

**TOWN OF CAVE CREEK, ARIZONA
CAVE CREEK, ARIZONA
ANNUAL COMPREHENSIVE FINANCIAL REPORT
YEAR ENDED JUNE 30, 2025**



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INTRODUCTORY SECTION



December 18, 2025

To the Honorable Mayor Morris, Members of the Town Council,
and Citizens of the Town of Cave Creek, Arizona:

We are pleased to submit to you the fiscal year 2025 Annual Comprehensive Financial Report (ACFR) for the Town of Cave, Arizona (the Town) in accordance with Arizona Revised Statutes, Section 9-481.

This document represents management's report to its governing body, constituents, legislative and oversight bodies, and investors and creditors. Copies of this report will be sent to elected officials, management personnel, and other agencies that have expressed an interest in the Town's financial matters. Copies of this financial report will also be placed in the local library and on the Town's website for use by the general public.

State law requires an audit of municipal operations to be made by a certified public accountant licensed by the Arizona State Board of Accountancy at least every two years for a town. The accounting firm of Advisent Assurance, LLP, was approved by the Town Council to perform this year's audit. As stated in the independent auditors' report, 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, 2025, are free from material misstatement. The independent audit involved procedures to obtain audit evidence supporting the amounts and disclosures in the financial statements; assessing 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 unmodified ("clean") opinion that the financial statements for the Town for the fiscal year ended June 30, 2025, are fairly presented, in all material respects, and are in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the management of the Town. To provide a reasonable basis for making these presentations, 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 from material misstatement. To the best of our knowledge and belief, the enclosed data is accurate in a manner designed to present fairly the financial position, results of operations and cash flows, where applicable, of the various funds of the Town in all material respects, as well as all disclosures necessary to enable the reader to gain an understanding of the Town's financial activities and financial stability.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

Profile of the Town

The Town of Cave Creek, Arizona was settled in 1870 and was incorporated on July 8, 1986. At the time of incorporation, the Town encompassed 25 square miles and had a population of approximately 2,300. Currently, the Town encompasses approximately 38 square miles and has an estimated population of 5,238.

The Town of Cave Creek operates under a council-manager form of government. Under this system, policymaking and legislative authority is vested in the governing council consisting of the mayor and six other members, one designated as vice-mayor, all of whom are elected at large and serve two-year terms. The Town Council appoints the Town Manager and Town Attorney. The Town Manager is responsible for implementing policy, as well as overseeing the daily administration and management of all Town departments. The Town Council has contracted with Sims Mackin, LTD to provide services as the Town's Attorney.

The Town provides the following municipal services:

- Building and fire safety inspections
- Law enforcement and protection via an intergovernmental agreement with Maricopa County Sheriff's Office
- Fire and emergency services via an intergovernmental agreement with Daisy Mountain Fire District
- Magistrate Court via an intergovernmental agreement with Town of Carefree
- Planning and zoning
- Licenses and permits
- Maintenance of the Town's rodeo grounds and facilities
- Parks and trails including the Desert Awareness Park, Spur Cross Ranch Conservation Area, and a network of multi-use trails connecting portions of the town, regional parks and other trails, and the Tonto National Forest
- A volunteer-operated tourism bureau
- Construction and maintenance of streets, roads, and other infrastructure
- Wastewater collection and treatment
- Water treatment and distribution
- General administrative services

In addition, the Town supports other public purposes through community grants to local not-for-profit organizations for a rodeo, transportation for the elderly, a historical museum, a local library, a food bank, and other special events.

The Town has entered into franchise agreements with Arizona Public Service for electric utility services and Southwest Gas for natural gas utility services. Refuse collection is not franchised in the town and provided by a number of private companies.

The Town, like all cities and towns in the State of Arizona, is subject to numerous budget and related legal requirements. Article IX, Section 20(1) of the Arizona Constitution 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. To maintain the Home Rule option, the voters must authorize this option every four years. The citizens of Cave Creek reauthorized it in August 2020 and is effective for fiscal years 2022 through 2025. In August 2024, the citizens of Cave Creek again reauthorized the Home Rule option, which will be effective for fiscal years 2026 through 2029.

The Town maintains budgetary controls to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Town Council. Activities of all funds are included. The legal level of budgetary control (i.e., the level at which expenditures cannot legally exceed the appropriated amount) is the total operating budget, as adopted by the Town Council. The Town additionally exercises management control and oversight of the budget at the department level within each fund.

Economic Condition and Outlook

During the 2024-25 fiscal year, Town revenues were stable with a slight increase over the previous year. The Town sales tax revenues increased 12%, primarily due to increases in construction activity. The construction sales taxes increased 84%. The largest category, retail sales taxes, were relatively flat. Although future development may occur in the next few years, the previously completed commercial construction created new businesses that will continue to generate steady Town sales tax revenue in the future. The Town Council and management have made progress towards their goal to establish more stable, long-term revenues for the future while still maintaining the rural, low-density lifestyle of the community that continues to be supported by the citizens.

Major Initiatives for the Year

During the fiscal year, there was a significant focus on goals and action items adopted in the 2023 Strategic Plan. Accomplishments during the year included:

- Implementation of new technology and further expanded use of existing technology to support, streamline, and enhance Town processes and customer service including an agenda management system, an electronic document signature system, a human resources applicant processing system, an update to the Town's website.
- Enhancement of the communications program with new initiatives including development of an annual report and a community newsletter distributed to all residents and creation of the first annual State of the Town video.
- Completion of a rebuild of the skybox at the rodeo grounds that was destroyed by a storm in 2022.
- Adoption of the 2024 Town Core Plan, which addresses development of privately and publicly owned property with the Town's core area. The Plan's vision is to retain the sense of place characterized by an eclectic and diverse mix of thriving and creative businesses and lifestyles, while honoring the Town's western heritage and the beautiful Sonoran Desert that surrounds it.

- Completion of a user fee study for all non-utility user fees and adoption of increased and added fees.
- Completion of the Town's first fire station and acquisition of the Town's first fire engine and water tender truck.
- Completion of a water meter replacement project in the Cave Creek water system with an upgrade to advanced metering infrastructure (AMI) meters partially funded by a federal grant.
- Completion of the 2024 Integrated Utility Master Plan which identified system deficiencies, future improvements, and options to address future water resource shortages.

For the Future

The focus of the upcoming year will be on continuing the effort to establish and maintain stable revenues, continue the rural, low-density lifestyle of the community, and furtherance of goals and action items adopted in the 2023 Strategic Plan. Priorities identified include:

- Continued development of fire and emergency services for residents with no increase in taxes. Construction of the Regional Fire Station #144 shared with Daisy Mountain Fire District is expected to be completed in fiscal year 2025-26.
- Continued focus on traffic and pedestrian safety measures and road improvements after several years of underfunding and delayed maintenance. The fiscal year 2025-26 includes \$3.7 million in road maintenance and improvement projects, with \$1.3 million covered by a grant award from the Maricopa Association of Governments.
- Updates to the pavement management plan and implementation of the pedestrian safety study recommendations.
- Continued construction of the Phoenix Interconnect project, to significantly improve the Town's ability to eliminate interruptions in water service if the water treatment plant or the Central Arizona Project (CAP) pipeline has an outage. Expected completion in fiscal year 2025-26.
- Continued focus on water resource acquisitions in anticipation of an estimated 20-25% cut in the Town's Central Arizona Project (CAP) water supply.
- Continued analysis and possible acquisition of approximately 4,000 acres of Arizona State Trust Land within Town of Cave Creek boundaries.

Long-Term Financial Planning

The Town will continue to focus on policies and procedures to provide more stable revenues for the Town and manage resources effectively while looking for cost-saving opportunities. The Town will be reviewing long-term needs for infrastructure improvements and utilizing financial advisors to examine long-term financial needs and financing sources. Overall, the financial condition of the Town is sound, and the future actions of the Town Council and management will help to ensure this continues.

Financial Policies

The Town's policy to set aside a minimum fund balance of 3 months of General Fund budgeted operating expenditures as an operating reserve in the budgeting process to meet unforeseen circumstances that might occur. The Town is additionally required by policy to set aside in the General Fund an amount equivalent to the unfunded portion of any proprietary fund's operating reserve.

Awards and Acknowledgments

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town for its Annual Comprehensive Financial Report for the fiscal year ended June 30, 2024. This was the 27th consecutive year that the Town has achieved this prestigious award. To be awarded a Certificate of Achievement, the Town had to publish an easily readable and efficiently organized report that satisfied both generally accepted accounting principles and applicable program requirements.

The Government Finance Officers Association (GFOA) also awarded a Distinguished Budget Presentation Award for the Annual Budget for fiscal year 2024-25. This was the fifth consecutive year the Town has achieved this designation. To qualify for the Distinguished Budget Presentation Award, the Town's budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device.

The GFOA Awards are valid for a period of one year only. We believe that our current Annual Comprehensive Financial Report and our Annual Budget will continue to meet the GFOA standards to determine its eligibility for certificates into the future.

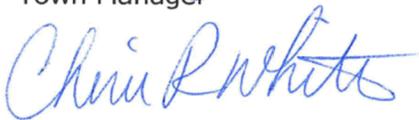
Preparation of the Annual Comprehensive Financial Report and the Annual Budget were made possible by the dedicated service of the Finance Department. We would like to express our appreciation to all staff members who assisted and contributed to their preparation.

We would also like to thank the Mayor and Town Council for their support in planning and conducting the financial operations of the Town. The success of meeting the future economic challenges encountered in guiding this Town will ensure that the financial position demonstrated by the accompanying financial statements will continue to improve.

Respectfully submitted,

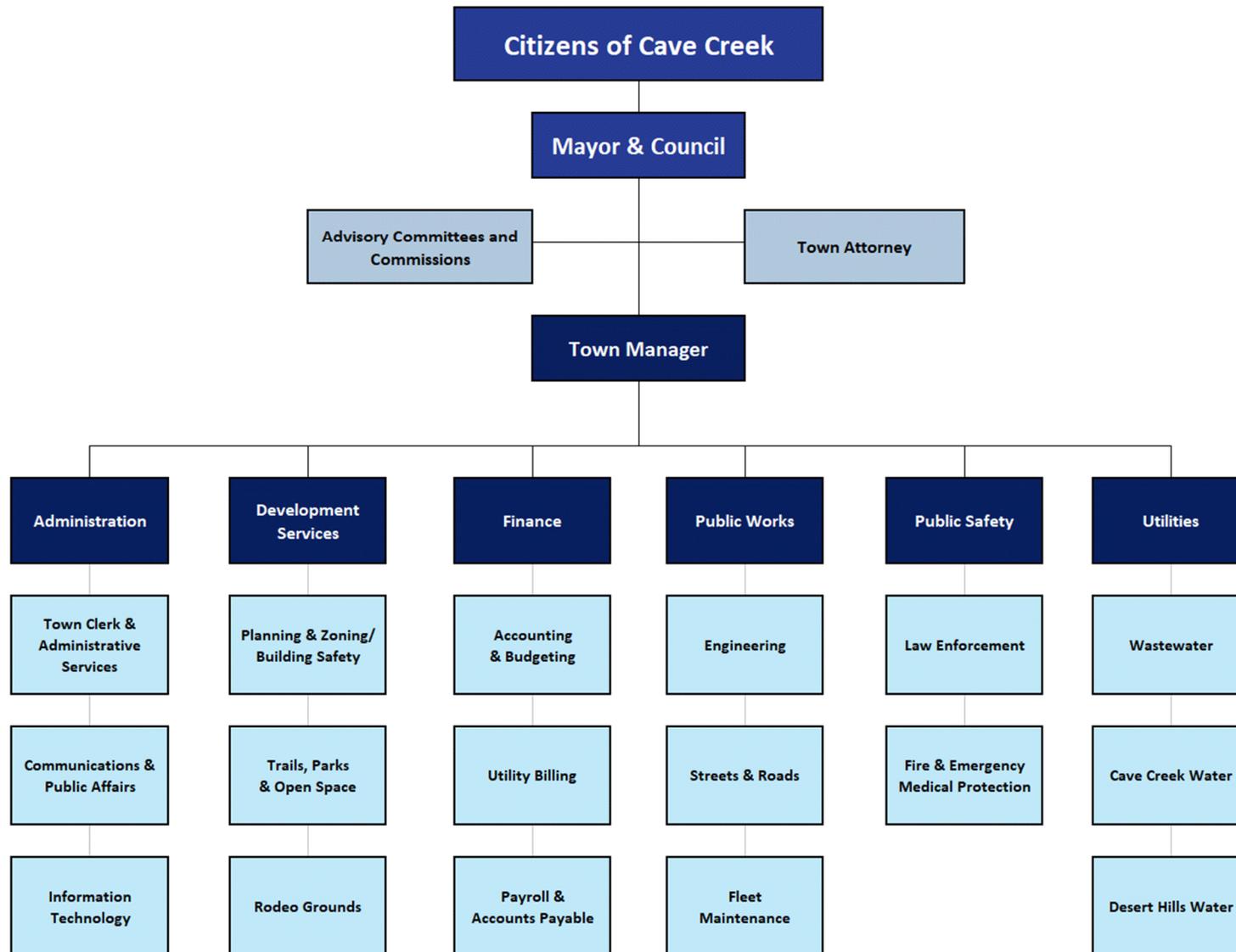


Grady E. Miller
Town Manager



Cherie R. White, CPA, CGFM
Finance Director

**TOWN OF CAVE CREEK, ARIZONA
 ORGANIZATIONAL CHART
 YEAR ENDED JUNE 30, 2025**



**TOWN OF CAVE CREEK, ARIZONA
LIST OF PRINCIPAL AND ELECTED OFFICIALS
YEAR ENDED JUNE 30, 2025**

TOWN OF CAVE CREEK, ARIZONA



ELECTED OFFICIALS

Mayor	Robert Morris
Vice-Mayor	Kathryn Royer
Council Member	Tom Aughterton
Council Member	Cynthia Driskell
Council Member	Joe Freedman
Council Member	Thomas McGuire
Council Member	Bryan M. "Dusty" Rhoades

APPOINTED OFFICIALS

Town Manager	Grady E. Miller
Town Attorney	William J. Sims III
Deputy Town Manager/Town Clerk	Teresa Riza
Finance Director	Cherie R. White, CPA, CGFM
Administrative Services Director	Carla Reece, MPP, CPM, SHRM-SCP
Communications & Public Affairs Director	Bowen Larsen
Development Services Director	Luke Kautzman, MPA, CPM
Town Marshal	Adam N. Stein
Community Risk Reduction Director	Jim Ford
Town Engineer/Public Works Director	Hal E. Marron, PE
Utilities Director	Shawn V. Kreuzwiesner, PE



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Town of Cave Creek
Arizona**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2024

Christopher P. Morill

Executive Director/CEO

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and the Town Council
Town of Cave Creek, Arizona
Cave Creek, Arizona

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Cave Creek, Arizona (the "Town"), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements 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 Cave Creek, Arizona, as of June 30, 2025, and the respective changes in financial position and, where applicable, cashflows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

The Town's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.



Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension and OPEB schedules, and budgetary comparison information, as listed within the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual comprehensive financial report. The other information comprises the introductory and statistical sections but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2025, 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 solely 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 effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Advisent Assurance, LLP

Mesa, Arizona
December 18, 2025

MANAGEMENT'S DISCUSSION AND ANALYSIS

TOWN OF CAVE CREEK, ARIZONA MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2025

This section of the Town of Cave Creek, Arizona's (the Town) Annual Comprehensive Financial Report presents a narrative overview and comparative analysis of the financial activities of the Town for the fiscal year ended June 30, 2025. Readers are encouraged to consider the information presented here in conjunction with the basic financial statements that immediately follow, along with the letter of transmittal and other portions of this Annual Comprehensive Financial Report.

FINANCIAL HIGHLIGHTS

- Based on the Government-Wide Financial Statements, the assets and deferred outflows of the Town exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$113.5 million (net position). Of this amount \$34.9 million (unrestricted net position) may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Town's total net position increased \$9.5 million due to increases in net investment in capital assets that were the result of construction in progress of the Phoenix Interconnect project and completion of the fire station remodel project.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$31.3 million, a decrease of \$5.4 million in comparison with the prior year. Approximately 25% of this amount (\$8.0 million) is available for spending at the Town's discretion (unassigned fund balance).
- The Town's net capital assets increased \$13.3 million in the current year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$8.0 million or 48% of total General Fund expenditures (\$16.6 million).
- Actual General Fund revenues were greater than budgeted revenues by \$0.9 million for fiscal year ending June 30, 2025. This was mostly due to sales tax revenues exceeding budget by \$0.8 million with higher than expected construction activity. Actual expenditures were \$3.0 million less than budgeted in the General Fund.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis provided here are intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements consists of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the basic financial statements. This report also includes supplementary information intended to furnish additional detail to support 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 like private-sector business. The statement of net position presents information on all the Town's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as useful indicators of whether the financial position of the Town is improving or deteriorating.

The statement of activities presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position 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 employee leave balances).

**TOWN OF CAVE CREEK, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2025**

Government-Wide Financial Statements (Continued)

Both government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town include general government, public safety, highways and streets, health and welfare, and culture and recreation. The business-type activities include water and wastewater operations. The government-wide financial statements can be found directly following the management's discussion and analysis.

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, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of the Town can be divided into two categories: governmental and proprietary funds.

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 and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Since the governmental fund financial statements focus on near-term spendable resources, while the governmental activities on the government-wide financial statements have a longer-term focus, a reconciliation of the differences between the two is provided with the fund financial statements.

The Town maintains five individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Highway User Revenue Fund, and Spur Cross & Open Space Acquisition Fund, which are major funds. Data from the other two governmental funds are combined into a single, aggregate presentation. Individual fund data for each of the nonmajor governmental funds is provided in the form of combining statements elsewhere in this report. The basic Governmental Fund Financial Statements can be found as noted within the Table of Contents.

Proprietary Funds – The Town maintains one type of proprietary fund. The Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses the enterprise funds to account for the wastewater and two water system operations.

Proprietary funds provide the same type of information as the Government-Wide Financial Statements, only in more detail. The Proprietary Fund Financial Statements provide information for the Wastewater System, Cave Creek Water System, and Desert Hills Water System Funds, which are all considered major funds.

The basic Proprietary Fund Financial Statements can be found as noted within the Table of Contents.

**TOWN OF CAVE CREEK, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2025**

Notes to Basic Financial Statements

The notes to basic financial statements 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 basic financial statements can be found on the pages noted within the Table of Contents.

Required Supplementary Information Other than MD&A

Governments are required to disclose certain information about employee pension and other postemployment benefit plans. The Town has disclosed this information as noted within the Table of Contents. Additionally, governments have an option of including the budgetary comparison statements for the General Fund and major Special Revenue Funds as either part of the fund financial statements within the basic financial statements or as required supplementary information after the footnotes. The Town has chosen to present these budgetary statements as required supplementary information as noted within the Table of Contents. Following the budgetary statements are the notes to the required supplementary information.

Other information

The combining statements in connection with nonmajor governmental funds are presented immediately following the required supplementary information other than the MD&A. Combining and individual fund statements and schedules can be found as noted within the Table of Contents.

The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The statistical section can be found as noted within the Table of Contents.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as useful indicators of a government's financial position. In the case of the Town, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$113.5 million at the close of the most recent fiscal year.

A summary of the Town's statement of net position is presented below:

	Governmental Activities		Business-type Activities		Primary Government	
	2025	2024	2025	2024	2025	2024
ASSETS						
Current and other assets	\$ 33,315,442	\$ 37,791,262	\$ 11,970,530	\$ 7,388,205	\$ 45,285,972	\$ 45,179,467
Capital assets	24,609,942	20,848,990	76,456,177	66,935,999	101,066,119	87,784,989
Total Assets	57,925,384	58,640,252	88,426,707	74,324,204	146,352,091	132,964,456
DEFERRED OUTFLOWS OF RESOURCES	625,559	465,282	350,328	281,224	975,887	746,506
Total Assets and Deferred Outflows	58,550,943	59,105,534	88,777,035	74,605,428	147,327,978	133,710,962
LIABILITIES						
Current liabilities	1,406,626	856,851	6,592,441	2,064,410	7,999,067	2,921,261
Long-term liabilities	3,550,453	3,273,552	21,973,433	23,240,436	25,523,886	26,513,988
Total Liabilities	4,957,079	4,130,403	28,565,874	25,304,846	33,522,953	29,435,249
DEFERRED INFLOWS OF RESOURCES	230,180	270,170	112,714	90,741	342,894	360,911
Total Liabilities and Deferred Inflows	5,187,259	4,400,573	28,678,588	25,395,587	33,865,847	29,796,160
NET POSITION						
Net investment in capital assets	24,289,645	20,346,069	52,176,493	45,947,060	76,466,138	66,293,129
Restricted	169,132	412,762	1,932,397	1,803,132	2,101,529	2,215,894
Unrestricted	28,904,907	33,946,130	5,989,557	1,459,649	34,894,464	35,405,779
Total Net Position	\$ 53,363,684	\$ 54,704,961	\$ 60,098,447	\$ 49,209,841	\$ 113,462,131	\$ 103,914,802

**TOWN OF CAVE CREEK, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2025**

Net position consists of three components. The largest portion of the Town's net position (67%) reflects its investment in capital assets (e.g., land, construction in progress, utility systems, buildings, infrastructure, furniture, equipment, etc.) less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The Town's net investment in capital assets increased \$10.2 million. The increase was largely due to an increase in capital asset additions for the in-progress Phoenix Interconnect project and the completion of the fire station project. The Town also had a decrease in ending long-term debt related to capital assets that led to the increase in the net investment in capital assets.

An additional portion of the Town's net position (\$2.1 million) or (2%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$34.9 million) or (31%) may be used to meet the Town's ongoing obligations to citizens and creditors. Restricted net position remained comparable to the prior period. The decrease in unrestricted net position is largely due to normal Town operations and is discussed on the following pages in the discussion on changes in net position. At the end of the current fiscal year, the Town reported positive balances in all three categories of net position.

The Town's net position increased by \$9.5 million during the current fiscal year. Key elements of this increase are presented in the following condensed statement of changes in net position below:

	Governmental Activities		Business-type Activities		Primary Government	
	2025	2024	2025	2024	2025	2024
REVENUES						
Program revenues						
Fees, fines, and charges for services	\$ 1,271,971	\$ 1,289,937	\$ 11,188,412	\$ 10,710,693	\$ 12,460,383	\$ 12,000,630
Operating grants and contributions	412,225	552,019	-	-	412,225	552,019
Capital grants and contributions	511,926	-	1,582,099	724,318	2,094,025	724,318
General revenues						
Local taxes	12,929,849	11,335,389	2,216,491	2,203,237	15,146,340	13,538,626
State shared revenues	2,152,984	2,391,752	-	1,949,776	2,152,984	4,341,528
Investment earnings	1,374,050	1,764,007	124,792	180,843	1,498,842	1,944,850
Other revenues	102,279	9,491	-	47,063	102,279	56,554
Total Revenues	18,755,284	17,342,595	15,111,794	15,815,930	33,867,078	33,158,525
EXPENSES						
General government	4,963,170	5,156,130	-	-	4,963,170	5,156,130
Public safety	4,432,451	4,295,846	-	-	4,432,451	4,295,846
Highways and streets	3,835,042	2,065,328	-	-	3,835,042	2,065,328
Culture and recreation	532,073	489,991	-	-	532,073	489,991
Health and welfare	35,354	15,402	-	-	35,354	15,402
Interest on long-term debt	2,672	6,892	-	-	2,672	6,892
Wastewater system	-	-	2,637,824	2,363,361	2,637,824	2,363,361
Cave Creek Water System	-	-	4,999,072	5,347,631	4,999,072	5,347,631
Desert Hills Water System	-	-	2,882,091	2,993,758	2,882,091	2,993,758
Total Expenses	13,800,762	12,029,589	10,518,987	10,704,750	24,319,749	22,734,339
Change in net position before transfers	4,954,522	5,313,006	4,592,807	5,111,180	9,547,329	10,424,186
Transfers in (out)	(6,295,799)	(2,648,999)	6,295,799	2,648,999	-	-
Change in net position	(1,341,277)	2,664,007	10,888,606	7,760,179	9,547,329	10,424,186
Net Position - Beginning	54,704,961	52,040,954	49,209,841	41,449,662	103,914,802	93,490,616
Net Position - Ending	\$ 53,363,684	\$ 54,704,961	\$ 60,098,447	\$ 49,209,841	\$ 113,462,131	\$ 103,914,802

**TOWN OF CAVE CREEK, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2025**

Governmental Activities

The governmental activities' net position decreased \$1.3 million in the current year. Key elements of that decrease are discussed below.

Program Revenues

The Town's program revenues consist of fees, fines, and charges for services, as well as operating and capital grants and contributions. The Town saw an increase in operating and capital grants and contributions of \$0.4 million due to \$0.5 million of private contributions for the rodeo grounds skybox capital project during the fiscal year offset with a slight decrease in operating grants and contributions compared to the prior period. The change in fees, fines, and charges for services was not considered significant.

General Revenues

The Town reports general revenues from local taxes, state shared revenues, investment earnings, and other income. Local taxes increased \$1.6 million or (14%) due to an increase in construction activity within the Town resulting in larger sales tax collections. State shared revenues decreased \$0.2 million due to decreased state shared income taxes as a result of changes in the income tax rate structure. Additionally, investment earnings decreased by \$0.4 million as there has been a decrease in cash balances held within the Local Government Investment Pool due to spending for capital projects, as well as lower interest rates.

Expenses

Overall, expenses increased \$1.8 million (15%), mainly due to a change in policy to expense streets rehabilitation and pavement preservation projects. Going forward, only major street improvements will be capitalized.

Business-Type Activities

The Wastewater System Fund reported an operating loss of \$1.0 million, which was comparable to the prior year operating loss of \$0.8 million. The net operating loss is largely due to a reliance on General Fund subsidies as rates are increased over time, as well as anticipated future connections to the system that are not yet built.

The Cave Creek Water System Fund reported operating income of \$1.1 million. The net operating income is the result of water charges exceeding the costs to operate the utilities. The excess operating revenues have been dedicated for future capital projects of the Town's water system and payment of debt service. The system continues to rely on General Fund subsidies as rates are increased over time.

The Desert Hills Water System Fund reported operating income of \$1.0 million in the current year, which was comparable to prior year's operating income of \$0.8 million. The excess operating revenues have been dedicated for future capital projects of the Town's water system and payment of debt service. The system continues to operate at a deficit and relies on loans from the General Fund to cover cash needs as rates are increased over time.

The net non-operating revenues of the business-type activities increased net income by \$2.0 million. The non-operating revenues were primarily from sales taxes in the Wastewater System Fund. Additionally, contributions, and transfers-in of the business-type activities increased the net position by \$7.9 million. Capital grant contributions of \$1.3 million were received by the Cave Creek Water System for the Phoenix Interconnect and water meter replacement projects. Transfers in of \$6.3 million were recorded within the Wastewater System Fund and Cave Creek Water System Fund as subsidies from the General Fund.

**TOWN OF CAVE CREEK, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2025**

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

Governmental Funds

The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of resources that are available for spending. Such information is useful in assessing the Town's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Types of governmental funds reported by the Town include the General Fund, Special Revenue Funds and Capital Projects Fund.

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$31.3 million, a decrease of \$5.4 million. Approximately 25% of this total amount (\$8.0 million) constitutes General Fund unassigned fund balance, which is available for new spending. The table below presents fund balances at June 30, 2025.

	Balance	Increase (Decrease) From 2023-24
GOVERNMENTAL FUND		
General Fund	\$ 28,751,915	\$ (2,442,374)
Highway User Revenue Fund	-	(228,905)
Spur Cross and Open Space Acquisition	1,554,387	71,393
Nonmajor Governmental Funds	1,016,797	(2,764,581)
Total Governmental Funds	\$ 31,323,099	\$ (5,364,467)

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$8.0 million, while total fund balance was \$28.8 million. As a measure of the General Fund's liquidity, it may be useful to compare both General Fund unassigned fund balance and total fund balance to total General Fund expenditures. The General Fund unassigned fund balance represents 48% of total General Fund expenditures, while the General Fund total fund balance represents 174% of that same amount.

During the current fiscal year, the fund balance of the Town's General Fund decreased by \$2.4 million. This change is primarily due to increased capital outlay related to streets rehabilitation and pavement projects and increased General Fund subsidies to the Wastewater and Cave Creek Water funds.

The Highway User Revenue fund balance is expected to be fully expended within each year, or soon thereafter. During the current fiscal year, expenditures exceeded revenues by \$0.3 million due to the utilization of accumulated fund balance.

The Spur Cross and Open Space Acquisition fund balance did not change significantly from the prior year.

All nonmajor governmental funds of the Town are combined into one column on the Governmental Fund Statements and the change in fund balance during the fiscal year was the result of spending the previously accumulated fund balance in the Water Infrastructure Fund for use toward capital improvement projects in the current fiscal year.

Proprietary Funds

The Town's Proprietary Funds Statement provides the same type of information found in the Government-Wide Financial Statements, but in more detail.

**TOWN OF CAVE CREEK, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2025**

The net position of the Wastewater System Fund increased \$1.4 million due to the annual increases in service rates and the allocation of sales tax revenues in accordance with the Town ordinance establishing the dedication of a half-cent of the Town's sales tax toward payment of debt service for sewer and water systems.

The net position of the Cave Creek Water System Fund increased \$8.6 due to subsidies from the General Fund, grant funding for the Phoenix Interconnect and the water meter replacement projects, and transfers from the Water Infrastructure Fund

The net position of the Desert Hills Water System Fund increased \$1.0 due to the annual increases in service rates and the reduction of long-term debt in accordance with the debt retirement schedules.

BUDGETARY HIGHLIGHTS

The Town's annual budget is the legally adopted expenditure control document of the Town. Budgetary comparison statements are required for the General Fund and all major special revenue funds and are found as noted in the Table of Contents. These statements compare the original adopted budget, the budget if amended throughout the fiscal year, and the actual expenditures prepared on a budgetary basis.

General Fund Budgetary Highlights

Original Budget Compared to the Final Budget - During the year, budget transfers were approved for the use of contingency funds as follows:

- A transfer of \$159,330 to cover a portion of the costs for a fire engine for the new Fire Station No. 1. In November 2021, the Town Council had approved a prepayment of the purchase. The expenditure was recognized in fiscal year 2025 but not appropriated during the budget process due to an oversight. The balance of the cost of the fire engine of \$588,440 was covered with budget transfers from savings in other projects and equipment budgets.
- A transfer of \$120,000 to cover the fiscal year 2025 portion of costs to join and participate in the Bartlett Dam Modification Feasibility Study Steering Committee. Water from the Bartlett Dam project would not be available to support new growth but can be a backup to water shortages in the future. Future participation costs for the feasibility study will be covered with the revenues of the Cave Creek Water Fund. This cost was not anticipated at the time of budget preparation.
- A transfer of \$95,000 to cover the higher than anticipated cost for the Rodeo Grounds Skybox reconstruction project.
- A transfer of \$62,220 to cover the net additional costs related to enhancements of the Communications & Public Affairs Division. With unanticipated turnover in the Division, a review of funding needs to further Strategic Plan goals related to communications was conducted and implemented.
- Transfers of \$10,510 to cover miscellaneous cost adjustments for the intergovernmental agreement with the Town of Carefree for the consolidated magistrate court.

Final Budget Compared to Actual Results - General Fund revenues of \$15.4 million were more than budgeted revenues by \$0.9 million (6%) due to increases in sales tax revenues driven by higher than expected construction activity.

**TOWN OF CAVE CREEK, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2025**

General Fund final budgeted expenditures of \$19.4 million were more than budgeted revenues by \$4.9 million (34% more) due to planned use of fund balances assigned for capital improvements. Actual expenditures of \$16.4 million were less than budget by \$3.0 million.

Unspent contingencies were \$0.7 million. Public Works Department expenditures were less than budgeted by \$0.9 million largely due to rescheduling of some capital improvement road projects, as well as savings in other capital improvement road projects. Fire and Emergency Services Department expenditures were less than budgeted by \$0.7 million because of the fire station remodel project that was further along in the construction schedule at the end of the prior year than projected during the budget process.

**CAPITAL ASSET AND DEBT ADMINISTRATION
Capital Assets**

The Town's capital assets for its governmental activities and business-type activities as of June 30, 2025, amounted to \$24.6 million and \$76.5 million, respectively (net of accumulated depreciation/amortization), a total net increase of \$13.3 million. Additions to capital assets during the fiscal year totaled \$5.2 million for governmental activities assets and \$11.5 million for business-type activities assets. Depreciation/amortization expense for governmental activities and business-type activities were \$1.3 million and \$2.0 million, respectively.

For government-wide financial statement presentation, all depreciable capital assets were depreciated from acquisition date to the end of the current fiscal year. Governmental fund financial statements record capital asset purchases as expenditures.

Major capital asset events during the current fiscal year included the following projects:

- Phoenix interconnect project.
- Fire station upgrades.
- Rodeo skybox rebuild.
- Acquisition of a fire engine and water tender truck.

Capital asset activity as of June 30, 2025, is summarized below:

	Governmental Activities		Business-type Activities		Primary Government	
	2025	2024	2025	2024	2025	2024
CAPITAL ASSETS						
Land	\$ 10,342,232	\$ 10,342,232	\$ 7,930,088	\$ 7,930,088	\$ 18,272,320	\$ 18,272,320
Construction in progress	390,360	2,885,548	14,591,971	4,675,167	14,982,331	7,560,715
Utility systems and improvements	-	-	53,399,639	53,880,735	53,399,639	53,880,735
Infrastructure	3,176,882	3,040,733	-	-	3,176,882	3,040,733
Land improvements	531,169	598,937	-	-	531,169	598,937
Buildings and improvements	7,530,649	2,201,668	-	-	7,530,649	2,201,668
Machinery, equipment and vehicles	2,473,171	1,576,848	534,479	450,012	3,007,650	2,026,860
Right-to-use leased buildings	165,479	71,410	-	-	165,479	71,410
Right-to-use subscription assets	-	131,614	-	-	-	131,614
Total Capital Assets	\$ 24,609,942	\$ 20,848,990	\$ 76,456,177	\$ 66,936,002	\$ 101,066,119	\$ 87,784,992

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

**TOWN OF CAVE CREEK, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2025**

Long-Term Debt

At the end of the current fiscal year, the Town had total long-term debt outstanding, of \$20.2 million. Of this amount \$19.9 million is debt backed by pledges of specific revenue sources. The remainder of the Town's long-term debt is comprised of a water agreement and leases payable.

The Town's total debt increased by \$3.0 million (17%) during the current fiscal year as a result of the issuance of WIFA notes payable of \$7.5 million, offset with debt payments made in accordance with debt retirement schedules.

The State imposes certain debt limitations on the Town of six percent (6%) and twenty percent (20%) of the outstanding assessed valuation of the Town. The Town's available debt margin at June 30, 2025 is \$12.2 million in the 6% capacity and \$40.7 million in the 20% capacity. Additional information on the debt limitations and capacities may be found in the statistical section of this report. The Town had no debt applicable to the debt limits as noted above. The change in the long-term liabilities are as follows:

	Governmental Activities		Business-type Activities		Primary Government	
	2025	2024	2025	2024	2025	2024
LONG-TERM LIABILITIES						
Notes payable	\$ -	\$ -	\$ 12,816,866	\$ 7,488,427	\$ 12,816,866	\$ 7,488,427
Private placement obligations	-	-	7,057,000	9,223,500	7,057,000	9,223,500
Water agreement	-	-	154,505	305,869	154,505	305,869
Leases payable	160,371	76,661	-	-	160,371	76,661
Subscription liabilities	-	131,614	-	-	-	131,614
Total Long-Term Liabilities	\$ 160,371	\$ 208,275	\$ 20,028,371	\$ 17,017,796	\$ 20,188,742	\$ 17,226,071

Additional information on the Town's long-term debt can be found in Note 6 of this report.

CURRENTLY KNOWN FACTS, DECISIONS OR CONDITIONS

- At the time of the fiscal year 2025-2026 budget preparation, many economists were predicting a mild recession. The budget was prepared with this information in mind.
- A 3% salary increase for employees with satisfactory performance was included. In addition, the Town Council approved a change in benefits administration with a move to Arizona Metropolitan Trust (AzMT), a self-insured benefits pool with 9 other local governments. The switch to AzMT is estimated to save approximately \$250,000 per year.
- A half-cent of the Town's sales tax was dedicated to support of the Wastewater Fund. In order to create greater flexibility, the dedication was removed by the Town Council starting fiscal year 2025-2026. The unrestricted half-cent revenues will be reported in the General Fund.
- A half-cent of the Town's sales tax was dedicated to operation, maintenance, and protection and restoration of historical and archaeological sites in the Spur Cross Conservation Area (Spur Cross) as agreed upon in an intergovernmental agreement with Maricopa County in 2001. Annual revenues from the half-cent sales tax in excess of the costs for Spur Cross are transferred as follows: 1) the first \$100,000 to the trails program and 2) a 50/50 split of the remainder between the Water Infrastructure Fund and the General Fund. In order to create greater flexibility, the dedication of annual revenues from the half-cent sales tax in excess of the costs for Spur Cross was changed by the Town Council starting fiscal year 2025-2026 as follows: 1) the first \$500,000 for open space acquisition and 2) the remainder to be transferred to the General Fund.
- One half of the construction portion of sales tax revenues will be allocated to a new Capital Improvements Fund starting fiscal year 2025-2026.

**TOWN OF CAVE CREEK, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2025**

- Daisy Mountain Fire and Medical District is expecting to complete Regional Fire Station No. 144 in fiscal year 2025-2026. The Town agreed to sharing in some of the start-up costs and 50% of ongoing operational costs. The fiscal year 2025-2026 budget includes approximately \$781,000 of start-up costs, including the cost of equipping and sending new staff through the fire academy. The budget also includes \$1.5 million for the Town's share of ongoing operational costs for the new regional station.
- After several years of underfunding road projects due to other critical priorities in the capital improvement program, the Town began a focus on traffic and pedestrian safety measures and road improvements in 2024. The fiscal year 2025-2026 budget continues that focus and includes \$2.2 million for road maintenance and improvement projects, as well as median enhancements and implementation of the pedestrian safety study recommendations. In addition, the Town was awarded a \$1.3 million grant from the Maricopa Association of Governments for streets projects with matching requirements of approximately \$120,000. The total amount budgeted for road maintenance and improvement projects is \$3.7 million.
- The preservation of open space is a high priority for the Cave Creek community. A placeholder of \$19.6 million has been included in the fiscal year 2025-2026 budget, which includes \$18 million for potential future purchase of approximately 4,000 acres of State Land, as well as \$1.6 million of committed fund balance from previous sales tax revenues dedicated between 2014 and 2017.
- To improve the reliability of the Town's water supply, the Town Council entered into an agreement with the City of Phoenix to treat and deliver a portion of the Town's water supply from the Central Arizona Project (CAP). The Interconnect project will significantly improve the Town's ability to eliminate interruptions in water service if the water treatment plant or the CAP pipeline has an outage. The fiscal year 2025-2026 budget includes \$8.7 million to complete the construction.
- The Town's 2024 Integrated Utility Master Plan identified the need to secure new water resources for an estimated 25% cut in the Town's CAP water supply in 2027. The 5-year Capital Improvement Plan includes placeholders for future water resources. While costs are not significant in the fiscal year 2025-2026 budget, significant staff time and possible consulting services are planned for evaluation of the possible options for future water resources.
- A utility rate study was completed with one of the goals to work toward self-supporting status of the utility funds. Proposed rate increases to be approved in January 2026 average 6% for the next 3 years.
- Increases in sales tax rates related to transient occupancy will be effective February 1, 2026. The combined total increase on the transient occupancy categories is 3%.

The above factors were considered in preparing the Town's budget for the 2025-2026 fiscal year.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Town's finances for all of those with an interest and to demonstrate accountability for the use of public funds. Further information can be found on the Town's website at www.cavecreekaz.gov. Questions about any of the information provided in this report, or requests for additional financial information should be addressed to:

Town of Cave Creek
Finance Department
37622 N. Cave Creek Road
Cave Creek, Arizona 85331
(480) 488-1400

BASIC FINANCIAL STATEMENTS

TOWN OF CAVE CREEK, ARIZONA
STATEMENT OF NET POSITION
JUNE 30, 2025

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 31,256,220	\$ 1,574,330	\$ 32,830,550
Receivables:			
Taxes receivable	1,229,923	190,041	1,419,964
Due from other governments	219,814	6,566,344	6,786,158
Accounts receivable, net	276,393	1,793,061	2,069,454
Interest receivable	10,246	-	10,246
Internal balances	217,495	(217,495)	-
Prepaid items	105,351	131,852	237,203
Restricted assets	-	1,932,397	1,932,397
Capital assets:			
Non-depreciable assets	10,732,592	22,522,059	33,254,651
Depreciable assets, net of accumulated depreciation	13,877,350	53,934,118	67,811,468
Total Assets	57,925,384	88,426,707	146,352,091
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	625,559	350,328	975,887
LIABILITIES			
Accounts payable	1,130,168	1,790,340	2,920,508
Accrued wages and benefits	112,054	53,120	165,174
Accrued interest payable	412	194,512	194,924
Matured debt payable	-	4,377,416	4,377,416
Retainage payable	159,926	28,402	188,328
Customer deposits payable	650	148,651	149,301
Unearned revenue	3,416	-	3,416
Long-term liabilities:			
Due within one year	281,360	5,100,244	5,381,604
Due in more than one year	3,269,093	16,873,189	20,142,282
Total Liabilities	4,957,079	28,565,874	33,522,953
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	230,180	112,714	342,894
Total Deferred Inflows of Resources	230,180	112,714	342,894
NET POSITION			
Net investment in capital assets	24,289,645	52,176,493	76,466,138
Restricted:			
Franchise capital expenditures	6,833	-	6,833
Law enforcement	6,926	-	6,926
Debt service	-	1,932,397	1,932,397
Opioid Settlement	155,373	-	155,373
Unrestricted	28,904,907	5,989,557	34,894,464
Total Net Position	\$ 53,363,684	\$ 60,098,447	\$ 113,462,131

See accompanying Notes to the Basic Financial Statements

TOWN OF CAVE CREEK, ARIZONA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2025

Function/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
		Fees, Fines, and Charge for services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Primary Government:							
Governmental Activities:							
General government	\$ 4,963,170	\$ 1,058,649	\$ -	\$ -	\$ (3,904,521)	\$ -	\$ (3,904,521)
Public safety	4,432,451	113,957	2,815	-	(4,315,679)	-	(4,315,679)
Highways and streets	3,835,042	52,448	386,553	-	(3,396,041)	-	(3,396,041)
Culture and recreation	532,073	46,917	-	511,926	26,770	-	26,770
Health and welfare	35,354	-	22,857	-	(12,497)	-	(12,497)
Interest on long-term debt	2,672	-	-	-	(2,672)	-	(2,672)
Total governmental activities	13,800,762	1,271,971	412,225	511,926	(11,604,640)	-	(11,604,640)
Business-type Activities:							
Wastewater	2,637,824	1,535,666	-	117,888	-	(984,270)	(984,270)
Cave Creek Water System	4,999,072	5,834,023	-	1,449,309	-	2,284,260	2,284,260
Desert Hills Water System	2,882,091	3,818,723	-	14,902	-	951,534	951,534
Total business-type activities	10,518,987	11,188,412	-	1,582,099	-	2,251,524	2,251,524
Total Primary Government	\$ 24,319,749	\$ 12,460,383	\$ 412,225	\$ 2,094,025	(11,604,640)	2,251,524	(9,353,116)
General revenues:							
Taxes:							
Sales taxes					12,593,549	2,216,491	14,810,040
Franchise taxes					336,300	-	336,300
State income tax revenue sharing					1,095,970	-	1,095,970
State sales tax revenue sharing					790,563	-	790,563
Auto lieu tax revenue sharing					266,451	-	266,451
Investment earnings					1,374,050	124,792	1,498,842
Other					102,279	-	102,279
Transfers					(6,295,799)	6,295,799	-
Total general revenues and transfers					10,263,363	8,637,082	18,900,445
Change in net position					(1,341,277)	10,888,606	9,547,329
Net position - beginning					54,704,961	49,209,841	103,914,802
Net position - ending					\$ 53,363,684	\$ 60,098,447	\$ 113,462,131

See accompanying Notes to the Basic Financial Statements

**TOWN OF CAVE CREEK, ARIZONA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2025**

	General Fund	Highway User Revenue Fund	Spur Cross & Open Space Acquisition Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments	\$ 28,208,797	\$ 643,205	\$ 1,385,846	\$ 1,018,372	\$ 31,256,220
Receivables (net):					
Accounts	276,393	-	-	-	276,393
Taxes	1,039,882	-	190,041	-	1,229,923
Due from other governments	49,962	37,938	-	131,914	219,814
Interest	10,246	-	-	-	10,246
Due from other funds	217,495	-	-	-	217,495
Prepays	105,351	-	-	-	105,351
Total Assets	\$ 29,908,126	\$ 681,143	\$ 1,575,887	\$ 1,150,286	\$ 33,315,442
LIABILITIES					
Accounts payable	\$ 515,564	\$ 613,029	\$ -	\$ 1,575	\$ 1,130,168
Accrued wages and benefits	112,054	-	-	-	112,054
Customer deposits payable	650	-	-	-	650
Retainage payable	91,812	68,114	-	-	159,926
Accrued interest payable	412	-	-	-	412
Unearned revenue	3,416	-	-	-	3,416
Total Liabilities	723,908	681,143	-	1,575	1,406,626
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenues	432,303	-	21,500	131,914	585,717
FUND BALANCES					
Nonspendable	105,351	-	-	-	105,351
Restricted	6,833	-	-	30,385	37,218
Committed	-	-	1,554,387	986,412	2,540,799
Assigned	20,678,863	-	-	-	20,678,863
Unassigned	7,960,868	-	-	-	7,960,868
Total Fund Balances	28,751,915	-	1,554,387	1,016,797	31,323,099
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 29,908,126	\$ 681,143	\$ 1,575,887	\$ 1,150,286	\$ 33,315,442

See accompanying Notes to the Basic Financial Statements

**TOWN OF CAVE CREEK, ARIZONA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2025**

Total Fund Balance - Governmental Funds \$ 31,323,099

Amounts reported for assets and liabilities for governmental activities in the statement of net position are different from amounts reported in governmental funds because:

Capital assets:

In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation/amortization.

Capital assets	\$ 37,003,474	
Right-to-use assets	166,870	
Accumulated depreciation/amortization	<u>(12,560,402)</u>	24,609,942

Revenues not collected within 60 days subsequent to fiscal year end are reported as deferred inflows of resources in the governmental funds:

Unavailable revenues		585,717
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Long-term liabilities:

In governmental funds, only current liabilities are reported in the statement of net position. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:

Net pension liability	(3,019,568)	
Compensated absences	(370,514)	
Leases payable	<u>(160,371)</u>	(3,550,453)

Deferred outflows and inflows of resources relating to pensions:

In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported:

Deferred outflows of resources relating to pensions:	625,559	
Deferred inflows of resources relating to pensions:	<u>(230,180)</u>	395,379

Total Net Position - Governmental Activities \$ 53,363,684

TOWN OF CAVE CREEK, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2025

	General Fund	Highway User Revenue Fund	Spur Cross & Open Space Acquisition Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES					
Sales taxes	\$ 10,212,111	\$ -	\$ 2,194,991	\$ -	\$ 12,407,102
Franchise fees	336,300	-	-	-	336,300
Intergovernmental	2,152,984	386,553	-	20,708	2,560,245
Licenses and permits	932,199	-	-	-	932,199
Charges for services	146,556	-	768	-	147,324
Rents and royalties	192,448	-	-	-	192,448
Contributions and donations	244,571	-	-	-	244,571
Investment earnings	1,124,352	15,264	152,230	82,204	1,374,050
Other revenues	26,601	-	-	-	26,601
Total Revenues	15,368,122	401,817	2,347,989	102,912	18,220,840
EXPENDITURES					
Current:					
General government	4,482,885	-	-	-	4,482,885
Public safety	4,232,194	-	-	4,689	4,236,883
Highways and streets	1,316,693	-	-	-	1,316,693
Culture and recreation	190,101	-	216,000	-	406,101
Health and welfare	-	-	-	35,354	35,354
Debt service:					
Principal	56,390	-	-	-	56,390
Interest and fiscal charges	2,672	-	-	-	2,672
Capital outlay	6,282,682	681,143	-	-	6,963,825
Total Expenditures	16,563,617	681,143	216,000	40,043	17,500,803
Excess (Deficiency) of Revenues Over Expenditures	(1,195,495)	(279,326)	2,131,989	62,869	720,037
Other Financing Sources (Uses)					
Transfers in	1,080,298	50,421	-	980,298	2,111,017
Transfers out	(2,538,472)	-	(2,060,596)	(3,807,748)	(8,406,816)
Financing of leases	161,870	-	-	-	161,870
Insurance recoveries	49,425	-	-	-	49,425
Net Financing Sources (Uses)	(1,246,879)	50,421	(2,060,596)	(2,827,450)	(6,084,504)
NET CHANGE IN FUND BALANCE	(2,442,374)	(228,905)	71,393	(2,764,581)	(5,364,467)
Fund Balance - Beginning	31,194,289	228,905	1,482,994	3,781,378	36,687,566
Fund Balance - Ending	\$ 28,751,915	\$ -	\$ 1,554,387	\$ 1,016,797	\$ 31,323,099

See accompanying Notes to the Basic Financial Statements

**TOWN OF CAVE CREEK, ARIZONA
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF
ACTIVITIES
YEAR ENDED JUNE 30, 2025**

Net Change in Fund Balances - Governmental Funds \$ (5,364,467)

Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds because:

In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation/amortization expense.

Expenditures for capital outlay:	\$ 5,163,293	
Depreciation/amortization expense:	<u>(1,277,995)</u>	3,885,298

The net effect of various miscellaneous transactions involving capital assets (i.e., disposals, lease and subscription re-measurements, etc) is to increase net position.

29,039

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

	Opioid settlement	4,964
	Contributions and donations	267,355
	Sales taxes	186,447

Governmental funds report pension contributions as expenditures when made. However, in the statement of activities, pension expense is the cost of benefits earned, adjusted for member contributions, and the recognition of changes in deferred outflows and inflows of resources related to pensions.

	Pension contributions	385,484
	Pension expense	(464,027)

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. The issuance of long-term debt increases long-term liabilities on the statement of net position and the repayment of principal on long-term debt reduces long-term debt on the statement of net position.

	Lease liability proceeds	(161,870)
	Principal payment on leases	13,547
	Principal payment on subscriptions	42,843

Compensated absences 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.

		(165,890)
		<u>\$ (1,341,277)</u>

Change in Net Position of Governmental Activities

TOWN OF CAVE CREEK, ARIZONA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2025

	Business-type Activities			
	Wastewater System	Cave Creek Water System	Desert Hills Water System	Totals
ASSETS				
Current assets				
Cash and investments	\$ 1,574,330	\$ -	\$ -	\$ 1,574,330
Accounts receivable, net	233,407	922,666	636,988	1,793,061
Due from other governments	-	6,566,344	-	6,566,344
Tax receivables	190,041	-	-	190,041
Prepaid items	1,428	115,024	15,400	131,852
Total current assets	1,999,206	7,604,034	652,388	10,255,628
Noncurrent assets				
Restricted cash and investments	-	1,465,806	466,591	1,932,397
Nondepreciable capital assets	6,117,723	16,128,303	276,033	22,522,059
Depreciation capital assets, net	19,709,440	24,228,369	9,996,309	53,934,118
Total non-current assets	25,827,163	41,822,478	10,738,933	78,388,574
Total Assets	27,826,369	49,426,512	11,391,321	88,644,202
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of resources related to pensions	93,129	163,004	94,195	350,328
LIABILITIES				
Current liabilities				
Accounts payable	119,794	1,464,565	205,981	1,790,340
Accrued wages and benefits	17,566	25,130	10,424	53,120
Accrued interest payable	47,946	114,736	31,830	194,512
Matured debt payable	1,798,500	1,790,309	788,607	4,377,416
Customer deposits payable	1,200	96,120	51,331	148,651
Retainage payable	14,201	14,201	-	28,402
Due to other funds	-	162,392	55,103	217,495
Current portion of:				
Compensated absences	65,971	73,609	40,478	180,058
Water agreement	-	-	154,505	154,505
Notes payable	-	2,137,273	435,408	2,572,681
Private placement obligations	1,821,000	-	372,000	2,193,000
Total current liabilities	3,886,178	5,878,335	2,145,667	11,910,180
Non-current liabilities				
Notes payable	-	9,793,455	450,730	10,244,185
Private placement obligations	4,106,000	-	758,000	4,864,000
Net pension liability	445,263	832,346	487,395	1,765,004
Total non-current liabilities	4,551,263	10,625,801	1,696,125	16,873,189
Total Liabilities	8,437,441	16,504,136	3,841,792	28,783,369
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources related to pensions	28,435	53,154	31,125	112,714
NET POSITION				
Net investment in capital assets	18,087,462	26,621,434	7,467,597	52,176,493
Restricted for debt service	-	1,465,806	466,591	1,932,397
Unrestricted	1,366,160	4,944,986	(321,589)	5,989,557
Total Net Position	\$ 19,453,622	\$ 33,032,226	\$ 7,612,599	\$ 60,098,447

See accompanying Notes to the Basic Financial Statements

TOWN OF CAVE CREEK, ARIZONA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2025

	Business-Type Activities			
	Wastewater System	Cave Creek Water System	Desert Hills Water System	Totals
OPERATING REVENUE				
Charges for services	\$ 1,535,666	\$ 5,825,181	\$ 3,811,037	\$ 11,171,884
Other income	-	8,842	7,686	16,528
Total operating revenue	<u>1,535,666</u>	<u>5,834,023</u>	<u>3,818,723</u>	<u>11,188,412</u>
OPERATING EXPENSE				
Cost of sales and service	1,881,638	3,786,283	2,480,644	8,148,565
Depreciation	660,293	993,035	331,438	1,984,766
Total operating expenses	<u>2,541,931</u>	<u>4,779,318</u>	<u>2,812,082</u>	<u>10,133,331</u>
OPERATING INCOME (LOSS)	(1,006,265)	1,054,705	1,006,641	1,055,081
NON-OPERATING REVENUES (EXPENSES)				
Sales taxes	2,216,491	-	-	2,216,491
Investment earnings	29,943	72,611	22,238	124,792
Interest expense	(95,893)	(219,754)	(70,009)	(385,656)
Total non-operating revenues (expenses)	<u>2,150,541</u>	<u>(147,143)</u>	<u>(47,771)</u>	<u>1,955,627</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	<u>1,144,276</u>	<u>907,562</u>	<u>958,870</u>	<u>3,010,708</u>
Capital contributions, capacity fees	117,888	163,131	14,902	295,921
Capital contributions, grants	-	1,286,178	-	1,286,178
Transfers in	90,796	6,205,003	-	6,295,799
Total contributions and transfers	<u>208,684</u>	<u>7,654,312</u>	<u>14,902</u>	<u>7,877,898</u>
CHANGE IN NET POSITION	<u>1,352,960</u>	<u>8,561,874</u>	<u>973,772</u>	<u>10,888,606</u>
NET POSITION				
Net Position - Beginning	18,100,662	24,470,352	6,638,827	49,209,841
Net Position - Ending	<u>\$ 19,453,622</u>	<u>\$ 33,032,226</u>	<u>\$ 7,612,599</u>	<u>\$ 60,098,447</u>

See accompanying Notes to the Basic Financial Statements

**TOWN OF CAVE CREEK, ARIZONA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2025**

	Business-Type Activities			
	Wastewater System	Cave Creek Water System	Desert Hills Water System	Total
Cash flows from operating activities				
Receipts from customers and users	\$ 1,492,590	\$ 4,421,529	\$ 3,851,494	\$ 9,765,613
Receipts from interfund charges for utility services	4,340	1,460,887	-	1,465,227
Payments to suppliers	(1,023,692)	(2,387,355)	(479,301)	(3,890,348)
Payments to other funds for services provided	(122,186)	(15,294)	(1,308,757)	(1,446,237)
Payments for employee wages and benefits	(727,461)	(1,321,941)	(737,347)	(2,786,749)
Net cash provided (used) by operating activities	(376,409)	2,157,826	1,326,089	3,107,506
Cash flows from non-capital financing activities				
Receipts from sales taxes	2,287,516	-	-	2,287,516
Transfers from other funds	90,796	6,205,003	-	6,295,799
Interfund borrowing	-	162,392	(313,672)	(151,280)
Net cash provided (used) by non-capital financing activities	2,378,312	6,367,395	(313,672)	8,432,035
Cash flows from capital and related financing				
Acquisition and construction of capital assets	(347,819)	(11,209,411)	(48,577)	(11,605,807)
Proceeds from capital grants	-	1,079,765	-	1,079,765
Receipts from capacity fees	117,888	163,131	14,902	295,921
Water agreement payment	-	-	(157,712)	(157,712)
Proceeds from issuance of long-term debt	-	1,179,425	-	1,179,425
Principal paid on capital debt	(1,776,200)	(1,730,503)	(770,310)	(4,277,013)
Interest paid on capital debt	(106,829)	(239,938)	(72,958)	(419,725)
Net cash provided (used) in operating activities	(2,112,960)	(10,757,531)	(1,034,655)	(13,905,146)
Cash flows from investing activities				
Interest received	29,943	72,611	22,238	124,792
Net increase in cash and cash equivalents	(81,114)	(2,159,699)	-	(2,240,813)
Cash and cash equivalents				
Beginning of year	1,655,444	2,159,699	-	3,815,143
End of year	\$ 1,574,330	\$ -	\$ -	\$ 1,574,330
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ (1,006,265)	\$ 1,054,705	\$ 1,006,641	\$ 1,055,081
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	660,293	993,035	331,438	1,984,766
Accounts receivable	(38,936)	37,157	29,702	27,923
Prepaid items	(1,428)	(64,894)	(8,875)	(75,197)
Deferred outflows of resources related to pensions	(44,954)	(3,790)	(20,360)	(69,104)
Accounts payable	(133,329)	284,046	26,164	176,881
Accrued wages and benefits	(4,212)	(13,696)	(10,848)	(28,756)
Compensated absences	36,078	21,288	12,028	69,394
Customer deposits payable	200	11,236	3,069	14,505
Net pension liability	170,885	(189,784)	(51,061)	(69,960)
Deferred inflows of resources related to pensions	(14,741)	28,523	8,191	21,973
Total adjustments	629,856	1,103,121	319,448	2,052,425
Net cash provided by (used for) operating activities	\$ (376,409)	\$ 2,157,826	\$ 1,326,089	\$ 3,107,506

See accompanying Notes to the Basic Financial Statements

NOTES TO BASIC FINANCIAL STATEMENTS

TOWN OF CAVE CREEK, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Town of Cave Creek, Arizona (Town) have been prepared in conformity with accounting principles generally accepted in the United States of America applicable to governmental units adopted by the Governmental Accounting Standards Board (GASB).

Reporting Entity

The Town is a municipal government that is governed by a separately elected governing body. It is legally separate from and fiscally independent of other state and local governments. The accompanying financial statements present the Town and its component units, entities for which the Town is considered to be financially accountable. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is both legally and substantively separate from the government. The blended component unit discussed below has a June 30 year-end. The Town has no discretely presented component units.

The Town of Cave Creek Municipal Property Corporation's (MPC), a nonprofit corporation incorporated under the laws of the State of Arizona, was formed for the purpose of assisting the Town in obtaining financing for various projects of the Town. The Town Council serves as the board of directors for the MPC. While the Town has a "moral obligation" for the repayment of any debt issued by the MPC, no such debt is outstanding as of June 30, 2025. Separate financial statements are not issued for the MPC.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all the nonfiduciary activities of the primary government. *Governmental activities*, which are normally supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers 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. Taxes and other items not properly included among program revenues are reported instead as *general revenues*. Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor funds.

TOWN OF CAVE CREEK, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements and the proprietary fund 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. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. 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, except expenditures related to compensated absences and claims and judgments, which are recorded only when payment is due. Taxes, intergovernmental grants and aid, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Town reports the following major governmental funds:

The *General Fund* is the Town's primary operating fund. It accounts for all financial resources of the Town, except those required to be accounted for in another fund.

The *Highway User Revenue Fund* is a special revenue fund used to account for the Town's share of motor fuel tax revenues and lottery proceeds.

The *Spur Cross and Open Space Acquisition Fund* is a special revenue fund that accounts for the portion of Town sales tax revenue used to fund the cost associated with the operation and maintenance of the Spur Cross Ranch Conservation Area and acquisition of open space.

The Town reports the following major enterprise funds:

The *Wastewater System Fund* accounts for the activities of the Cave Creek wastewater system and plant operations.

The *Cave Creek Water System Fund* accounts for the activities of the Cave Creek water system operations.

The *Desert Hills Water System Fund* accounts for the activities of the Desert Hills water systems operations.

TOWN OF CAVE CREEK, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Certain charges between the enterprise funds and the various functional activities are not eliminated, as this would distort the direct costs and program revenues reported for the various functions concerned. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

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. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, for governmental activities it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed. For business-type activities, the use of restricted resources is governed by the applicable loan covenants.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity

Deposits and Investments

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, investments in the State Treasurer's local government investment pool, and highly liquid investments with maturities of three months or less from the date of acquisition.

Cash and investments are pooled except for funds required to be held by fiscal agents or restricted under provisions of bond indentures. Interest earned from investments purchased with such pooled monies are allocated to each of the funds based on the average monthly cash balances. State statutes authorize the Town to invest in obligations of the U.S. Treasury and U.S. agencies, certificates of deposit in eligible depositories, repurchase agreements, obligations of the State of Arizona or any of its counties or incorporated cities, towns or duly organized school districts, improvement districts in this state and the State Treasurer's Local Government Investment Pool (LGIP). Except for money market funds, which are stated at amortized cost, all investments are stated at fair value.

Receivables

All trade and taxes receivable are shown net of an allowance for uncollectible accounts.

TOWN OF CAVE CREEK, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity (Continued)

Intergovernmental Receivables

Intergovernmental receivables include amounts due from other government agencies and include highway user revenue fuel tax (\$37,938), state income sales tax (\$39,112), auto lieu (\$10,850), and opioid settlement (\$131,914) in the governmental funds and governmental activities column of the government-wide financial statements; and a drawdown from the Water Infrastructure Finance Authority of Arizona (\$6,259,931) and WaterSmart grant (\$206,413) in the enterprise funds and business-type activities column of the government-wide financial statements.

Short-Term Interfund Receivables/Payables

During the course of operations, individual funds within the Town's pooled cash accounts may borrow money from the other funds within the pool on a short-term basis. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet of the fund financial statements and are eliminated in the preparation of the government-wide financial statements.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Inventories

Inventories are recorded as expenditures/expenses at the time of purchase, and because the amounts on hand at June 30, 2025 were immaterial, they are not included in the government-wide and fund financial statements.

Restricted Cash and Cash Equivalents

Resources set aside for the repayment of the Town's Water Infrastructure Finance Authority of Arizona (WIFA) loans are classified as restricted assets on the statement of net position because their use is limited by applicable loan covenants.

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental and business-type activities column in the government-wide financial statements and in the proprietary funds financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year.

Property, plant, and equipment purchased or acquired is carried at historical cost or estimated historical cost. Contributed assets are recorded at acquisition value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

TOWN OF CAVE CREEK, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity (Continued)

Capital Assets (Continued)

Land and construction in progress are not depreciated. The other tangible and intangible property, plant, equipment, and infrastructure of the primary government are depreciated/amortized using the straight-line method over the following estimated useful lives:

Land improvements	10-30 years
Buildings and improvements	5-50 years
Wastewater and water systems	5-50 years
Infrastructure	10 years
Machinery, equipment and vehicles	5-15 years

Intangible right-to-use lease assets are amortized over the shorter of the lease term or the useful life of the of the underlying asset, unless the lease contains a purchase option that the Town is reasonably certain of being exercised and then the lease asset is amortized over the useful life of the underlying asset.

Intangible right-to-use subscription assets are amortized over the shorter of the subscription term or the useful life of the underlying information-technology assets.

Deferred Outflows of Resources

The deferred outflows of resources represent the consumption of net position that is applicable to a future reporting period. Reported amounts are related to the requirements of accounting and financial reporting for pensions.

Compensated Absences

The Town recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled during or upon separation from employment. Based on the criteria listed, one types of leave qualifies for liability recognition for compensated absences – paid time off (PTO). The liability for compensated absences is reported as incurred in the government-wide and proprietary fund financial statements. A liability for compensated absences is recorded in the governmental funds only if the liability has matured because of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable. Town policy allows vested employees to request a payout up to 80 hours of their accrued paid time off over 160 hours by calendar year-end. In addition, new hires are not vested in paid time off until after one year of service.

Pension Plans

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Arizona State Retirement System (ASRS) and Public Safety Personnel Retirement System (PSPRS) and additions to/deductions from ASRS/PSPRS's fiduciary net position have been determined on the same basis as they are reported by ASRS/PSPRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

TOWN OF CAVE CREEK, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity (Continued)

Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has two items that qualify for reporting in this category. Unavailable revenue is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from three sources: taxes, grants and contributions revenues. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. In the government-wide financial statements the Town reports deferred amounts related to pensions.

Net Position

In the government-wide financial statements, net position is reported in three categories: net investment in capital assets; restricted net position; and unrestricted net position. Net investment in capital assets is separately reported because capital assets make up a significant portion of total net position. Restricted net position accounts for the portion of net position restricted by parties outside the Town or by law through constitutional provision or enabling legislation. Unrestricted net position is the remaining net position not included in the previous two categories.

Fund Balances

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, committed, assigned, and unassigned fund balances.

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

Restricted fund balances are those that have externally imposed restrictions on their usage by creditors (such as through debt covenants), grantors, contributors, or laws and regulations. The committed fund balances are self-imposed limitations approved by the Town Council, which is the highest level of decision-making authority within the Town. Only the Town Council can remove or change the constraints placed on committed fund balances. The Town Council must commit fund balances before the end of the fiscal year by the adoption of an ordinance. Assigned fund balances are resources constrained by the Town's intent to be used for specific purposes but are neither restricted nor committed. The Town Council has authorized, through the adoption of a fund balance policy, the Town Manager to make assignments of resources for a specific purpose.

The unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not reported in the other classifications. Also, deficits in fund balance of the other governmental funds are reported as unassigned. When an expenditure is incurred, it is the Town's policy to use restricted fund balance first, then committed, assigned, and unassigned fund balances as resources are available.

TOWN OF CAVE CREEK, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity (Continued)

Fund Balances (Continued)

The General Fund has unassigned funds consisting of an operating reserve in the amount of \$5,205,586. The operating reserve is used to set aside resources to cover unanticipated deficits or revenue reductions that may be caused by adverse economic conditions or public emergency. Based on the Town's adopted policy, the amount of the operating reserve is based on three months of budgeted operating expenditures. In addition, if any proprietary fund's operating reserve is not fully funded, the General Fund will set aside an amount equivalent to the unfunded portion of that fund's operating reserve. As of June 30, 2025, the operating reserve amounts held in the General Fund are \$3,110,923 for the General Fund, \$424,645 for the Wastewater System Fund, \$979,963 for the Cave Creek Water System Fund and \$690,055 for the Desert Hills Water System Fund.

The various components of fund balance are summarized below.

	General Fund	Highway User Revenue Fund	Spur Cross & Open Space Acquisition Fund	Non-Major Governmental Funds	Total Governmental Funds
Nonspendable					
Prepaid items	\$ 105,351	\$ -		\$ -	\$ 105,351
Restricted					
Law enforcement	-	-	-	8,501	8,501
Franchise capital expenditures	6,833	-	-	-	6,833
Opioid Settlement	-	-	-	23,459	23,459
Total restricted	6,833	-	-	30,385	37,218
Committed					
Open space acquisition	-	-	1,554,387	-	1,554,387
Capital projects	-	-	-	986,412	986,412
Total committed	-	-	1,554,387	986,412	2,540,799
Assigned					
Capital outlay	20,678,863	-	-	-	20,678,863
Unassigned	7,960,868	-	-	-	7,960,868
Total	\$ 28,751,915	\$ -	\$ 1,554,387	\$ 1,016,797	\$ 31,323,099

Leases and Subscription-Based Information Technology Arrangements

Lessee - As lessee, the Town recognizes lease liabilities with an initial, individual value of \$50,000 or more. The Town uses its estimated incremental borrowing rate to measure lease liabilities unless it can readily determine the interest rate implicit in the lease. The Town's estimated incremental borrowing rate is based on historical market data and credit spread based on market data points compared to the lease commencement date.

Lessor - As lessor, the Town recognizes lease receivables with an initial, individual value of \$50,000 or more. If there is no stated rate in the lease contract (or if the stated rate is not the rate the Town charges the lessee) and the implicit rate cannot be determined, the Town uses its own estimated incremental borrowing rate as the discount rate to measure lease receivables. The Town's estimated incremental borrowing rate is calculated as described above for lessee transactions.

TOWN OF CAVE CREEK, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity (Continued)

Leases and Subscription-Based Information Technology Arrangements (Continued)

Subscription-Based Information Technology Arrangements - The Town recognizes subscription liabilities with an initial, individual value of \$50,000 or more. The Town uses its estimated incremental borrowing rate to measure subscription liabilities unless it can readily determine the interest rate implicit in the arrangement. The Town's estimated incremental borrowing rate is calculated as described above.

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 governmental activities, business-type activities or proprietary fund statements of net position.

Net Investment in Capital Assets

The net investment in capital assets on the statement of net position are calculated as follows:

	Governmental Activities	Business- type Activities
Net Investment in Capital Asset:		
Nondepreciable/amortized capital assets	\$ 10,732,592	\$ 22,522,059
Other capital assets and right-of-use assets, net of accumulated depreciation/amortization	13,877,350	53,934,118
Less retainage payables	159,926	28,402
Less matured debt payable	-	4,377,416
Less notes payables	-	12,816,866
Less private placements obligations	-	7,057,000
Less leases payable outstanding	160,371	-
Total	<u>\$ 24,289,645</u>	<u>\$ 52,176,493</u>

Change in Accounting Principle

During the fiscal year ended June 30, 2025, the Town adopted two new accounting standard issued by the Governmental Accounting Standards Board (GASB) as follows:

GASB Statement No. 101, *Compensated Absences*, updating the recognition and measurement guidance for compensated absences. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. There was no impact to the current year financial statements as a result of adopting this standard.

TOWN OF CAVE CREEK, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity (Continued)

Change in Accounting Principle (Continued)

GASB Statement No. 102, *Certain Risk Disclosures*, provides users of government financial statements with essential information about risks related to a government’s vulnerabilities due to certain concentrations or constraints. This Statement defines a concentration as a lack of diversity related to an aspect of a significant inflow of resources or outflow of resources. A constraint is a limitation imposed on a government by an external party or by formal action of the government’s highest level of decision-making authority. Concentrations and constraints may limit a government’s ability to acquire resources or control spending. There was no impact to the current year financial statements as a result of adopting this standard.

NOTE 2 – DEPOSITS AND INVESTMENTS

Deposits and investments at June 30, 2025 consist of the following:

Deposits:	
Cash on hand	\$ 450
Cash in bank	2,481,405
Investments:	
Money market mutual fund	5,694,779
State treasurer's investment pool	<u>26,586,313</u>
Total deposits and investments	34,762,947
Less:	
Restricted assets	<u>(1,932,397)</u>
Total cash and cash equivalents	<u>\$ 32,830,550</u>

Cash in Bank

As of June 30, 2025, the Town had \$450 of petty cash on hand. The carrying amount of the Town's cash in bank totaled \$2,481,405 and the bank balance was \$3,043,651. Of the bank balance, \$559,074 was covered by federal depository insurance, \$2,484,577 was covered through the State Treasurer’s pooled collateral program.

Restricted Cash and Cash Equivalents

Of the Town's investment in the state Treasurer’s investment pool on June 30, 2025, the Town had restricted cash and cash equivalents of \$1,932,397. The total balance was restricted in reserve funds for the notes payable to the WIFA.

Investments

The Town invests in the Local Government Investment Pool 5 (LGIP), an investment pool managed by the State Treasurer's Office that allows governments within the State to pool their funds for investment purposes. The State Board of Investment provides oversight for the State Treasurer's investment pools. Investments in the State Treasurer's investment pools are valued at the pool's share price multiplied by the number of shares the Town held. The fair value of a participant's position in the pools approximates the value of that participant's pool shares. Participants in the pool are not required to categorize the value of shares in accordance with the fair value hierarchy.

TOWN OF CAVE CREEK, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

Investments (Continued)

The LGIP is registered with the Securities Exchange Commission under the 1940 Investment Advisors Act and is rated by Standard & Poors with AAf/S1+.

The Arizona State Treasurer issues a publicly available financial report that includes financial statements and required supplementary information. Copies may be obtained by contacting the Arizona State Treasurer, 1700 West Washington, Phoenix, Arizona 85007.

Funds held in the State Treasurer's Local Government Investment Pool represent 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. As of June 30, 2025, the Town's funds invested with the State Treasurer totaled \$26,586,313.

The Town also had investments of \$5,694,779 in money market mutual funds measured at amortized cost.

Interest Rate Risk – Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Town has invested in Pool 5 which is a short-term fund, similar to a money market fund with maturity averaging less than 12 months. State law limits investments into securities having maturities no greater than five years. The money market mutual fund held by the Town has a maturity date of less than three months.

Credit Risk – Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Town's adopted investment policy mitigates credit risk by restricting its investments to allow all investment types allowed by Arizona Revised Statutes. The Town has invested only in Pool 5 which has a Standard's and Poor rating of AAf/S1+. The money market mutual fund held by the Town is not rated.

Concentration of Credit Risk – The concentration of credit risk is the risk of loss that may be caused by the Town's investment in a single issuer. The Town's investment policy limits the amount of the portfolio that can be invested in securities issued by a single corporation and its subsidiaries/affiliates or municipality. The Town currently only invests in the State Treasurer's Investment Pools and a money market mutual fund.

Deposits Held By Others

In 2009, the Town entered into a Letter of Understanding with the Desert Foothills Land Trust (DFLT), a nonprofit land conservation and management corporation., to act as a fiduciary agent for the Town to receive, invest, and properly manage all donations devoted to activities supporting the acquisition of State Trust Lands with the Town limits. The balance held by DFLT as of June 30, 2025 was \$114,837 and is not reported within the financial statements.

TOWN OF CAVE CREEK, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 3 – RECEIVABLES

At the end of the current fiscal year, the various components of deferred inflows of resources reported in the governmental funds were as follows:

	<u>Receivable</u>
General Fund:	
Taxes receivable	\$ 164,948
Rodeo Skybox Receivable	267,355
Spur Cross & Open Space Acquisition Fund:	
Taxes receivable	21,500
Nonmajor governmental funds:	
Opioid Settlement Receivable	<u>131,914</u>
Total	<u>\$ 585,717</u>

Approximately \$123,000 of the \$131,914 opioid settlement receivable in the nonmajor governmental funds is not expected to be collected within the next fiscal year.

Accounts receivables of the Enterprise Funds are reported net of uncollectible amounts. The Wastewater, Cave Creek Water and Desert Hills Water Funds recorded uncollectible amounts of \$11,087, \$190,489 and \$59,748, respectively, as of the end of the fiscal year. The total (net) receivables were \$233,407, \$922,666, and \$636,988, respectively.

In September 2024, the Town entered into an agreement with Cave Creek Rodeo Days (CCRD), a not-for-profit organization that is a current, long-time sublessee of the Cave Creek Memorial Arena and Rodeo Grounds and the entity which organizes rodeos and other main events held at the Grounds, to cover \$511,926 of the cost to rebuild the skybox that was destroyed by a storm in 2022. CCRD made an initial payment to the Town of \$200,000 and the first of seven annual payments of \$44,571 during fiscal year 2024-25. Of the remaining \$267,355 receivable balance, \$222,784 is not expected to be received in the next year.

TOWN OF CAVE CREEK, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2025, was as follows:

	Balance July 01, 2024	Additions	Deductions	Balance June 30, 2025
Governmental Activities				
Capital assets not being depreciated/amortized				
Land	\$ 10,342,232	\$ -	\$ -	\$ 10,342,232
Construction in progress	2,885,548	3,089,142	(5,584,330)	390,360
Total Capital Assets not Being Depreciated/Amortized	<u>13,227,780</u>	<u>3,089,142</u>	<u>(5,584,330)</u>	<u>10,732,592</u>
Capital assets being depreciated/amortized				
Infrastructure	9,121,548	672,207	-	9,793,755
Land improvements	1,612,364	-	-	1,612,364
Buildings and improvements	4,463,225	5,616,299	-	10,079,524
Machinery, equipment and vehicles	3,582,134	1,203,105	-	4,785,239
Right-to-use asset, lease asset- buildings	107,113	166,870	(107,113)	166,870
Right-to-use asset, subscription asset	195,708	-	(195,708)	-
Total Capital Assets Being Depreciated/Amortized	<u>19,082,092</u>	<u>7,658,481</u>	<u>(302,821)</u>	<u>26,437,752</u>
Less Accumulated Depreciation/Amortization				
Infrastructure	(6,080,815)	(536,058)	-	(6,616,873)
Land improvements	(1,013,427)	(67,768)	-	(1,081,195)
Buildings and improvements	(2,261,557)	(287,318)	-	(2,548,875)
Machinery, equipment and vehicles	(2,005,286)	(306,782)	-	(2,312,068)
Right-to-use asset, lease asset- buildings	(35,703)	(10,974)	45,286	(1,391)
Right-to-use asset, subscription asset	(64,094)	(69,095)	133,189	-
Total Accumulated Depreciation / Amortization	<u>(11,460,882)</u>	<u>(1,277,995)</u>	<u>178,475</u>	<u>(12,560,402)</u>
Total Capital Assets, Being Depreciated/Amortized, Net	<u>7,621,210</u>	<u>6,380,486</u>	<u>(124,346)</u>	<u>13,877,350</u>
Governmental Activities Capital Assets, Net	<u>\$ 20,848,990</u>	<u>\$ 9,469,628</u>	<u>\$ (5,708,676)</u>	<u>\$ 24,609,942</u>

Depreciation/amortization expense was charged to governmental functions as follows:

Governmental Activities:	
General government	\$ 203,069
Public safety	254,856
Highways and streets	694,098
Culture and recreation	<u>125,972</u>
Total governmental activities depreciation/amortization expense	<u>\$ 1,277,995</u>

TOWN OF CAVE CREEK, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 4 – CAPITAL ASSETS (CONTINUED)

	Balance July 01, 2024	Additions	Deductions	Balance June 30, 2025
Business-Type Activities				
Capital assets not being depreciated				
Land	\$ 7,930,088	\$ -	\$ -	\$ 7,930,088
Construction in progress	4,675,167	9,916,804	-	14,591,971
Total Capital Assets not Being Depreciated	12,605,255	9,916,804	-	22,522,059
Capital assets being depreciated				
Utility systems and improvements	78,373,003	1,407,186	-	79,780,189
Machinery, equipment and vehicles	910,121	180,951	-	1,091,072
Total Capital Assets Being Depreciated	79,283,124	1,588,137	-	80,871,261
Less Accumulated Depreciation				
Utility systems and improvements	(24,492,268)	(1,888,282)	-	(26,380,550)
Machinery, equipment and vehicles	(460,109)	(96,484)	-	(556,593)
Total Accumulated Depreciation	(24,952,377)	(1,984,766)	-	(26,937,143)
Total Capital Assets, Being Depreciated,	54,330,747	(396,629)	-	53,934,118
Business-type Activities Capital Assets, Net	\$ 66,936,002	\$ 9,520,175	\$ -	\$ 76,456,177

Depreciation expense was charged to the business-type activities as follows:

Business-type Activities:	
Wastewater	\$ 660,293
Cave Creek Water	993,035
Desert Hills Water	331,438
Total business-type activities depreciation expense	<u>\$ 1,984,766</u>

Long-Term Storage Credits (LTSCs)

On June 30, 2025, the Town had 2,310.34 acre-feet of LTSCs on account with the Central Arizona Project (CAP) for unused, stored allocations held at CAP recharge facilities. The Arizona Department of Water Resources (ADWR) certifies the balance of LTSCs held on account each year. These credits are intangible assets with a book value of \$0. Infrastructure to withdraw the LTSCs has not yet been built.

The Cave Creek Water Fund holds the LTSCs for future use once CAP water delivery allocations are projected to be reduced in January 2027 and until other water resources are available. The Town estimates the market value of an LTSC to range between the water rates (per acre-foot/credit) set by the CAP and the Central Arizona Groundwater Replenishment District for the Phoenix Active Management Area.

TOWN OF CAVE CREEK, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 5 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Short-term borrowings between funds are reported as due to/due from other funds and long-term borrowings between funds are reported as advances to and advances from other funds. Interfund borrowings related to deficit balances in pooled cash and investment accounts for the fiscal year June 30, 2025 are as follows:

Due To:	Due From		
	Cave Creek Water System	Desert Hills Water System	Total
General Fund	\$ 162,392	\$ 55,103	\$ 217,495

Interfund transfers for the year ended June 30, 2025 consisted of the following:

Transfer In	Transfer Out			Total
	General Fund	Spur Cross and Open Space Acquisition Fund	Nonmajor governmental funds	
General Fund	\$ -	\$ 1,080,298	\$ -	\$ 1,080,298
Highway User Revenue Fund	50,421	-	-	50,421
Nonmajor governmental funds	-	980,298	-	980,298
Wastewater System Fund	90,796	-	-	90,796
Cave Creek Water Fund	2,397,255	-	3,807,748	6,205,003
Total	\$ 2,538,472	\$ 2,060,596	\$ 3,807,748	\$ 8,406,816

Transfers out of the Spur Cross and Open Space Acquisition Fund are made annually. Council Ordinance No. O2017-02 specifies that any excess funds be allocated to the maintenance of trails for \$100,000, and then split fifty-fifty between the Water Infrastructure Capital Fund and the General Fund. Other transfers included General Fund subsidies to the Highway User Revenue Fund, Wastewater System and Cave Creek Water System Funds, and a transfer of Water Infrastructure Capital Fund monies to the Cave Creek Water Fund for a portion of the Phoenix Interconnect project.

TOWN OF CAVE CREEK, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 6 – LONG-TERM LIABILITIES

Long-term liabilities activity for the year ended June 30, 2025 was as follows:

	Balance July 01, 2024	Additions	Deductions	Balance June 30, 2025	Due Within One Year
Governmental activities:					
Leases payable	\$ 76,661	\$ 161,870	\$ (78,160)	\$ 160,371	\$ 13,254
Subscription liabilities	131,614	-	(131,614)	-	-
Compensated absences	204,624	165,890	-	370,514	268,106
Net pension liability	2,860,653	158,915	-	3,019,568	-
Total	\$ 3,273,552	\$ 486,675	\$ (209,774)	\$ 3,550,453	\$ 281,360

	Balance July 01, 2024	Additions	Deductions	Balance June 30, 2025	Due Within One Year
Business-type activities:					
Notes payable	\$ 7,488,427	\$ 7,539,356	\$ (2,210,917)	\$ 12,816,866	\$ 2,572,681
Private placement obligations	9,223,500	-	(2,166,500)	7,057,000	2,193,000
Water agreement	305,869	-	(151,364)	154,505	154,505
Compensated absences	110,663	69,395	-	180,058	180,058
Net pension liability	1,834,964	-	(69,960)	1,765,004	-
Total	\$ 18,963,423	\$ 7,608,751	\$ (4,598,741)	\$ 21,973,433	\$ 5,100,244

Generally, for governmental activities, lease payable, subscription liability and net pension liabilities are liquidated by the General Fund. Compensated absences are presented as a net change in accordance with GASB Statement No. 101, *Compensated Absences*.

Notes Payable

An excise tax revenue loan was approved in 2007 with a maximum principal of \$20.1 million. The loan is with the Water Infrastructure Finance Authority of Arizona (WIFA). For loan covenant purposes, the 2013 loan balance was split into two loans, 2007A and 2007B. The 2007A portion is secured by the Cave Creek Water System net operating revenues and the 2007B portion is secured by all future excise tax and State shared revenues of the Town. The loan was issued to finance the purchase of a local water company. The loan was financed through a bond issue sold by WIFA.

A water system revenue loan was approved in 2007 with a maximum principal of \$6.6 million. The loan is with the WIFA. The debt is secured by all future Desert Hills water system revenue of the Town. The loan was issued to acquire a local water company and finance improvements to the water system infrastructure acquired. The loan was financed through a bond issue sold by WIFA.

A water system revenue loan was approved in 2008 with a maximum principal of \$5.5 million. The loan is with the WIFA. The debt is secured by all future Cave Creek water system revenue. The loan was issued to finance water infrastructure construction projects. The loan was financed through a bond issue sold by WIFA.

A water system revenue loan was approved in 2011 with a maximum principal of \$1.4 million. The loan is with the WIFA. The debt is secured by all future Cave Creek water system revenue. The loan was issued to finance water line improvements. The loan was financed through a bond issue sold by WIFA.

TOWN OF CAVE CREEK, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 6 – LONG-TERM LIABILITIES (CONTINUED)

Notes Payable (Continued)

A water system revenue loan was approved in 2023 with a maximum principal of \$13.2 million with a forgivable portion of \$1 million. The loan is with the WIFA. The debt is secured by all future Cave Creek water system revenue. The loan was issued to finance the Phoenix Interconnect project. The loan was financed through a bond issue sold by WIFA.

The following table summarizes the Town's WIFA notes payables:

WIFA Loan Descriptions	Amount of Installments	Interest Rate	Maturity	Outstanding	Due Within
				Principal June 30, 2025	One Year
2007A (CC Water Company)	\$ 514,285 - 844,258	3.604%	July 1, 2027	\$ 1,659,147	\$ 814,889
2007B (CC Water Company)	389,470 - 639,359	3.604%	July 1, 2027	1,256,478	617,118
2007 (DH Water Company)	233,634 - 450,730	3.519%	July 1, 2027	886,138	435,408
2008 (CC Improvements)	203,896 - 360,048	3.038%	July 1, 2028	1,048,610	339,130
2011 (CC Line Upgrade)	34,729 - 88,911	2.625%	July 1, 2030	427,137	81,059
2024 (Phoenix Interconnect)	285,078 - 627,702	2.967%	July 1, 2053	7,539,356	285,077
				<u>\$ 12,816,866</u>	<u>\$ 2,572,681</u>

Annual debt service requirements to maturity on notes payable at June 30, 2025 are summarized as follows:

Year Ended June 30:	Business-Type Activities	
	Principal	Interest
2026	\$ 2,572,681	\$ 540,577
2027	2,660,501	452,758
2028	747,661	361,920
2029	398,819	339,775
2030	410,351	328,243
2031-2035	1,750,555	1,481,060
2036-2040	2,026,075	1,205,540
2041-2045	2,344,959	886,656
2046-2050	2,714,033	517,583
2051-2053	1,829,375	109,594
Total	<u>\$ 17,455,010</u>	<u>\$ 6,223,706</u>

The debt service schedule above reflects the full loan authorization amounts for the notes; the debt repayment schedule will be revised after the final draws of the 2024 Phoenix Interconnect WIFA loan have been made.

The excise tax revenue debt and the water system revenue debt that are contained in the Notes Payable Summary Table have debt service reserve requirements that are to be accumulated over time. The amount to be accumulated by July 1, 2025, for the fiscal year 2025 on all loans is \$1,932,397. Over time, the Town has made deposits into the Arizona Local Government Investment Pool for this purpose.

TOWN OF CAVE CREEK, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 6 – LONG-TERM LIABILITIES (CONTINUED)

Notes Payable (Continued)

The Town has pledged future Cave Creek water system revenues to repay the 2007A, 2008, 2011, and 2024 loans. The future revenues pledged will repay \$15,312,395 in principal, plus an estimated \$6,108,000 of interest. The repayment schedule for the 2024 loan will be revised after the final draws have been made. Total principal and interest payments on the bonds are expected to require approximately 16% of pledged revenues. Pledged revenue for the current year was \$8,467,020. In the current year, total principal paid was \$1,194,658 and interest paid was \$153,003.

The Town has pledged future excise taxes to repay the 2007B loan. The future excise tax revenues pledged, which include sales tax, franchise tax, unrestricted state shared revenues, unrestricted charges for services, unrestricted licenses and permits, rental income, and unrestricted investment earnings, will repay \$1,256,478 in principal, plus \$68,326 of interest. Total principal and interest payments on the bonds are expected to require approximately 3% of pledged revenues. Pledged revenue for the current year was \$19,689,527. In the current year, total principal paid was \$595,651 and interest paid was \$66,751.

The Town has pledged future Desert Hills water system revenues to repay the 2007 loan. The future revenues pledged will repay \$886,139 in principal, plus \$47,044 of interest. Total principal and interest payments on the bonds are expected to require approximately 12% of pledged revenues. Pledged revenue for the current year was \$3,855,863. In the current year, total principal paid was \$420,608 and interest paid was \$45,984.

Leases

On June 30, 2020, the Town entered into a five-year lease agreement for the lease of the tourism office. Based on this agreement, the Town made monthly payments through June 2025 and did not exercise its option to extend an additional five years.

On June 1, 2025, the Town entered into a new five-year lease agreement for the lease of the tourism office. Based on this agreement, the Town will make monthly payments through May 2030 with the option to extend an additional five years. The total of the Town's intangible right-to-use assets are recorded at cost of \$166,870, less accumulated amortization of \$1,391.

The following schedule details minimum lease payments to maturity for the Town's leases payable at June 30, 2025:

Year Ended June 30:	Governmental Activities	
	Principal	Interest
2026	\$ 13,254	\$ 4,761
2027	13,851	4,344
2028	14,469	3,908
2029	15,108	3,453
2030	15,769	2,977
2031-2035	87,920	7,006
Total	<u>\$ 160,371</u>	<u>\$ 26,449</u>

TOWN OF CAVE CREEK, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 6 – LONG-TERM LIABILITIES (CONTINUED)

Water Agreement

In September 2021, the Town entered into a repayment agreement with Central Arizona Project (CAP) whereas the Town will pay annually for the repayment of past CAP water service capital and 9(d) debt charges over a five-year period through fiscal year 2026. The agreement is calculating interest at a rate of 2.5%.

Annual debt service requirements to maturity on the water agreement payable at June 30, 2025 is summarized as follows:

Year Ended June 30:	Business-Type Activities	
	Principal	Interest
2026	\$ 154,505	\$ 3,207

Private Placement Obligations

On March 25, 2021, the Town issued a \$5.4 million private placement excise tax refunding obligations for the continuous improvement of wastewater plant expansion and water infrastructure in the Desert Hills water system. The private placement refunding paid off the previous Water Infrastructure Finance Authority of Arizona (WIFA) loans. The previous WIFA loan were approved in 2007 and 2008 with a maximum principal of \$6.5 million and \$5.5 million, respectively. The debt is secured by all future excise tax and State shared revenues of the Town and Desert Hills water system revenue.

On August 26, 2021, the Town issued private placement excise tax refunding obligations for the continuous improvement of the wastewater plant. The private placement refunding paid off a previous Water Infrastructure Finance Authority (WIFA) loan. The previous WIFA loan was approved in 2009 with a maximum principal of \$23 million. The debt is secured by all future excise tax and State shared revenues of the Town.

Next year’s principal and interest payments for private placement obligations of \$2,280,081 constitute approximately 12% of the current year pledged revenue.

The refundings were issued through US Bank for a total of \$5,426,000 and \$10,638,300, respectively, with interest rates of 1.18% and 1.25%, respectively:

Description	Amount of Payment	Interest Rate	Maturity	Outstanding Principal June 30, 2025	Due Within One Year
Series 2021B Wastewater refunding	\$1,286,200 - 1,385,700	1.25%	July 1, 2029	\$ 5,441,000	\$ 1,335,000
Series 2021 Wastewater refunding	324,000 - 486,000	1.18%	July 1, 2026	486,000	486,000
Series 2021 Desert Hills water	154,000 - 381,000	1.18%	July 1, 2028	1,130,000	372,000
				<u>\$ 7,057,000</u>	<u>\$ 2,193,000</u>

TOWN OF CAVE CREEK, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 6 – LONG-TERM LIABILITIES (CONTINUED)

The debt service requirements are summarized below:

Year Ended June 30:	Business-Type Activities	
	Principal	Interest
2026	\$ 2,193,000	\$ 87,081
2027	1,728,700	60,269
2028	1,749,600	38,925
2029	1,385,700	17,321
Total	<u>\$ 7,057,000</u>	<u>\$ 203,596</u>

NOTE 7 – PENSIONS

The Town contributes to the Arizona State Retirement System (ASRS) and the Public Safety Personnel Retirement System (PSPRS) for the Town Marshal’s Office. The plans are component units of the State of Arizona.

At June 30, 2025, the Town reported the following aggregate amounts related to pensions for all plans to which it contributes:

	ASRS	PSPRS
Net pension liability	\$ 4,574,830	\$ 209,742
Deferred outflows of resources	891,725	84,162
Deferred inflows of resources	292,153	50,741
Pension expense	569,377	(17,163)
Contributions	515,764	75,000

The Town reported accrued payroll and employee benefits of \$20,210 for outstanding pension contribution amounts payable to all pension plans for the year ended June 30, 2025. The Other Post-employment Benefits plans related to the cost-sharing multiple-employer plan and the agent multiple-employer plan were not reported as the activity was not significant to the Town’s financial statements.

Arizona State Retirement System

Plan Description

Town employees participate in the Arizona State Retirement System (ASRS). The ASRS administers a cost sharing, multiple-employer defined benefit pension plan; a cost-sharing, multiple-employer defined benefit health insurance premium benefit (OPEB); and a cost-sharing, multiple-employer defined benefit long-term disability (OPEB) plan. The Arizona State Retirement System Board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, Articles 2 and 2.1. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on its website at www.azasrs.gov.

TOWN OF CAVE CREEK, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 7 – PENSIONS (CONTINUED)

Arizona State Retirement System (Continued)

Benefits Provided (Continued)

The ASRS provides retirement and survivor benefits. State statute establishes benefit terms. Retirement benefits are calculated on the basis of age, average monthly compensation, and service credit as shown on the following page.

	Retirement Initial Membership Date:	
	Before July 1, 2011	On or After July 1, 2011
Years of service and age required to receive benefit	Sum of years and age of 80 10 years, age 62 5 years, age 50* Any years, age 65	30 years, age 55 25 years, age 60 10 years, age 62 5 years, age 50* Any years, age 65
Final average salary is based on	Highest 36 consecutive months of last 120 months	Highest 60 consecutive months of last 120 months
Benefit percent per year of service	2.1% to 2.3%	2.1% to 2.3%

**With actuarially reduced benefits*

Retirement benefits for members who joined the ASRS prior to September 13, 2013, are subject to automatic cost-of-living adjustments based on excess investment earning. Members with a membership date on or after September 13, 2013, are not eligible for cost-of-living adjustments. Survivor benefits are payable upon a member’s death. For retired members, the retirement benefit option chosen determines the survivor benefit. For all other members, the beneficiary is entitled to the member’s account balance that includes the member’s contributions and employer’s contributions, plus interest earned.

Contributions

In accordance with State statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2025, statute required active ASRS members to contribute at the actuarially determined rate of 12.27% (12.12% for retirement and 0.15% for long-term disability) of the members’ annual covered payroll, and statute required the Town to contribute at the actuarially determined rate of 12.27% (12.05% for retirement, 0.07% for health insurance premium benefit, and 0.15% for long-term disability) of the active members’ annual covered payroll. In addition, the Town was required by statute to contribute at the actuarially determined rate of 10.19% (10.14% for retirement and 0.05% for long-term disability) of annual covered payroll of retired members who worked for the Town in positions that an employee who contributes to the ASRS would typically fill. The Town’s contributions to the pension plan for the year ended June 30, 2025 were \$515,764.

During fiscal year 2025, the Town paid for pension contributions as follows: 60% from the General Fund and 40% from business-type activities.

TOWN OF CAVE CREEK, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 7 – PENSIONS (CONTINUED)

Arizona State Retirement System (Continued)

Liability

As of June 30, 2025, the Town reported a net pension liability of \$4,574,830. The Town’s proportionate share of the net pension liability increased 0.0010% from 0.0276% to 0.0286%.

The net assets and net liabilities were measured as of June 30, 2024. The total liability used to calculate the net asset or net liability was determined using update procedures to roll forward the total liability from an actuarial valuation as of June 30, 2023, to the measurement date of June 30, 2024. The Town’s proportion of the net liability was based on the Town’s actual contributions to the plan relative to the total of all participating employers’ contributions for the year ended June 30, 2024, and the change from its proportions measured as of June 30, 2023, were noted above.

Expense

For the year ended June 30, 2025, the Town recognized pension expense of \$569,377.

Deferred Outflows/Inflows of Resources

At June 30, 2025, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 255,363	\$ -
Net difference between projected and actual earnings on pension plan investments	-	292,153
Changes in proportion and differences between contributions and proportionate share of contributions	120,598	-
Contributions subsequent to the measurement date	515,764	-
Total	<u>\$ 891,725</u>	<u>\$ 292,153</u>

The amounts reported as deferred outflows of resources resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net asset or a reduction of the net liability in the year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in expenses as follows:

Year Ending June 30:	Deferred Outflows (Inflows) of Resources
2026	\$ (61,019)
2027	272,395
2028	(73,954)
2029	(53,614)
Total	<u>\$ 83,808</u>

TOWN OF CAVE CREEK, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 7 – PENSIONS (CONTINUED)

Arizona State Retirement System (Continued)

Actuarial Assumptions

The significant actuarial assumptions used to measure the total pension liability are as follows:

Actuarial valuation date	June 30, 2023
Actuarial roll forward date	June 30, 2024
Actuarial cost method	Entry age normal
Asset valuation	Fair value
Investment rate of return	7.0%
Projected salary increases	2.9-8.4%
Inflation rate	2.3%
Permanent base increases	Included
Mortality rates	2017 SRA Scale U-MF

Actuarial assumptions used in the June 30, 2023, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2020.

The long-term expected rate of return on ASRS pension plan investments was determined to be 7.0% using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return
Public equity	44%	4.48%
Credit	23%	4.40%
Real estate	17%	6.05%
Private equity	10%	6.11%
Interest rate sensitive	6%	-0.45%
Total	100%	

Discount Rate

On June 30, 2024, the discount rate used to measure the ASRS total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board’s funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. The long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**TOWN OF CAVE CREEK, ARIZONA
 NOTES TO BASIC FINANCIAL STATEMENTS
 JUNE 30, 2025**

NOTE 7 – PENSIONS (CONTINUED)

Arizona State Retirement System (Continued)

Sensitivity of the Town’s Proportionate Share of the ASRS Net Pension Liability to Changes in the Discount Rate

The following table presents the Town’s proportionate share of the net pension liability calculated using the discount rate of 7.0%, as well as what the Town’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.0%) or 1 percentage point higher (8.0%) than the current rate.

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
Proportionate share of the net pension liability	\$ 7,005,001	\$ 4,574,830	\$ 2,549,496

Pension Plan Fiduciary Net Position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued ASRS financial report.

Public Safety Personnel Retirement System (PSPRS)

Plan Description

Town marshal employees who are regularly assigned hazardous duty participate in the Public Safety Personnel Retirement System (PSPRS) or employees who became members on or after July 1, 2017, may participate in the Public Safety Personnel Defined Contribution Retirement Plan (PSPDCRP). The PSPRS administers agent and cost-sharing multiple-employer defined benefit pension plans. A nine-member board known as the Board of Trustees and the participating local boards govern the PSPRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 4. Employees who were PSPRS members before July 1, 2017, participate in the agent plans, and those who became PSPRS members on or after July 1, 2017, participate in the cost-sharing plans (PSPRS Tier 3 Risk Pool) which are not further disclosed because the Town has no employees in the PSPRS Tier 3 Risk Pool.

The PSPRS issues a publicly available financial report that includes financial statements and required supplementary information. The report is available on the PSPRS website at www.psprs.com.

TOWN OF CAVE CREEK, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 7 – PENSIONS (CONTINUED)

Public Safety Personnel Retirement System (PSPRS) (Continued)

Benefits Provided

The PSPRS provides retirement, health insurance premium supplement, disability, and survivor benefits. State statute establishes benefits terms. Retirement, disability, and survivor benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

PSPRS

	Initial Membership Date	
Retirement and Disability	Before January 1, 2012	On or After January 1, 2012, and before July 1, 2017
Years of services and age requirement to receive benefit	20 years of service, any age 15 years of service, age 62	25 years of service or 15 years of credited service, age 52.5
Final average salary is based on:	Highest 36 consecutive months of last 20 years	Highest 60 consecutive months of last 20 years
Benefit percentage, normal retirement	50% less 2.0% for each year of credited service less than 20 years OR plus 2.0% to 2.5% for each year of credited service over 20 years, not to exceed 80%	1.5%-2.5% per year of credited service, not to exceed 80%.
Accidental Disability Retirement	50% or normal retirement, whichever is greater	
Catastrophic Disability Retirement	90% for the first 60 months then reduced to either 62.5% or normal retirement, whichever is greater	
Ordinary Disability Retirement	Normal retirement calculated with actual years of credited service or 20 years of credited service, whichever is greater, multiplied by years of credited service (not to exceed 20 years) divided by 20	
<u>Survivor Benefit</u>		
Retired Members	80-100% of retired member's pension benefit	
Active Members	80-100% of accidental disability retirement benefit or 100% of average monthly compensation if death was the result of injuries received on the job.	

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on inflation. PSPRS also provides temporary disability benefits of 50% of the member's compensation for up to 12 months.

TOWN OF CAVE CREEK, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 7 – PENSIONS (CONTINUED)

Public Safety Personnel Retirement System (PSPRS) (Continued)

Employees Covered by Benefit Terms – On June 30, 2025, the following employees were covered by the agent plans’ benefit terms:

	PSPRS Marshals
Inactive employees or entitled to but not yet receiving benefits	<u>1</u>
Total employees	<u>1</u>

Contributions

State statutes establish the pension contribution requirements for active PSPRS employees. In accordance with state statutes, annual actuarial valuations determine employer contribution requirements for PSPRS pension benefits. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. Contributions rates for the year ended June 30, 2025, are indicated below. Rates are a percentage of active members’ annual covered payroll.

	PSPRS Marshals
Active members	<u>7.65%-8.89%</u>
Town	
PSPRS Tier 1/2	0.00%
PSPRS Tier 3	0.00%

The Town’s contributions to the plan for the fiscal year ended June 30, 2025, were \$75,000. During the year ended June 30, 2025, the Town paid for PSPRS pension contributions 100% from the General Fund.

Liability

As of June 30, 2025, the Town reported a pension liability for PSPRS Marshals of \$209,742. The net assets and net liabilities were measured as of June 30, 2024, and the total liability used to calculate the net liability was determined by an actuarial valuation as of that date.

TOWN OF CAVE CREEK, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 7 – PENSIONS (CONTINUED)

Public Safety Personnel Retirement System (PSPRS) (Continued)

Actuarial Assumptions and Other Inputs

The significant actuarial assumptions used to measure the total pension liability are as follows:

Actuarial valuation date	June 30, 2024
Actuarial cost method	Entry age normal
Investment rate of return	7.20%
Wage inflation	3.0 – 6.25%
Price inflation	2.50%
Cost of living adjustment	1.85%
Mortality rates	PubS-2010 tables

Actuarial assumptions used in the June 30, 2024, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2021. The long-term expected rate of return on PSPRS plan investments was determined to be 7.20% using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return
U.S. Public equity	24%	3.62%
International Public Equity	16%	4.47%
Global Private Equity	27%	7.05%
Core Bonds	6%	2.44%
Private Credit	20%	6.24%
Diversifying Strategies	5%	3.15%
Cash - Mellon	2%	0.89%
Total	100%	

Discount Rate

At June 30, 2024, the discount rate used to measure the PSPRS total pension liabilities was 7.20%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the actuarially determined contribution rate and the member rate. Based on those assumptions, the plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liabilities.

TOWN OF CAVE CREEK, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 7 – PENSIONS (CONTINUED)

Public Safety Personnel Retirement System (PSPRS) (Continued)

Changes in the Net Pension Liability

The table below presents the changes in the Town’s net pension liability for the PSPRS plan:

	Total pension liability (a)	Fiduciary net position (b)	Net pension liability (a)-(b)
Balance at June 30, 2024	\$ 941,255	\$ 716,572	\$ 224,683
Changes for the year:			
Interest	67,770	-	67,770
Difference between expected and actual experience	2,266	-	2,266
Contributions - employer	-	11,787	(11,787)
Net investment income	-	73,429	(73,429)
Administrative expense	-	(239)	239
Net changes	<u>70,036</u>	<u>84,977</u>	<u>(14,941)</u>
Balances as of June 30, 2025	<u>\$ 1,011,291</u>	<u>\$ 801,549</u>	<u>\$ 209,742</u>

Deferred Outflows/Inflows of Resources

At June 30, 2025, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 7,686	\$ 38,300
Changes of assumptions or other inputs	1,476	2,906
Net difference between projected and actual earnings on pension plan investments	-	9,535
Contributions subsequent to the measurement date	75,000	-
Total	<u>\$ 84,162</u>	<u>\$ 50,741</u>

The amounts reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (or an increase in the net pension asset) in the year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as noted on the following page.

TOWN OF CAVE CREEK, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 7 – PENSIONS (CONTINUED)

Public Safety Personnel Retirement System (PSPRS)

Deferred Outflows/Inflows of Resources (Continued)

Year Ending June 30:	PSPRS Marshals
2026	\$ (42,362)
2027	10,014
2028	(4,947)
2029	(4,284)
Total	<u>\$ (41,579)</u>

Sensitivity of the Town’s Net Pension Liability to Changes in the Discount Rate

The following table presents the Town’s net pension liabilities calculated using the discount rate of 7.20% as well as what the Town’s net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease (6.20%)	Current Discount Rate (7.20%)	1% Increase (8.20%)
PSPRS Marshals	<u>\$ 335,777</u>	<u>\$ 209,742</u>	<u>\$ 106,620</u>

Pension Expense

For the year ended June 30, 2025, the Town recognized pension expense of (\$17,163).

Plan Fiduciary Net Position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued PSPRS financial report.

TOWN OF CAVE CREEK, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 8 – 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; 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 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 authority to assess its members additional premiums should reserve and annual premiums be insufficient to meet the pool's obligations.

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

NOTE 9 – 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.

Arbitrage – Under the Tax Reform Act of 1986, interest earned on the debt proceeds in excess of interest expense or expenditure prior to the disbursement of the proceeds must be rebated to the Internal Revenue Service (IRS). Management believes there is no tax arbitrage rebate liability at year end.

TOWN OF CAVE CREEK, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 10 – CONSTRUCTION COMMITMENTS

The Town has active construction projects as of June 30, 2025. At fiscal year-end, the Town's commitments with contractors were as follows:

Project	Spent-to-Date	Remaining Commitment
Governmental activities:		
New water ranch office	\$ 322,604	\$ 40,994
Business-type activities:		
Cave Creek water improvement projects	\$ 162,709	\$ 55,573
New water ranch office	385,887	122,981
Phoenix Interconnect design and construction	12,861,320	9,554,005
Desert Hills water improvement project	44,038	14,159
	<u>\$ 13,453,954</u>	<u>\$ 9,746,718</u>

Developer Escrow Account

The Town is a beneficiary of funds held in escrow by a private company (owner) in accordance with a cost-sharing developer agreement to upgrade the existing Zone 9 Water Booster Station. These funds represent deposits on future construction of the booster station incurred by the Town that will ultimately be transferred to the owner.

At June 30, 2025, the Town does not have legal title to these escrowed funds and therefore has not recognized them as assets or revenues within the financial statements. The developer currently maintains control of the funds, which are held by a third-party escrow agent. The Town will recognize these assets and related revenues (as nonexchange transactions) in the period they become available and the Town has an enforceable legal claim and control of the resources.

Based on the escrow agreement, the amount of cash held in escrow by the owner pending transfer to the Town is approximately \$350,000. These amounts are contingent upon the Town completing design and construction of the water booster station and drawing the funds in accordance with the escrow agreement.

The project is in design with \$88,419 of costs incurred as of June 30, 2025 and remaining commitment of \$30,478. Construction will begin in the fiscal year 2025-26 and is expected to be completed by June 2026. The construction cost is estimated at approximately \$850,000.

NOTE 11 – SUBSEQUENT EVENTS

In October 2025, the Town Council accepted a donation of 25 acres valued at \$1,750,000 for expansion of the public non-motorized trail network and open space preservation. The land is contiguous to open space zoned Arizona State Trust Land which serves as a potential future land bridge between Cave Creek Regional Park and Spur Cross Ranch Conservation Area.

TOWN OF CAVE CREEK, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 11 – SUBSEQUENT EVENTS (CONTINUED)

In October 2025, the Town Council authorized pursuit of debt financing for capital improvement projects for its utilities. Excise tax obligations in the approximate amount of \$7,250,000 will be issued on or before December 10, 2025. The obligations will have an interest rate of 3.975% for a 15-year term. Call options will be available starting July 1, 2030 through June 30, 2032 at 101% and from July 1, 2032 and thereafter at 100%. Annual payments will range from approximately \$161,000 to \$942,000.

In October 2025, the Town entered into an agreement with Harquahala Valley Landowners, LLC to purchase a one-acre lot in Harquahala Acres with groundwater rights. The groundwater rights equate to 50,000 acre-feet that can be withdrawn at a maximum rate of 500 acre-feet per year over a minimum period of 110 years. The cost of the groundwater rights would be \$11,250,000. A payment of \$50,000 in earnest money was deposited in an Escrow Account. The remaining payment for these groundwater rights will need to be made by February 15, 2026. The agreement establishes an investigation period ending on January 15, 2026 for the Town to conduct its due diligence. This agreement only addresses the purchase of groundwater rights and certain Harquahala project easement and management issues. To gain physical access to the water, the Town will still need to partner with other agencies or private companies to build and operate the infrastructure necessary to withdraw, treat, and convey the groundwater from the Harquahala project boundary to the Central Arizona Project (CAP) canal.

In November 2025, the Town Council authorized pursuit of debt financing for the Harquahala groundwater purchase. Options for an Arizona Water Infrastructure Finance Authority (WIFA) water augmentation fund loan and/or excise tax obligations in the approximate amount of \$11,400,000 will be pursued with a targeted issue date on or before February 15, 2026. The Town Council authorized the excise tax obligations with an interest rate not to exceed 6% for a 20-year term. Annual payments are estimated to range from approximately \$650,000 to \$1,200,000 depending on the payment structure.

In November 2025, the Town Council authorized posting of proposed utility rate increases and a public hearing scheduled for January 6, 2026. Proposed rate increases average 6% for the next 3 years. Rate structure changes will likely result in decreases in average monthly bills for customers with low water usage and increases in average monthly bills for customers with high water usage.

In November 2025, the Town approved increases in the sales tax rates related to transient occupancy to be effective February 1, 2026. The rate for the "hotel" classification (defined in the Tax Code to include all transient occupancy types) will increase from 3% to 5%. The rate for the "additional tax on transient lodging," commonly referred to as bed tax, will increase from 4% to 5%.

In 2009, the Town entered into an intergovernmental agreement with the Arizona State Land Department to preserve 4,005 acres of open space zoned acres in the Town limits. In September 2025, the agreement was amended to extend the term to June 18, 2039. As part of the amendment, the Town agreed to apply to purchase a minimum of 160 acres within 5 years and must bid the minimum bid amount at auction as determined by the State Land Commissioner. Based on an appraisal conducted in September 2024, the valuation ranged from \$2,500 to \$6,000 per acre. The Town Council established an ad hoc citizen task force to study and evaluate the possibility of purchasing the 4,005 acres, including an option to finance the acquisition with general obligation bonds which would require voter approval.

**REQUIRED SUPPLEMENTARY INFORMATION
OTHER THAN MD&A**

TOWN OF CAVE CREEK, ARIZONA
SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF NET PENSION LIABILITY AND CONTRIBUTIONS
COST SHARING PENSION PLAN
JUNE 30, 2025

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - ASRS

	Reporting Fiscal Year (Measurement Date)									
	2025 (2024)	2024 (2023)	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)
Proportion of the net pension liability	0.0286%	0.0276%	0.0272%	0.0254%	0.0253%	0.0252%	0.0246%	0.0244%	0.0248%	0.0246%
Proportionate share of the net pension liability	\$ 4,574,830	\$ 4,470,933	\$ 4,444,541	\$ 3,334,819	\$ 4,385,342	\$ 3,666,893	\$ 3,429,440	\$ 3,797,813	\$ 4,006,197	\$ 3,824,621
Covered payroll	\$ 3,971,347	\$ 3,453,054	\$ 3,187,202	\$ 2,853,502	\$ 2,757,930	\$ 2,653,453	\$ 2,293,303	\$ 2,371,698	\$ 2,344,387	\$ 2,265,175
Proportionate share of the net pension liability as a percentage of covered payroll	115.20%	129.48%	139.45%	116.87%	159.01%	138.19%	149.54%	160.13%	170.88%	168.84%
Plan fiduciary net position as a percentage of the total pension liability	76.93%	75.47%	74.26%	78.58%	69.33%	73.24%	73.40%	69.92%	67.06%	68.35%

SCHEDULE OF CONTRIBUTIONS - ASRS

	Reporting Fiscal Year									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Actuarially determined contribution	\$ 515,764	\$ 477,753	\$ 411,604	\$ 382,783	\$ 332,433	\$ 315,783	\$ 296,656	\$ 249,970	\$ 255,669	\$ 254,366
Contributions in relation to the actuarially determined contribution	515,764	477,753	411,604	382,783	332,433	315,783	296,656	249,970	255,669	254,366
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered payroll	\$ 4,280,199	\$ 3,971,347	\$ 3,453,054	\$ 3,187,202	\$ 2,853,502	\$ 2,757,930	\$ 2,653,453	\$ 2,293,303	\$ 2,371,698	\$ 2,344,387
Contributions as a percentage of covered payroll	12.05%	12.03%	11.92%	12.01%	11.65%	11.45%	11.18%	10.90%	10.78%	10.85%

See accompanying Notes to Required Supplementary Information

TOWN OF CAVE CREEK, ARIZONA
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
AGENT PENSION PLAN
YEAR ENDED JUNE 30, 2025

	Reporting Year (Measurement Date)									
	2025 (2024)	2024 (2023)	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)
Total Pension Liability:										
Service Cost	\$ -	\$ 19,101	\$ 25,943	\$ 24,780	\$ 23,068	\$ 24,957	\$ 25,264	\$ 23,119	\$ 19,708	\$ 17,896
Interest on the Total Pension Liability	67,770	50,721	55,349	50,995	44,053	42,027	33,798	31,121	23,664	20,137
Changes of Benefit Terms	-	-	-	-	-	-	-	4,271	45,772	-
Differences Between Expected and Actual Experience in the Measurement of the Pension Liability	2,266	186,071	(116,568)	(17,300)	26,266	(39,889)	-	(18,606)	4,220	5,985
Changes of Assumptions or Other Inputs	-	-	(11,624)	-	-	10,334	39,813	807	18,427	-
Net Change in Total Pension Liability	70,036	255,893	(46,900)	58,475	93,387	37,429	98,875	40,712	111,791	44,018
Total Pension Liability- Beginning	941,255	685,362	732,262	673,787	580,400	542,971	444,096	403,384	291,593	247,575
Total Pension Liability- Ending (a)	1,011,291	941,255	685,362	732,262	673,787	580,400	542,971	444,096	403,384	291,593
Plan Fiduciary Net Position:										
Contributions- Employer	11,787	14,059	25,283	25,931	28,150	26,331	44,586	15,979	15,280	13,184
Contributions- Employee	-	-	7,520	8,667	8,569	8,237	8,544	10,652	11,673	10,511
Net Investment Income	73,429	50,757	(26,449)	137,530	5,738	21,267	23,632	32,501	1,438	7,887
Benefit Payments, Including Refunds Of Employee Contributions	-	-	-	-	-	-	(17,115)	-	-	-
Administrative Expenses	(239)	(195)	(477)	(640)	(468)	(1,370)	(1,060)	(688)	(606)	(580)
Other Changes	-	-	-	-	-	-	4	3	1	(150)
Net Change in Plan Fiduciary Net Position	84,977	64,621	5,877	171,488	41,989	54,465	58,591	58,447	27,786	30,852
Plan Fiduciary Net Position- Beginning	716,572	651,951	646,074	474,586	433,891	379,611	321,020	262,573	234,787	203,935
Adjustments to beginning	-	-	-	-	(1,294)	(185)	-	-	-	-
Plan Fiduciary Net Position- Ending (b)	801,549	716,572	651,951	646,074	474,586	433,891	379,611	321,020	262,573	234,787
Town's Net Pension Liability (Asset)- Ending (a)-(b)	\$ 209,742	\$ 224,683	\$ 33,411	\$ 86,188	\$ 199,201	\$ 146,509	\$ 163,360	\$ 123,076	\$ 140,811	\$ 56,806
Plan Fiduciary Net Position as a Percentage Of the total Pension Liability	79.26%	76.13%	95.13%	88.23%	70.44%	74.76%	69.91%	72.29%	65.09%	80.52%
Covered Payroll	\$ -	\$ 36,317	\$ 98,301	\$ 113,294	\$ 112,018	\$ 109,031	\$ 111,689	\$ 99,310	\$ 100,194	\$ 95,124
Town's Net Pension Liability as a Percentage of Covered Payroll	N/A	618.67%	33.99%	76.07%	177.83%	134.37%	146.26%	123.93%	140.54%	59.72%

See accompanying Notes to Required Supplementary Information

**TOWN OF CAVE CREEK, ARIZONA
SCHEDULE OF THE TOWN'S PENSION CONTRIBUTIONS
AGENT PENSION PLAN
YEAR ENDED JUNE 30, 2025**

PSPRS Marshals

	Reporting Fiscal Year									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Actuarially Determined Contribution	\$ 75,000	\$ 11,787	\$ 9,250	\$ 25,224	\$ 25,933	\$ 28,150	\$ 26,331	\$ 44,586	\$ 15,797	\$ 15,280
Town's Contribution in Relation to the Actuarially Determined Contribution	75,000	11,787	9,250	25,224	25,933	28,150	26,331	44,586	15,797	15,280
Town's Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's Covered Payroll*	\$ -	\$ -	\$ 36,317	\$ 98,301	\$ 113,294	\$ 112,018	\$ 109,031	\$ 111,689	\$ 99,310	\$ 100,194
Town's Contributions as a Percentage of Covered Payroll	N/A	N/A	25.47%	25.66%	22.89%	25.13%	24.15%	39.92%	15.91%	15.25%

**The only Town employee eligible for PSPRS benefits has enrolled in the Deferred Retirement Option Plan (DROP), allowing Tier 1 public safety members who are already eligible for retirement to continue working while collecting a salary.*

See accompanying Notes to Required Supplementary Information

**TOWN OF CAVE CREEK, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2025**

	<u>Budgeted Amounts</u>			<u>Variances - Final to Actual</u>
	<u>Adopted</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Sales taxes	\$ 9,444,809	\$ 9,444,809	\$ 10,212,111	\$ 767,302
Franchise fees	403,140	403,140	336,300	(66,840)
Intergovernmental	2,148,778	2,148,778	2,152,984	4,206
Licenses and permits	755,437	755,437	932,199	176,762
Charges for services	131,935	131,935	146,556	14,621
Rents and royalties	211,074	211,074	192,448	(18,626)
Contributions and donations	-	-	244,571	244,571
Investment earnings	1,384,059	1,384,059	1,124,352	(259,707)
Other revenues	11,562	11,562	26,601	15,039
Total Revenues	14,490,794	14,490,794	15,368,122	877,328
EXPENDITURES				
Town council	35,900	35,900	27,014	8,886
Town manager	297,405	293,585	282,060	11,525
Administration	1,341,346	1,403,566	1,403,556	10
General government	324,649	324,649	247,995	76,654
Finance	685,363	689,183	689,181	2
Legal services	350,000	350,000	132,640	217,360
Development services	2,442,680	2,537,680	2,295,429	242,251
Municipal court	196,050	206,560	206,012	548
Law enforcement	1,416,585	1,416,585	1,368,177	48,408
Fire and emergency services	6,063,199	5,754,789	5,051,288	703,501
Public works	5,354,856	5,616,446	4,681,102	935,344
Special events	71,500	71,500	17,293	54,207
Contingency	1,159,359	712,299	-	712,299
Total Expenditures	19,738,892	19,412,742	16,401,747	3,010,995
Excess (Deficiency) of Revenues Over Expenditures	(5,248,098)	(4,921,948)	(1,033,625)	3,888,323
Other Financing Sources (Uses):				
Transfers in	929,550	929,550	1,080,298	150,748
Transfers out	(2,636,298)	(2,806,719)	(2,538,472)	268,247
Insurance recoveries	-	-	49,425	49,425
Net Financing Sources (Uses)	(1,706,748)	(1,877,169)	(1,408,749)	468,420
NET CHANGE IN FUND BALANCE	(6,954,846)	(6,799,117)	(2,442,374)	4,356,743
Fund Balance - Beginning	30,454,792	30,454,792	31,194,289	739,497
Fund Balance - Ending	\$ 23,499,946	\$ 23,655,675	\$ 28,751,915	\$ 5,096,240

See accompanying Notes to Required Supplementary Information

**TOWN OF CAVE CREEK, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - HIGHWAY USER REVENUE FUND
YEAR ENDED JUNE 30, 2025**

	<u>Budgeted Amounts</u>			Variances - Final to Actual
	Adopted	Final	Actual	
REVENUES				
Intergovernmental	\$ 393,589	\$ 393,589	386,553	\$ (7,036)
Investment earnings	15,000	15,000	15,264	264
Total Revenues	408,589	408,589	401,817	(6,772)
EXPENDITURES				
Current:				
Contingency	39,359	39,359	-	39,359
Capital outlay	475,000	681,150	681,143	7
Total Expenditures	514,359	720,509	681,143	39,366
Excess (Deficiency) of Revenues Over Expenditures	(105,770)	(311,920)	(279,326)	32,594
Other Financing Sources (Uses):				
Transfers in	-	50,421	50,421	-
NET CHANGE IN FUND BALANCE	(105,770)	(261,499)	(228,905)	32,594
Fund Balance - Beginning	203,807	203,807	228,905	25,098
Fund Balance - Ending	\$ 98,037	\$ (57,692)	\$ -	\$ 57,692

See accompanying Notes to Required Supplementary Information

**TOWN OF CAVE CREEK, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - SPUR CROSS AND OPEN SPACE ACQUISITION FUND
YEAR ENDED JUNE 30, 2025**

	Adopted and Final Budget	Actual	Variances - Final to Actual
REVENUES			
Sales taxes	\$ 1,894,300	\$ 2,194,991	\$ 300,691
Charges for services	800	768	(32)
Investment earnings	152,000	152,230	230
Total Revenues	2,047,100	2,347,989	300,889
EXPENDITURES			
Current:			
Culture and recreation	216,000	216,000	-
Capital outlay	1,554,695	-	1,554,695
Total Expenditures	1,770,695	216,000	1,554,695
Excess (Deficiency) of Revenues Over Expenditures	276,405	2,131,989	1,855,584
Other Financing Sources (Uses):			
Transfers out	(1,759,100)	(2,060,596)	(301,496)
Net Financing Sources (Uses)	(1,759,100)	(2,060,596)	(301,496)
NET CHANGE IN FUND BALANCE	(1,482,695)	71,393	1,554,088
Fund Balance - Beginning	1,482,695	1,482,994	299
Fund Balance - Ending	\$ -	\$ 1,554,387	\$ 1,554,387

See accompanying Notes to Required Supplementary Information

TOWN OF CAVE CREEK, ARIZONA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2025

NOTE 1 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

The Town Council follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with Arizona Revised Statutes (A.R.S.), the Town Manager submits a proposed budget for the fiscal year commencing the following July 1 to the Town Council. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.
2. Public hearings are conducted to obtain taxpayer comment.
3. Prior to the third Monday in August, the expenditure limitation for the Town is legally enacted through passage of a resolution. To ensure compliance with the expenditure limitation, a uniform expenditure report must be filed with the State each year. This report, issued under a separate cover, reconciles total Town expenditures from the audited basic financial statements to total expenditures for reporting in accordance with the State's uniform expenditure reporting system (A.R.S. §41-1279.07).
4. Expenditures may not legally exceed the expenditure budget by department for the General Fund or the total fund budget for other funds without council approval. The Town legally adopts a budget by department for the General Fund and in total by fund for other funds. Transfers of any unencumbered appropriation balance between departments or funds must be approved by the Town Council. The adopted budget cannot be amended in any way without Town Council approval.
5. Formal budgetary integration is employed as a management control device during the year for all funds on essentially the same modified accrual basis of accounting used to record actual revenues and expenditures.
6. Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (e.g., purchase orders and contracts). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are reappropriated and become part of the subsequent year's budget pursuant to state regulations, and the encumbrances are automatically reestablished in the next year.
7. The Town is subject to the State of Arizona's Spending Limitation Law for Towns and Cities. This law does not permit the Town to spend more than budgeted revenues plus the unrestricted cash balance from the prior fiscal year. The limitation is applied to the total of the combined funds. The Town complies with this law. No supplementary budgetary appropriations were necessary during the year.

TOWN OF CAVE CREEK, ARIZONA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2025

NOTE 1 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

Budgetary Basis of Accounting

The Town’s adopted budget is prepared on a basis consistent with accounting principles generally accepted in the United States of America, except the following adjustment is necessary to present actual revenues, expenditures, other financing sources and uses, beginning fund balance and ending fund balance on a budgetary basis in order to present the activity of the Town’s General Fund for budgetary purposes.

	Total Revenues	Total Expenditures	General Fund Other Financing Sources and Uses	Fund balance beginning of year	Fund balance end of year
Statement of revenues, expenditures and changes in fund balance	\$ 15,368,122	\$ 16,563,617	\$ (1,246,879)	\$ 31,194,289	\$ 28,751,915
Financing of leases	-	(161,870)	(161,870)	-	-
Schedule of revenues, expenditures, and changes in fund balance - budget and actual	\$ 15,368,122	\$ 16,401,747	\$ (1,408,749)	\$ 31,194,289	\$ 28,751,915

NOTE 2 – ACTUARIALLY DETERMINED CONTRIBUTION RATES

Actuarial determined contribution rates for PSPRS are calculated as of June 30 two years prior to the end of the fiscal year in which contributions are made. The actuarial methods and assumptions used to establish the contribution requirements are as follows:

Actuarial Cost Method	Entry age normal
Amortization Method	Level percent of pay, closed
Remaining Amortization Period as of 2023 Actuarial Valuation	14 years
Asset Valuation Method	7-year smoothed market value; 80%/120% market corridor
<i>Actuarial Assumptions:</i>	See below.
Investment Rate of Return	In the 2022 actuarial valuation, the investment rate of return was decreased from 7.3% to 7.2%. In the 2019 actuarial valuation, the investment rate of return was decreased from 7.4% to 7.3%. In the 2017 actuarial valuation, the investment rate of return was decreased from 7.5% to 7.4%. In the 2016 actuarial valuation, the investment rate of return was decreased from 7.85% to 7.5%. In the 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%.

TOWN OF CAVE CREEK, ARIZONA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2025

NOTE 2 – ACTUARIALLY DETERMINED CONTRIBUTION RATES (CONTINUED)

Project Salary Increases	In the 2017 actuarial valuation, projected salary increases were decreased from 4.0%-8.0% to 3.5%-7.5%. In the 2014 actuarial valuation, projected salary increases were decreased from 4.5%-8.5% to 4.0%-8.0%. In the 2013 actuarial valuation, projected salary increases were decreased from 5.0%-9.0% to 4.5%-8.5%.
Wage Growth	In the 2022 actuarial valuation, wage growth was changed from 3.5% to a range of 3.0 – 6.25%. In the 2017 actuarial valuation, wage growth was decreased from 4% to 3.5%. In the 2014 actuarial valuation, wage growth was decreased from 4.5% to 4.0%. In the 2013 actuarial valuation, wage growth was decreased from 5.0% to 4.5%.
Retirement Age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006-June 30, 2011.
Mortality	In the 2019 actuarial valuation, changed to PubS-2010 tables. In the 2017 actuarial valuation, changed to RP-2014 tables, with 75% of MP-2016 fully generational projection scales. RP-2000 mortality table (adjusted by 105% for both males and females).

NOTE 3 – FACTORS THAT AFFECT TRENDS

Arizona courts have ruled that provisions of a 2011 law that changed the mechanism for funding permanent pension benefit increases and increased employee pension contribution rates were unconstitutional or a breach of contract because those provisions apply to individuals who were members as of the law's effective date. As a result, the PSPRS changed benefit terms to reflect the prior mechanism for funding permanent benefit increases for those members and revised actuarial assumptions to explicitly value future permanent benefit increases. PSPRS also reduced those members' employee contribution rates. These changes are reflected in the plan's pension liabilities for fiscal year 2015 (measurement date 2014) for members who were retired as of the law's effective date and fiscal year 2018 (measurement date 2017) for members who retired or will retire after the law's effective date. These changes also increased the PSPRS-required contributions beginning in fiscal year 2016 for members who were retired as of the law's effective date. These changes increased the PSPRS-required contributions beginning in fiscal year 2019 for members who retired or will retire after the law's effective date. Also, the Town refunded excess employee contributions to PSPRS members. PSPRS allowed the Town to reduce its actual employer contributions for the refund amounts. As a result, the Town's pension contributions were less than the actuarially or statutorily determined for 2018 and 2019.

SUPPLEMENTARY INFORMATION

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

**TOWN OF CAVE CREEK, ARIZONA
NONMAJOR GOVERNMENTAL FUNDS
FUND DESCRIPTIONS
JUNE 30, 2025**

SPECIAL REVENUE FUNDS

Grants and Other Restricted Fund – accounts for grants and other restricted funding sources received by the Town, not accounted for in other funds.

CAPITAL PROJECTS FUNDS

Water Infrastructure Capital Projects Fund – accounts for allocations of excess sales tax revenues from the Spur Cross and Open Space Acquisition Fund used for constructing, reconstructing and funding major maintenance projects related to the Cave Creek Water Fund.

**TOWN OF CAVE CREEK, ARIZONA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2025**

	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	
	<u>Grants and Other Restricted Fund</u>	<u>Water Infrastructure Fund</u>	<u>Total Non- Major Governmental Funds</u>
ASSETS			
Cash and investments	\$ 31,960	\$ 986,412	\$ 1,018,372
Receivables (net):			
Due from other governments	131,914	-	131,914
Total Assets	<u>\$ 163,874</u>	<u>\$ 986,412</u>	<u>\$ 1,150,286</u>
LIABILITIES			
Accounts payable	\$ 1,575	-	\$ 1,575
Total Liabilities	<u>1,575</u>	<u>-</u>	<u>1,575</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenues - opiod settlement	131,914	-	131,914
FUND BALANCES			
Restricted	30,385	-	30,385
Committed	-	986,412	986,412
Total Fund Balances	<u>30,385</u>	<u>986,412</u>	<u>1,016,797</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 163,874</u>	<u>\$ 986,412</u>	<u>\$ 1,150,286</u>

**TOWN OF CAVE CREEK, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FISCAL YEAR ENDED JUNE 30, 2025**

	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	
	<u>Grants and Other Restricted Fund</u>	<u>Water Infrastructure Fund</u>	<u>Total Non- Major Governmental Funds</u>
REVENUES			
Intergovernmental	\$ 20,708	\$ -	\$ 20,708
Investment earnings	1,228	80,976	82,204
Total Revenues	<u>21,936</u>	<u>80,976</u>	<u>102,912</u>
EXPENDITURES			
Current			
Public safety	4,689	-	4,689
Health and welfare	35,354	-	35,354
Total Expenditures	<u>40,043</u>	<u>-</u>	<u>40,043</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(18,107)</u>	<u>80,976</u>	<u>62,869</u>
Other Financing Sources (Uses)			
Transfers in	-	980,298	980,298
Transfers out	-	(3,807,748)	(3,807,748)
Net Financing Sources (Uses)	<u>-</u>	<u>(2,827,450)</u>	<u>(2,827,450)</u>
NET CHANGE IN FUND BALANCE	<u>(18,107)</u>	<u>(2,746,474)</u>	<u>(2,764,581)</u>
Fund Balance - Beginning	<u>48,492</u>	<u>3,732,886</u>	<u>3,781,378</u>
Fund Balance - Ending	<u>\$ 30,385</u>	<u>\$ 986,412</u>	<u>\$ 1,016,797</u>

**TOWN OF CAVE CREEK, ARIZONA
GRANTS AND OTHER RESTRICTED FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FISCAL YEAR ENDED JUNE 30, 2025**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variances -</u>
	<u>Adopted</u>	<u>Final</u>		<u>Final to Actual</u>
REVENUES				
Intergovernmental	\$ 3,675,446	\$ 3,675,446	\$ 20,708	\$ (3,654,738)
Investment earnings	400	400	1,228	828
Total Revenues	<u>3,675,846</u>	<u>3,675,846</u>	<u>21,936</u>	<u>(3,653,910)</u>
EXPENDITURES				
Current:				
General government	250,000	250,000	-	250,000
Public Safety	-	4,690	4,689	1
Highways and streets	400,000	400,000	-	400,000
Health and welfare	55,949	55,949	35,354	20,595
Contingency	3,000,000	2,995,310	-	2,995,310
Total Expenditures	<u>3,705,949</u>	<u>3,705,949</u>	<u>40,043</u>	<u>3,665,906</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(30,103)</u>	<u>(30,103)</u>	<u>(18,107)</u>	<u>11,996</u>
Fund Balance - Beginning	<u>30,103</u>	<u>30,103</u>	<u>48,492</u>	<u>18,389</u>
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,385</u>	<u>\$ 30,385</u>

**TOWN OF CAVE CREEK, ARIZONA
WATER INFRASTRUCTURE CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FISCAL YEAR ENDED JUNE 30, 2025**

	Adopted and Final Budget	Actual	Variances - Final to Actual
REVENUES			
Investment earnings	\$ 135,000	\$ 80,976	\$ (54,024)
Excess (Deficiency) of Revenues Over Expenditures	<u>135,000</u>	<u>80,976</u>	<u>(54,024)</u>
Other Financing Sources (Uses):			
Transfers in	829,550	980,298	150,748
Transfers out	(3,807,748)	(3,807,748)	-
Net Financing Sources (Uses)	<u>(2,978,198)</u>	<u>(2,827,450)</u>	<u>150,748</u>
NET CHANGE IN FUND BALANCE	<u>(2,843,198)</u>	<u>(2,746,474)</u>	<u>96,724</u>
Fund Balance - Beginning	3,553,386	3,732,886	179,500
Fund Balance - Ending	<u>\$ 710,188</u>	<u>\$ 986,412</u>	<u>\$ 276,224</u>

SUPPLEMENTARY INFORMATION

**BUDGETARY COMPARISON SCHEDULES
ENTERPRISE FUNDS**

**TOWN OF CAVE CREEK, ARIZONA
WASTEWATER SYSTEM FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FISCAL YEAR ENDED JUNE 30, 2025**

	Adopted and Final Budget	Actual	Variances - Final to Actual
REVENUES			
Charges for services	\$ 1,488,937	\$ 1,535,666	\$ 46,729
Capacity fees	176,595	117,888	(58,707)
Sales taxes	1,894,300	2,216,491	322,191
Investment earnings	-	29,943	29,943
Total Revenues	3,559,832	3,899,988	340,156
EXPENDITURES			
Cost of sales and services	1,698,579	1,734,372	(35,793)
Capital outlay	1,325,000	362,019	962,981
Debt service	1,894,393	1,894,393	-
Total Expenditures	4,917,972	3,990,784	927,188
Excess (Deficiency) of Revenues Over Expenditures	(1,358,140)	(90,796)	1,267,344
Other Financing Sources (Uses):			
Transfers in	1,358,140	90,796	(1,267,344)
Net Financing Sources (Uses)	1,358,140	90,796	(1,267,344)
NET CHANGE IN FUND BALANCE	-	-	-
Fund Balance - Beginning	-	-	-
Fund Balance - Ending	\$ -	\$ -	\$ -

Reconciliation to Net Position per Statement of Revenues, Expenses and Changes in Net Position:

Net position, end of year, budgetary basis:	\$ -
Adjustments to reconcile to net position:	
Adjustments from prior years	18,100,664
Depreciation	(660,293)
Capital outlay	362,019
Principal paid on long-term debt	1,798,500
Increase in compensated absences	(36,078)
Increase in deferred outflows	44,954
Increase in net pension liability	(170,885)
Decrease in deferred inflows	14,741
	<u>\$ 19,453,622</u>

**TOWN OF CAVE CREEK, ARIZONA
CAVE CREEK WATER SYSTEM FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FISCAL YEAR ENDED JUNE 30, 2025**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variances - Final to Actual</u>
	<u>Adopted</u>	<u>Final</u>		
REVENUES				
Charges for services	\$ 6,374,705	\$ 6,374,705	\$ 5,825,181	\$ (549,524)
Capacity fees	457,332	457,332	163,131	(294,201)
Grant revenues	2,250,000	2,250,000	1,286,178	(963,822)
Investment earnings	140,000	140,000	72,611	(67,389)
Other	5,000	5,000	8,842	3,842
Total Revenues	<u>9,227,037</u>	<u>9,227,037</u>	<u>7,355,943</u>	<u>(1,871,094)</u>
EXPENDITURES				
Cost of sales and services	3,919,850	3,919,850	3,930,046	(10,196)
Capital outlay	16,280,535	16,400,535	11,094,345	5,306,190
Debt service	2,000,345	2,000,345	2,010,063	(9,718)
Total Expenditures	<u>22,200,730</u>	<u>22,320,730</u>	<u>17,034,454</u>	<u>5,286,276</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(12,973,693)</u>	<u>(13,093,693)</u>	<u>(9,678,511)</u>	<u>3,415,182</u>
Other Financing Sources (Uses):				
Transfers in	5,085,906	5,205,906	6,205,003	999,097
WIFA loans issued	7,887,787	7,887,787	7,539,356	(348,431)
Net Financing Sources (Uses)	<u>12,973,693</u>	<u>13,093,693</u>	<u>13,744,359</u>	<u>650,666</u>
NET CHANGE IN FUND BALANCE	<u>-</u>	<u>-</u>	<u>4,065,848</u>	<u>4,065,848</u>
Fund Balance - Beginning	<u>1,336,541</u>	<u>1,336,541</u>	<u>1,336,541</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 1,336,541</u>	<u>\$ 1,336,541</u>	<u>\$ 5,402,389</u>	<u>\$ 4,065,848</u>

Reconciliation to Net Position per Statement of Revenues, Expenses and Changes in Net Position:

Net position, end of year, budgetary basis:	\$ 5,402,389
Adjustments to reconcile to net position:	
Adjustments from prior years	23,133,811
Depreciation	(993,035)
Capital outlay	11,094,345
Proceeds of long-term debt	(7,539,356)
Principal paid on long-term debt	1,790,309
Increase in compensated absences	(21,288)
Increase in deferred outflows	3,790
Decrease in net pension liability	189,784
Increase in deferred inflows	(28,523)
	<u>\$ 33,032,226</u>

**TOWN OF CAVE CREEK, ARIZONA
DESERT HILLS WATER SYSTEM FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FISCAL YEAR ENDED JUNE 30, 2025**

	Budgeted Amounts		Actual	Variances - Final to Actual
	Adopted	Final		
REVENUES				
Charges for services	\$ 4,525,200	\$ 4,525,200	\$ 3,811,037	\$ (714,163)
Capacity fees	-	-	14,902	14,902
Investment earnings	20,000	20,000	22,238	2,238
Other	-	-	7,686	7,686
Total Revenues	4,545,200	4,545,200	3,855,863	(689,337)
EXPENDITURES				
Cost of sales and services	2,747,279	2,747,279	2,531,845	215,434
Capital outlay	932,712	775,000	48,576	726,424
Debt service	852,269	1,009,981	1,009,981	-
Contingency	12,940	12,940	-	12,940
Total Expenditures	4,545,200	4,545,200	3,590,402	954,798
Excess (Deficiency) of Revenues Over Expenditures	-	-	265,461	265,461
Fund Balance - Beginning	36,802	36,802	(289,756)	(326,558)
Fund Balance - Ending	\$ 36,802	\$ 36,802	\$ (24,295)	\$ (61,097)

Reconciliation to Net Position per Statement of Revenues, Expenses and Changes in Net Position:

Net position, end of year, budgetary basis:	\$ (24,295)
Adjustments to reconcile to net position:	
Adjustments from prior years	6,928,583
Depreciation	(331,438)
Capital outlay	48,576
Principal paid on long-term debt	939,971
Increase in compensated absences	(12,028)
Increase in deferred outflows	20,360
Decrease in net pension liability	51,061
Increase in deferred inflows	(8,191)
	<u>\$ 7,612,599</u>

**STATISTICAL SECTION
(UNAUDITED)**

STATISTICAL SECTION

This section of the Town of Cave Creek, Arizona's annual comprehensive financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Town's overall financial health.

Financial Trends: These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

Revenue Capacity: These schedules contain information to help the reader assess the Town's most significant local revenue source, sales taxes.

Debt Capacity: These schedules present information to help the reader assess the affordability of the Town's current levels of outstanding debt and the Town's ability to issue additional debt in the future.

Demographic and Economic Information: These schedules offer demographic and economic indicators to help the reader understand the environment within which the Town's financial activities take place.

Operating Information: These schedules contain service and infrastructure data to help the reader understand how the information in the Town's financial report relates to the services the Town provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the annual comprehensive financial reports for the relevant year.

See the table of contents for page numbers of the schedules that encompass the above sections

**TOWN OF CAVE CREEK, ARIZONA
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
ACCRUAL BASIS OF ACCOUNTING
(UNAUDITED)**

	Fiscal Year									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Governmental Activities:										
Net Investment in Capital Assets	\$ 24,289,645	\$ 20,346,069	\$ 17,311,598	\$ 16,461,837	\$ 14,426,326	\$ 14,522,293	\$ 14,201,183	\$ 13,586,648	\$ 13,092,548	\$ 12,863,784
Restricted	169,132	412,762	674,531	600,880	699,075	587,992	418,092	273,049	277,534	391,594
Unrestricted	28,904,907	33,946,130	34,054,825	28,215,739	23,380,331	26,878,541	21,259,673	23,299,918	19,706,803	16,579,799
Total Governmental Activities Net Pension	\$ 53,363,684	\$ 54,704,961	\$ 52,040,954	\$ 45,278,456	\$ 38,505,732	\$ 41,988,826	\$ 35,878,948	\$ 37,159,615	\$ 33,076,885	\$ 29,835,177
Business-Type Activities:										
Net Investment in Capital Assets	\$ 52,176,493	\$ 45,947,060	\$ 40,028,677	\$ 35,856,201	\$ 32,986,511	\$ 28,467,540	\$ 23,722,550	\$ 21,336,676	\$ 19,231,489	\$ 17,464,268
Restricted	1,932,397	1,803,132	1,803,132	2,041,177	2,706,834	652,340	-	-	-	-
Unrestricted	5,989,557	1,459,649	(382,147)	2,165,619	2,034,332	(6,811,881)	(2,437,761)	(7,408,324)	(7,566,270)	(7,665,204)
Total Business- Type Activities Net Position	\$ 60,098,447	\$ 49,209,841	\$ 41,449,662	\$ 40,062,997	\$ 37,727,677	\$ 22,307,999	\$ 21,284,789	\$ 13,928,352	\$ 11,665,219	\$ 9,799,064
Primary Government:										
Net Investment in Capital Assets	\$ 76,466,138	\$ 66,293,129	\$ 57,340,275	\$ 52,318,038	\$ 47,412,837	\$ 42,989,833	\$ 37,923,733	\$ 34,923,324	\$ 32,324,037	\$ 30,328,052
Restricted	2,101,529	2,215,894	2,477,663	2,642,057	3,405,909	1,240,332	418,092	273,049	277,534	391,594
Unrestricted	34,894,464	35,405,779	33,672,678	30,381,358	25,414,663	20,066,660	18,821,912	15,891,594	12,140,533	8,914,595
Total Primary Government Net Position	\$ 113,462,131	\$ 103,914,802	\$ 93,490,616	\$ 85,341,453	\$ 76,233,409	\$ 64,296,825	\$ 57,163,737	\$ 51,087,967	\$ 44,742,104	\$ 39,634,241

Source: The Town's finance department.

**TOWN OF CAVE CREEK, ARIZONA
EXPENSES, PROGRAM REVENUES, AND NET EXPENSE
LAST TEN FISCAL YEARS
ACCRUAL BASIS OF ACCOUNTING
(UNAUDITED)**

	Fiscal Year									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Expenses:										
Governmental Activities:										
General government	\$ 4,963,170	\$ 5,156,130	\$ 5,021,288	\$ 3,703,944	\$ 3,911,165	\$ 3,572,053	\$ 3,199,131	\$ 2,476,446	\$ 2,620,613	\$ 2,822,919
Public safety	4,432,451	4,295,846	3,598,656	2,823,963	1,047,635	1,041,576	714,101	644,601	668,528	621,321
Highways and streets	3,835,042	2,065,328	1,125,032	1,466,400	1,632,969	1,413,233	1,232,807	1,117,685	1,107,663	1,067,789
Culture and recreation	532,073	489,991	227,352	185,882	295,570	419,671	400,026	348,297	318,804	305,048
Health and welfare	35,354	15,402	-	-	-	-	-	-	-	-
Interest on long-term debt	2,672	6,892	1,851	-	-	-	9,683	173,739	171,993	153,650
Total Governmental Activities	13,800,762	12,029,589	9,974,179	8,180,189	6,887,339	6,446,533	5,555,748	4,760,768	4,887,601	4,970,727
Business-Type Activities:										
Wastewater treatment	2,637,824	2,363,361	2,317,957	2,247,175	2,162,030	2,250,686	2,127,779	2,096,726	2,304,635	2,334,484
Water System:								5,352,688	4,948,260	5,066,168
Cave Creek Water System	4,999,072	5,347,631	5,733,318	4,657,186	4,606,677	4,480,626	4,351,504	-	-	-
Desert Hills Water System	2,882,091	2,993,758	3,023,198	3,788,160	3,251,145	1,935,425	1,844,979	-	-	-
Total Business-Type Activities	10,518,987	10,704,750	11,074,473	10,692,521	10,019,852	8,666,737	8,324,262	7,449,414	7,252,895	7,400,652
Total Primary Government Expenses	\$ 24,319,749	\$ 22,734,339	\$ 21,048,652	\$ 18,872,710	\$ 16,907,191	\$ 15,113,270	\$ 13,880,010	\$ 12,210,182	\$ 12,140,496	\$ 12,371,379
Program Revenues:										
Governmental Activities:										
Charges for Services:										
General Government	\$ 1,058,649	\$ 1,091,512	\$ 1,240,251	\$ 1,278,320	\$ 1,187,675	\$ 1,000,090	\$ 896,676	\$ 985,616	\$ 864,430	\$ 686,241
Public Safety	113,957	106,820	-	-	-	-	-	-	-	-
Highways and streets	52,448	63,230	-	-	-	-	-	-	-	-
Culture and recreation	46,917	28,375	21,688	36,854	920	145,719	120,795	90,990	92,008	113,949
Operating Grants and Contributions	412,225	552,019	512,325	438,435	1,090,234	595,761	399,578	383,437	359,351	339,223
Capital Grants and Contributions	511,926	-	273,564	4,698	187,407	1,765	17,671	7,926	8,713	6,438
Total Governmental Activities Program Revenues:	2,196,122	1,841,956	2,047,828	1,758,307	2,466,236	1,743,335	1,434,720	1,467,969	1,324,502	1,145,851
Business-Type Activities:										
Charges for Services:										
Wastewater treatment	1,535,666	1,416,947	1,366,336	1,336,030	1,761,631	1,239,160	945,735	723,056	769,847	795,054
Water	-	-	-	-	-	-	-	7,048,001	6,780,379	6,660,640
Cave Creek Water System	5,834,023	5,607,635	6,080,504	6,580,465	7,127,083	4,745,357	4,551,658	-	-	-
Desert Hills Water System	3,818,723	3,686,111	3,161,756	3,184,509	3,328,344	2,451,829	2,249,004	-	-	-
Capital Grants and Contributions	1,582,099	724,318	-	-	-	-	146,246	-	32,105	399,181
Total Business-Type Activities Program Revenues	12,770,511	11,435,011	10,608,596	11,101,004	12,217,058	8,436,346	7,892,643	7,771,057	7,582,331	7,854,875
Total Primary Government Program Revenues	\$ 14,966,633	\$ 13,276,967	\$ 12,656,424	\$ 12,859,311	\$ 14,683,294	\$ 10,179,681	\$ 9,327,363	\$ 9,239,026	\$ 8,906,833	\$ 9,000,726

Source: The Town's finance department.

**TOWN OF CAVE CREEK, ARIZONA
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
ACCRUAL BASIS OF ACCOUNTING
(UNAUDITED)**

	Fiscal Year									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Net (Expense)/Revenue										
Governmental Activities	\$ (11,604,640)	\$ (10,187,633)	\$ (7,926,351)	\$ (6,421,882)	\$ (4,421,103)	\$ (4,703,198)	\$ (4,121,028)	\$ (3,292,799)	\$ (3,563,099)	\$ (3,824,876)
Business-Type Activities	2,251,524	730,261	(465,877)	408,483	2,197,206	(230,391)	(431,619)	321,643	329,436	454,223
Total Primary Government Net Expenses	\$ (9,353,116)	\$ (9,457,372)	\$ (8,392,228)	\$ (6,013,399)	\$ (2,223,897)	\$ (4,933,589)	\$ (4,552,647)	\$ (2,971,156)	\$ (3,233,663)	\$ (3,370,653)
General Revenues and Transfers										
Governmental Activities:										
Taxes:										
Sales tax	\$ 12,593,549	\$ 10,976,547	\$ 11,293,905	\$ 11,348,828	\$ 9,506,642	\$ 8,690,006	\$ 7,433,669	\$ 6,369,346	\$ 5,733,774	\$ 5,319,822
Franchise fees	336,300	358,842	324,598	290,572	261,645	220,359	219,330	217,288	194,015	198,231
State income tax revenue sharing	1,095,970	1,360,731	963,783	664,598	834,332	744,851	680,824	678,255	653,433	603,805
State sales tax revenue sharing	790,563	776,506	744,124	704,645	692,895	595,628	566,658	527,213	489,920	475,403
Auto lieu tax revenue sharing	266,451	254,515	248,457	272,632	276,352	244,808	243,128	226,607	210,214	207,073
Investment earnings	1,374,050	1,764,007	983,877	51,003	23,124	283,151	330,030	143,284	55,026	21,171
Other	102,279	9,491	130,105	22,091	90,072	34,274	136,674	137,070	61,756	36,912
Transfers	(6,295,799)	(2,648,999)	-	(157,712)	(10,747,054)	-	(6,682,716)	(923,534)	(593,330)	(275,712)
Total Governmental Activities	10,263,363	12,851,640	14,688,849	13,196,657	938,008	10,813,077	2,927,597	7,375,529	6,804,808	6,586,705
Business-Type Activities:										
Sales tax	2,216,491	2,203,237	1,833,496	1,697,339	1,433,636	1,241,370	1,095,403	1,008,187	940,064	903,108
Grants and contributions not restricted	-	1,949,776	-	-	-	-	-	-	-	-
Investment earnings	124,792	180,843	4,659	53,112	-	-	-	-	-	40,426
Other	-	37,563	14,387	18,674	1,041,782	12,331	9,937	9,769	3,325	-
Gain (loss) on disposal of capital assets	-	9,500	-	-	-	-	-	-	-	-
Transfers	6,295,799	2,648,999	-	157,712	10,747,054	-	6,682,716	923,534	593,330	275,712
Total Business-Type Activities	8,637,082	7,029,918	1,852,542	1,926,837	13,222,472	1,253,701	7,788,056	1,941,490	1,536,719	1,219,246
Total Primary Government	\$ 18,900,445	\$ 19,881,558	\$ 16,541,391	\$ 15,123,494	\$ 14,160,480	\$ 12,066,778	\$ 10,715,653	\$ 9,317,019	\$ 8,341,527	\$ 7,805,951
Change in Net Position										
Governmental Activities	(1,341,277)	2,664,007	6,762,498	6,774,775	(3,483,095)	6,109,879	(1,193,431)	4,082,730	3,241,709	2,761,829
Business-Type Activities	10,888,606	7,760,179	1,386,665	2,335,320	15,419,678	1,023,310	7,356,437	2,263,133	1,866,155	1,673,469
Total Primary Government	\$ 9,547,329	\$ 10,424,186	\$ 8,149,163	\$ 9,110,095	\$ 11,936,583	\$ 7,133,189	\$ 6,163,006	\$ 6,345,863	\$ 5,107,864	\$ 4,435,298

Source: The Town's finance department.

**TOWN OF CAVE CREEK, ARIZONA
FUND BALANCES – GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
MODIFIED ACCRUAL BASIS OF ACCOUNTING
(UNAUDITED)**

	Fiscal Year									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
General Fund:										
Nonspendable	\$ 105,351	\$ 1,120,654	\$ 995,423	\$ 849,032	\$ 142,681	\$ 7,319,792	\$ 7,287,301	\$ 12,451,592	\$ 12,271,475	\$ 11,671,683
Restricted	6,833	8,414	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	241,855	239,586	-	-	-
Assigned	20,678,863	22,828,557	-	-	-	-	-	-	-	-
Unassigned	7,960,868	7,236,664	30,866,208	25,460,178	22,031,978	18,825,780	13,259,248	10,400,668	7,550,381	5,476,408
Total General Fund	<u>\$ 28,751,915</u>	<u>\$ 31,194,289</u>	<u>\$ 31,861,631</u>	<u>\$ 26,309,210</u>	<u>\$ 22,174,659</u>	<u>\$ 26,387,427</u>	<u>\$ 20,786,135</u>	<u>\$ 22,852,260</u>	<u>\$ 19,821,856</u>	<u>\$ 17,148,091</u>
All Other Governmental Funds:										
Restricted, reported in:										
Special revenue funds	\$ 30,385	277,397	626,599	279,593	378,541	265,025	270,824	166,491	167,046	233,124
Debt service funds	-	-	-	-	-	3,354	-	12,244	4,834	2,470
Capital projects funds	-	-	47,932	321,287	320,534	319,613	147,268	92,540	103,880	152,596
Committed for:										
Open space acquisition	1,554,387	1,482,994	1,405,596	1,766,297	1,776,797	1,786,298	1,786,299	1,745,096	1,722,105	1,711,644
Capital projects	986,412	3,732,886	3,295,210	2,534,516	1,843,845	1,285,027	829,843	907,673	449,778	-
Unassigned reported in:										
Special revenue funds	-	-	-	-	-	(320,961)	-	-	-	-
Total All Other Governmental Funds	<u>\$ 2,571,184</u>	<u>\$ 5,493,277</u>	<u>\$ 5,375,337</u>	<u>\$ 4,901,693</u>	<u>\$ 4,319,717</u>	<u>\$ 3,338,356</u>	<u>\$ 3,034,234</u>	<u>\$ 2,924,044</u>	<u>\$ 2,447,643</u>	<u>\$ 2,099,834</u>

Source: The Town's finance department.

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

	Fiscal Year									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Revenues										
Sales taxes	\$ 12,407,102	\$ 10,976,547	\$ 11,293,905	\$ 11,348,828	\$ 9,506,642	\$ 8,690,006	\$ 7,433,668	\$ 6,379,346	\$ 5,733,774	\$ 5,319,823
Franchise fees	336,300	358,842	324,598	290,572	261,645	220,359	221,104	217,218	198,645	198,231
Intergovernmental	2,560,245	2,816,820	2,742,253	2,085,008	3,081,220	2,174,548	1,890,188	1,804,662	1,712,918	1,625,504
Licenses and permits	932,199	988,166	944,565	937,516	737,225	691,624	527,042	490,565	532,346	440,749
Charges for services	147,324	147,720	161,129	221,061	261,846	341,954	442,438	522,213	307,460	242,904
Rentals and royalties	192,448	154,051	156,245	156,597	189,524	112,231	130,770	136,415	123,353	122,974
Contributions and donations	244,571	-	-	-	-	6,500	-	10,850	-	-
Special assessments	-	-	-	-	-	-	2,302	-	1,992	-
Investment earnings	1,374,050	1,764,007	983,877	51,003	23,124	283,151	330,030	143,284	55,026	21,171
Other	26,601	9,491	130,105	22,091	90,072	36,039	136,674	137,070	61,756	36,912
Total Revenues	18,220,840	17,215,644	16,736,677	15,112,676	14,151,298	12,556,412	11,114,216	9,841,623	8,727,270	8,008,268
Expenditures										
Current:										
General government	4,482,885	4,661,448	3,903,213	3,350,308	3,698,544	3,445,907	3,112,389	2,989,881	2,726,340	3,187,428
Public Safety	4,236,883	4,014,201	3,786,375	2,818,611	1,005,771	1,011,069	685,419	623,929	646,812	596,072
Highways and streets	1,316,693	1,314,102	1,109,650	1,027,097	1,005,536	856,015	1,775,098	1,286,838	1,213,790	1,299,217
Culture and recreation	406,101	378,371	227,352	225,250	227,270	354,184	342,181	306,486	294,178	339,284
Health and welfare	35,354	15,402	-	-	-	-	-	-	-	-
Capital outlay	6,963,825	4,846,891	1,672,022	2,805,171	698,530	983,822	297,665	20,481	56,253	27,398
Debt service:										
Principal	56,390	74,448	10,149	9,949	-	-	165,000	155,000	145,000	115,000
Interest and fiscal charges	2,672	6,892	1,851	2,051	-	-	9,683	18,739	26,993	38,650
Total Expenditures	17,500,803	15,311,755	10,710,612	10,238,437	6,635,651	6,650,997	6,387,435	5,401,354	5,109,366	5,603,049
Excess (Deficiency) of Revenues Over Expenditures	720,037	1,903,889	6,026,065	4,874,239	7,515,647	5,905,415	4,726,781	4,440,269	3,617,904	2,405,219
Other Financing Sources (Uses)										
Transfers in	2,111,017	2,354,334	1,621,390	1,481,341	1,492,379	1,025,370	897,435	970,824	969,543	424,902
Transfers out	(8,406,816)	(5,003,333)	(1,621,390)	(1,639,053)	(12,239,433)	(1,025,370)	(7,580,151)	(1,894,358)	(1,562,873)	(700,614)
Subscription-based arrangements	-	195,708	-	-	-	-	-	-	-	-
Financing of leases	161,870	-	-	-	-	-	-	-	-	-
Insurance recoveries	49,425	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
Sources (Uses)	(6,084,504)	(2,453,291)	-	(157,712)	(10,747,054)	-	(6,682,716)	(923,534)	(593,330)	(275,712)
Net Change in Fund Balance	\$ (5,364,467)	\$ (549,402)	\$ 6,026,065	\$ 4,716,527	\$ (3,231,407)	\$ 5,905,415	\$ (1,955,935)	\$ 3,516,735	\$ 3,024,574	\$ 2,129,507
Debt Service as Percentage of Noncapital Expenditures	0.48%	0.75%	0.13%	0.12%	0.00%	0.00%	3.28%	3.83%	3.84%	3.20%

Source: The Town's finance department.

TOWN OF CAVE CREEK, ARIZONA
GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE
LAST TEN FISCAL YEARS
(UNAUDITED)

Fiscal Year	Sales Taxes	Franchise Fees	Total
2025	\$ 12,407,102	\$ 336,300	\$ 12,743,402
2024	10,976,547	358,842	11,335,389
2023	11,293,905	324,598	11,618,503
2022	11,348,828	290,572	11,639,400
2021	9,506,642	261,645	9,768,287
2020	8,690,006	220,359	8,910,365
2019	7,433,668	221,104	7,654,772
2018	6,369,346	217,288	6,586,634
2017	5,733,774	195,645	5,929,419
2016	5,319,822	198,231	5,518,053

Source: The Town's finance department.

**TOWN OF CAVE CREEK, ARIZONA
TAXABLE SALES BY CATEGORY
LAST TEN FISCAL YEARS
(UNAUDITED)**

Sales Category:	Fiscal Year									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Construction	\$60,118,155	\$ 32,757,839	\$ 41,941,743	\$ 56,736,194	\$ 46,327,215	\$ 50,784,291	\$ 39,142,115	\$ 27,425,949	\$ 21,074,424	\$ 17,117,864
Retail trade	252,876,211	251,765,916	241,035,808	220,213,332	190,070,732	167,142,282	134,476,900	107,786,469	109,057,165	108,133,472
Restaurants	61,789,108	64,636,777	63,456,316	61,259,319	45,940,328	36,883,293	44,080,911	38,847,935	37,933,804	32,241,913
Communications/utilities	16,812,742	16,826,298	15,445,104	14,558,732	16,131,551	14,495,328	15,151,863	13,885,430	15,654,903	16,855,013
Commercial rental and leasing	33,044,669	30,038,099	27,336,631	19,005,004	15,565,602	14,411,508	14,341,643	12,885,547	12,985,614	11,333,189
Arts and entertainment	7,828,349	7,293,885	6,768,990	6,430,176	6,024,268	4,016,245	4,226,265	4,144,762	3,886,122	3,660,371
Lodging and other	5,795,029	5,447,005	5,785,641	8,171,743	6,589,473	4,020,512	2,809,873	3,208,856	4,290,417	3,945,939
Total	\$ 438,264,263	\$ 408,765,819	\$ 401,770,233	\$ 386,374,500	\$ 326,649,169	\$ 291,753,459	\$ 254,229,570	\$ 208,184,948	\$ 204,882,449	\$ 193,287,761
Town Sales Tax Rate	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%
Construction Sales Tax Rate	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%
Bed Tax Rate	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%

Source: The Arizona Department of Revenue.

**TOWN OF CAVE CREEK, ARIZONA
 DIRECT AND OVERLAPPING SALES TAX RATES
 LAST TEN FISCAL YEARS
 (UNAUDITED)**

<u>Fiscal Year</u>	<u>Town Retail Rate</u>	<u>Maricopa County</u>	<u>State Rate</u>	<u>Total</u>
2025	3.00%	0.70%	5.60%	9.30%
2024	3.00%	0.70%	5.60%	9.30%
2023	3.00%	0.70%	5.60%	9.30%
2022	3.00%	0.70%	5.60%	9.30%
2021	3.00%	0.70%	5.60%	9.30%
2020	3.00%	0.70%	5.60%	9.30%
2019	3.00%	0.70%	5.60%	9.30%
2018	3.00%	0.70%	5.60%	9.30%
2017	3.00%	0.70%	5.60%	9.30%
2016	3.00%	0.70%	5.60%	9.30%

Source: Arizona Department of Revenue

**TOWN OF CAVE CREEK, ARIZONA
 PRINCIPAL SALES TAXPAYERS
 FISCAL YEAR ENDED JUNE 30, 2025, AND NINE YEARS PRIOR
 (UNAUDITED)**

Taxpayer	Fiscal Year 2025			Fiscal Year 2016		
	Sales Tax Payments	Rank	% of Total Sales Tax Payments	Sales Tax Payments	Rank	% of Total Sales Tax Payments
Retail	\$ 7,586,286	1	51.95%	\$ 3,244,004	1	52.16%
Construction	3,005,908	2	20.59%	855,893	3	13.76%
Restaurants and bars	1,853,673	3	12.69%	967,257	2	15.55%
Commercial rental and leasing	991,340	4	6.79%	339,996	5	5.47%
Communications/utilities	504,382	5	3.45%	505,650	4	8.13%
Lodging and other	425,653	6	2.92%	196,955	6	3.17%
Arts and entertainment	234,851	7	1.61%	109,811	7	1.77%
	<u>\$ 14,602,093</u>		<u>100.00%</u>	<u>\$ 6,219,566</u>		<u>100.00%</u>

Source: Arizona Department of Revenue transaction privilege tax revenues.

Note: Due to confidentiality issues, the names of the ten largest tax remitters cannot be presented. The categories presented are intended to provide alternative information regarding the sources of the Town's transaction privilege tax revenues.

TOWN OF CAVE CREEK, 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	Debt Per Capita
	Certificates of Participation	Subscription Liabilities	Leases	Loans Payable	Water Agreement	Private Placement Refunding Obligations			
2025	\$ -	\$ -	\$ 160,371	\$ 12,816,866	\$ 154,505	\$ 7,057,000	\$ 20,188,742	N/A	\$ 3,854
2024	-	131,614	76,661	7,488,427	305,869	9,223,500	17,226,071	N/A	4,089
2023	-	-	87,015	11,690,444	473,136	13,477,900	25,728,495	9%	4,882
2022	-	-	97,164	13,686,454	630,847	15,586,300	30,000,765	11%	4,906
2021	-	-	-	27,217,404	-	5,426,000	32,643,404	13%	6,673
2020	-	-	-	38,376,048	-	-	38,376,048	12%	6,573
2019	85,000	-	-	39,609,698	-	-	39,694,698	13%	7,249
2018	245,000	-	-	42,988,265	-	-	43,233,265	15%	7,895
2017	395,000	-	-	46,253,436	-	-	46,648,436	19%	8,519
2016	535,000	-	-	49,409,027	-	-	49,944,027	23%	9,199

Source: The Town's Finance Department.

TOWN OF CAVE CREEK, ARIZONA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
JUNE 30, 2025
(UNAUDITED)

Governmental Unit	Outstanding Debt	Estimated Percentage Applicable (1)	Estimated Share of Direct and Overlapping Debt
Debt Repaid with Property Taxes			
Maricopa County (2)	\$ -	0.34%	\$ -
Maricopa County Special Health Care District	512,560,000	0.34%	1,742,704
Maricopa County Community College District (3)	26,675,000	0.34%	90,695
Western Maricopa Education Center	80,870,000	0.87%	703,569
Cave Creek Unified School District No. 93	16,160,000	6.66%	1,076,256
Deer Valley Unified School District No. 97	138,035,000	0.45%	621,158
Subtotal, Overlapping Debt			4,234,382
Total Town of Cave Creek Direct Debt (4)			160,371
			\$ 4,394,753

Sources: Maricopa County Assessor's Abstract and reporting from the various jurisdictional areas.

(1) Proportion applicable to the Town of Cave Creek, Arizona is computed on the ratio of limited property valuation for fiscal year 2024/25.

(2) Excludes various other nonproperty tax supported debt such as Public Finance Corporation lease revenue bonds, Stadium District revenue bonds, Stadium District loans, Housing Authority loans and

(3) Excludes non-property tax supported debt such as revenue bonds.

(4) Includes: Excise Tax Revenue Obligations

**TOWN OF CAVE CREEK, ARIZONA
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
(UNAUDITED)**

	Fiscal Year									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
20% Debt Limit	\$ 67,296,094	\$ 66,590,915	\$ 54,801,084	\$ 43,271,389	\$ 40,581,725	\$ 38,427,595	\$ 35,465,470	\$ 32,653,465	\$ 30,673,985	\$ 27,781,512
Total Applicable to Limit	-	-	-	-	-	-	-	-	-	-
Legal Debt Margin	\$ 67,296,094	\$ 66,590,915	\$ 54,801,084	\$ 43,271,389	\$ 40,581,725	\$ 38,427,595	\$ 35,465,470	\$ 32,653,465	\$ 30,673,985	\$ 27,781,512
Total Net Debt Applicable to the Limit as a Percentage of the Debt Limit	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

	Fiscal Year									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
6% Debt Limit	\$ 20,188,828	\$ 19,977,275	\$ 16,440,325	\$ 12,981,417	\$ 12,174,517	\$ 11,528,279	\$ 10,639,641	\$ 9,796,039	\$ 9,202,196	\$ 8,334,454
Total Applicable to Limit	-	-	-	-	-	-	-	-	-	-
Legal Debt Margin	\$ 20,188,828	\$ 19,977,275	\$ 16,440,325	\$ 12,981,417	\$ 12,174,517	\$ 11,528,279	\$ 10,639,641	\$ 9,796,039	\$ 9,202,196	\$ 8,334,454
Total Net Debt Applicable to the Limit as a Percentage of the Debt Limit	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Source: Maricopa County Assessor's Office.

TOWN OF CAVE CREEK, ARIZONA
CALCULATION OF LEGAL DEBT MARGIN
JUNE 30, 2025
(UNAUDITED)

Net Full Assessed Valuation		<u>\$ 336,480,470</u>
<u>Water, Sewer, Light, Parks, Open Space and Recreational</u>		
Debt Limit - 20% of Net Full Assessed Valuation		67,296,094
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		<u>\$ 67,296,094</u>
<u>All Other General Obligation Bonds</u>		
Debt Limit - 6% of Net Full Assessed Valuation		\$ 20,188,828
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>20,188,828</u>
Total Legal Debt Margin		<u>\$ 87,484,922</u>

Source: Maricopa County Assessor's Office.

Note: The Town did not have any debt subject to the debt limit.

TOWN OF CAVE CREEK, ARIZONA
PLEDGED REVENUE COVERAGE
LAST TEN FISCAL YEARS
(UNAUDITED)

Desert Hills Water System WIFA Loans

Fiscal Year	Water Charges and Other (1)	Less:		Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage
		Operating Expenses (2)					
2025	\$ 3,855,863	\$ 2,480,644		\$ 1,375,219	\$ 420,608	\$ 45,984	2.95
2024	3,751,659	2,558,697		1,192,962	406,309	60,282	2.56
2023	3,167,881	2,574,081		593,800	392,497	74,094	1.27
2022	3,184,523	2,532,400		652,123	379,155	87,437	1.40
2021	3,331,135	2,670,386		660,749	366,266	100,326	1.42
2020	2,461,565	1,362,892		1,098,673	637,730	214,867	1.29
2019	2,253,389	1,003,710		1,249,679	616,176	236,422	1.47
2018	2,351,651	1,030,152		1,321,499	595,350	257,247	1.55
2017	2,277,608	941,784		1,335,824	575,228	277,369	1.57
2016	2,297,570	1,035,658		1,261,912	555,787	296,811	1.48

Cave Creek Water System WIFA Loans

Fiscal Year	Water Charges and Other (1)	Less:		Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage
		Operating Expenses (2)					
2025	\$ 8,467,020	\$ 3,786,283		\$ 4,680,737	\$ 1,194,658	\$ 153,003	3.47
2024	6,206,212	4,127,430		2,078,782	1,155,572	182,370	1.55
2023	6,084,408	3,978,172		2,106,236	1,117,777	220,165	1.57
2022	6,652,223	3,438,136		3,214,087	1,081,228	256,715	2.40
2021**	7,166,074	3,341,689		3,824,385	1,045,884	292,058	2.86
2020	4,747,952	3,216,537		1,531,415	942,318	326,237	1.21
2019	4,557,210	3,172,872		1,384,338	978,654	359,289	1.03
2018	4,706,292	2,478,145		2,228,147	946,691	391,252	1.67
2017	4,509,136	2,107,117		2,402,019	915,781	422,162	1.80
2016	4,403,496	2,066,981		2,336,515	885,889	452,054	1.75

Excise Tax and State Shared Revenues WIFA and Private Placement Obligations

Fiscal Year	Excise Tax and State Shared Revenues	Debt Service		Coverage
		Principal	Interest	
2025	\$ 19,689,527	\$ 2,762,151	\$ 180,320	6.69
2024	18,977,459	2,715,130	227,206	6.45
2023	16,039,079	2,669,131	273,054	5.45
2022***	14,396,055	2,644,027	353,699	4.80
2021	13,484,889	2,114,445	701,718	4.79
2020	11,762,021	1,967,910	710,478	4.39
2019	10,508,763	1,901,083	777,304	3.92
2018	9,246,115	1,836,526	841,861	3.45
2017	8,181,997	1,774,162	904,225	3.05
2016	7,485,926	1,608,023	1,017,417	2.85

Source: Town of Cave Creek's internal records.

Note 1: Water charges and other includes charges for services, investment earnings, and General Fund subsidies.

Note 2: Operating expenses do not include amounts for depreciation.

** Water charges and Other less a \$1,000,000 settlement

*** Refinanced 2009 WIFA Loan

**TOWN OF CAVE CREEK, ARIZONA
 DEMOGRAPHIC AND ECONOMIC STATISTICS
 LAST TEN FISCAL YEARS
 (UNAUDITED)**

Fiscal Year	Population	Median Age	Personal Income (Thousands of Dollars)	Household Income	Per Capita Personal Income	Education Level in Percentage of Formal Schooling**	Unemployment Rate (%)***
2025	5,238	60.3	-*	-*	-*	-*	3.1
2024	5,225	60.3	-*	-*	-*	-*	3.2
2023	5,152	60.3	283,151,050	124,462	54,959	71.9%	3.5
2022	5,134	58.1	278,470,954	121,391	54,241	74.3%	3.5
2021	5,010	57.6	251,494,880	84,112	50,199	76.7%	5.1
2020	4,931	53.3	316,583,988	115,626	64,203	85.0%	9.1
2019	5,850	61.4	309,333,580	118,292	52,878	78.8%	3.6
2018	5,744	57.7	296,041,520	120,440	51,539	78.7%	4.1
2017	5,666	57.5	251,890,088	108,949	44,456	83.6%	3.9
2016	5,586	56.4	216,766,961	98,129	38,805	78.1%	5.8

Source: United States Census Bureau, Maricopa Association of Governments, and AZ Office of Economic Opportunity, Cave Creek Unified School District, datacommons.org

* Information was not available.

** Bachelor degree or higher

*** Unemployment rate is for Maricopa County

**TOWN OF CAVE CREEK, ARIZONA
 PRINCIPAL EMPLOYERS
 FISCAL YEAR ENDING JUNE 30, 2025, AND NINE YEARS PRIOR
 (UNAUDITED)**

Employer	Fiscal Year					
	2025			2016		
	Employees	Rank	% of Employment	Employees	Rank	% of Employment
Walmart	230	1	9.34%	230	1	N/A
Dos Amigos Investments	100	2	4.06%	80	2	N/A
Sprouts Farmers Market	90	3	3.66%	-	-	N/A
Harolds Restaurant LLC	70	4	2.84%	70	3	N/A
Town of Cave Creek	50	5	2.03%	37	10	N/A
Chipotle Mexican Grill Inc	50	5	2.03%	-	-	N/A
Worldwide Supply Network LLC	50	5	2.03%	-	-	N/A
Wdowiak Enterprises Inc	40	8	1.62%	40	9	N/A
Canyon State Masonry Inc	40	9	1.62%	-	-	N/A
Azul Verde Design Group Inc	40	10	1.62%	-	-	N/A
Animal Health Services of Cave Creek	-			60	4	N/A
Desert Creek LLC	-			60	4	N/A
Maricopa County	-			50	6	N/A
Cartwrights On Saguaro Hill	-			50	6	N/A
Cartwrights Sonoran Ranch House	-			50	6	N/A
Total	760		30.87%	727		0.00%
Total town employment	2,462			N/A		

Source: Maricopa Association of Governments.

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

Function	Full Time Authorized Positions									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
General government:										
Management services	6.0	6.0	6.0	6.1	6.1	6.1	5.3	5.3	5.3	5.5
Finance	6.0	6.0	6.0	5.0	5.0	5.0	5.0	4.8	4.8	4.8
Planning	3.5	4.5	3.5	3.5	3.0	5.4	4.2	3.8	3.5	3.5
Facilities maintenance	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Public safety:										
Building safety	4.0	4.0	4.0	4.0	4.0	4.0	4.0	3.5	3.5	3.5
Law enforcement	1.0	1.0	1.0	1.0	1.4	1.0	1.0	1.0	1.0	1.0
Fire and emergency medical	1.0	1.0	1.0	1.0	-	-	-	-	-	-
Culture and recreation:										
Special events	-	-	-	-	0.4	0.4	-	-	-	-
Trails	0.5	-	-	-	-	-	-	-	-	-
Public works:										
Engineering	1.1	1.3	1.6	1.7	1.7	1.9	1.0	1.0	0.9	0.6
Public works	6.0	6.0	6.0	6.0	6.0	5.2	5.2	5.6	5.4	4.6
Utilities:	19.4	17.7	17.4	17.3	17.3	16.8	14.8	13.7	12.6	12.6
Total	50.5	49.5	48.5	47.6	46.9	47.8	42.5	40.7	39.0	38.1

Source: The Town's internal records.

**TOWN OF CAVE CREEK, ARIZONA
OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS
(UNAUDITED)**

Function	Fiscal Year									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Law Enforcement:										
Patrol units	4	4	4	4	4	3	3	3	3	3
Part 1 Crimes*	142	96	87	122	102	151	134	-	-	-
Part 2 Crimes*	113	99	284	232	263	215	102	-	-	-
Traffic Citations*	1,015	738	286	402	150	252	353	-	-	-
Planning and building safety:										
Total Building permits issued	406	444	467	434	501	382	349	310	233	357
Building permits issued (single family homes only)	34	37	34	70	106	50	53	43	26	28
Inspections	5,252	5,020	6,614	7,344	6,447	5,571	4,253	4,035	2,825	3,933
Highways and Streets:										
Street resurfacing (miles)	3.600	2.285	1.090	2.180	3.500	1.520	3.200	2.354	1.120	1.800
Chipseal (miles)	3	-	-	-	-	-	-	0.730	0.590	0.950
Sewer:										
Treatment capacity (thousands of gallons)	710,000	710,000	710,000	710,000	710,000	670,000	670,000	670,000	670,000	670,000
Water*										
<i>Desert Hills Water Company</i>										
Ground water production per day (thousands of gallons)	272.1	199.7	209.2	181.0	482.4	135.0	135.0	135.0	700.0	700.0
Storage capacity (thousands of gallons)	1,010	1,010	1,010	1,010	1,010	1,010	1,010	1,010	1,010	1,010
Central Arizona Project NIA allocation (acre feet per year)	386	386	386	386	-	-	-	-	-	-
<i>Cave Creek Water Company</i>										
Ground water production per day (thousands of gallons)	-	-	-	-	-	-	-	-	400	400
Storage capacity (thousands of gallons)	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500
Central Arizona Project NIA allocation (acre feet per year)	2.228	2.228	2.606	2.606	2.606	2.606	2.606	2.606	2.606	2.606
Drinking water treatment capacity (millions of gallons per day)	3	3	3	3	3	5	5	5	5	5

* Law Enforcement data unavailable.
Law Enforcement Source: Maricopa County Sheriff's Office.

Source: The Town's internal records.

TOWN OF CAVE CREEK, ARIZONA
CAPITAL ASSET STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS
(UNAUDITED)

Function	Fiscal Year									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Public safety										
Police stations	1	1	1	1	1	1	1	1	1	1
Speed trailers	3	4	4	4	4	3	3	3	3	3
Highways and streets										
Streets (miles)	89.5	89.5	88.5	88.5	88.5	88.5	88.5	88.5	88.5	88.5
Highways (miles)	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Traffic signals	5	5	5	5	5	4	4	4	4	4
Parks and Recreation										
Open space - recreation (acres)	1,186	1,186	1,186	1,186	1,186	1,186	1,186	1,186	1,186	1,186
Open space - conservation (acres)	3,584	3,584	3,584	3,554	3,554	3,554	3,554	3,554	3,554	3,554
Sewer										
Sanitary sewers (miles)	33.2	32.8	32.7	32.7	32	18	18	18	18	18
Water*										
<i>Desert Hills Water Company</i>										
Water lines (miles)	54.5	54.4	54.3	54.2	54.2	54	54	54	54	54
Pump stations	4	4	4	4	4	4	4	4	4	4
<i>Cave Creek Water Company</i>										
Water lines (miles)	111.96	117.8	114.5	133.2	133.2	117	117	117	117	117
Pump stations	13	13	13	16	16	16	16	16	16	16

Source: The Town's internal records.