpleview (2024 data)	450
Amphitheater Public Schools	439
Walmart (2024 data)	338
El Conquistador Tucson	294
Fry's Food & Drug	248
Splendido at Rancho Vistoso	183
Meggitt Securaplane	119

