



Town of Cave Creek, Arizona

Annual Comprehensive Financial Report
Fiscal Year Ended June 30, 2024

Town of Cave Creek, Arizona

Annual Comprehensive Financial Report

Fiscal Year Ended June 30, 2024



Prepared by the Finance Department

Town of Cave Creek, Arizona

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Introductory Section





January 16, 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 2024 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 Baker Tilly US, 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, 2024, 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, 2024, 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 a population of approximately 5,225.

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. In order 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 2023-24 fiscal year, Town revenues were stable with a slight increase over the previous year. The Town sales tax revenues were relatively flat with a minor increase of less than 1%. While construction sales taxes decreased 18%, increases in retail and other categories made up for the construction decrease. The decrease in construction was primarily due to the completion of recent large commercial development projects. Although no major development is projected in the near term, the recently completed commercial construction created new businesses that will continue to generate 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

Providing a quality level of service to the community in the most efficient and cost-effective manner is a mandate of the Town Council. After many months of collaborative effort by the Town Council and the Town's leadership team and staff, the Town Council approved the 2023 Strategic Plan in November 2023. The Strategic Plan serves as the foundation for the Town's goal-setting and budgeting priorities. The five Focus Areas of the Strategic Plan are: Fiscal Sustainability, Economic Vitality, Safe and Vibrant Community, Innovative and High-Performing Organization, and Infrastructure.

Other accomplishments during the year include:

- Recruitment of a new Town Manager and a new Finance Director.
- Construction of new restroom facility at the Cave Creek Rodeo Grounds.
- Creation of a public trails map depicting all legal non-motorized trails and pathways in the Town.

For the Future

The focus of the upcoming year will be on continuing the effort to establish and maintain stable revenues, and continue the rural, low-density lifestyle of the community. Priorities identified include:

- Continued development of fire and emergency services for residents with no increase in taxes. Construction of the remodeled Fire Station #1 was completed in December 2024.
- Continued focus on traffic and pedestrian safety measures and road improvements after several years of underfunding and delayed maintenance.
- 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.
- Engage with the Arizona State Land Trust as to the future disposition of 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 of 10% of General Fund sales tax and state-shared revenues for contingencies in the budgeting process helped the Town remain fiscally prudent by reserving resources to meet unforeseen circumstances or opportunities that might occur or become available during the fiscal year. The Town is additionally required by policy to maintain unrestricted fund balance equal to three months of operating expenses.

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, 2023. This was the 26th consecutive year that the Town has achieved this prestigious award. In order 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.

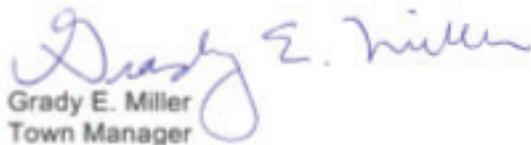
The Government Finance Officers Association (GFOA) also awarded a Distinguished Budget Presentation Award for the Annual Budget for fiscal year 2023-24. This was the fourth consecutive year the Town has achieved this designation. To qualify for the Distinguished Budget Presentation Award, the Town's 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



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, 2023

Christopher P. Morrill

Executive Director/CEO

Town of Cave Creek, Arizona



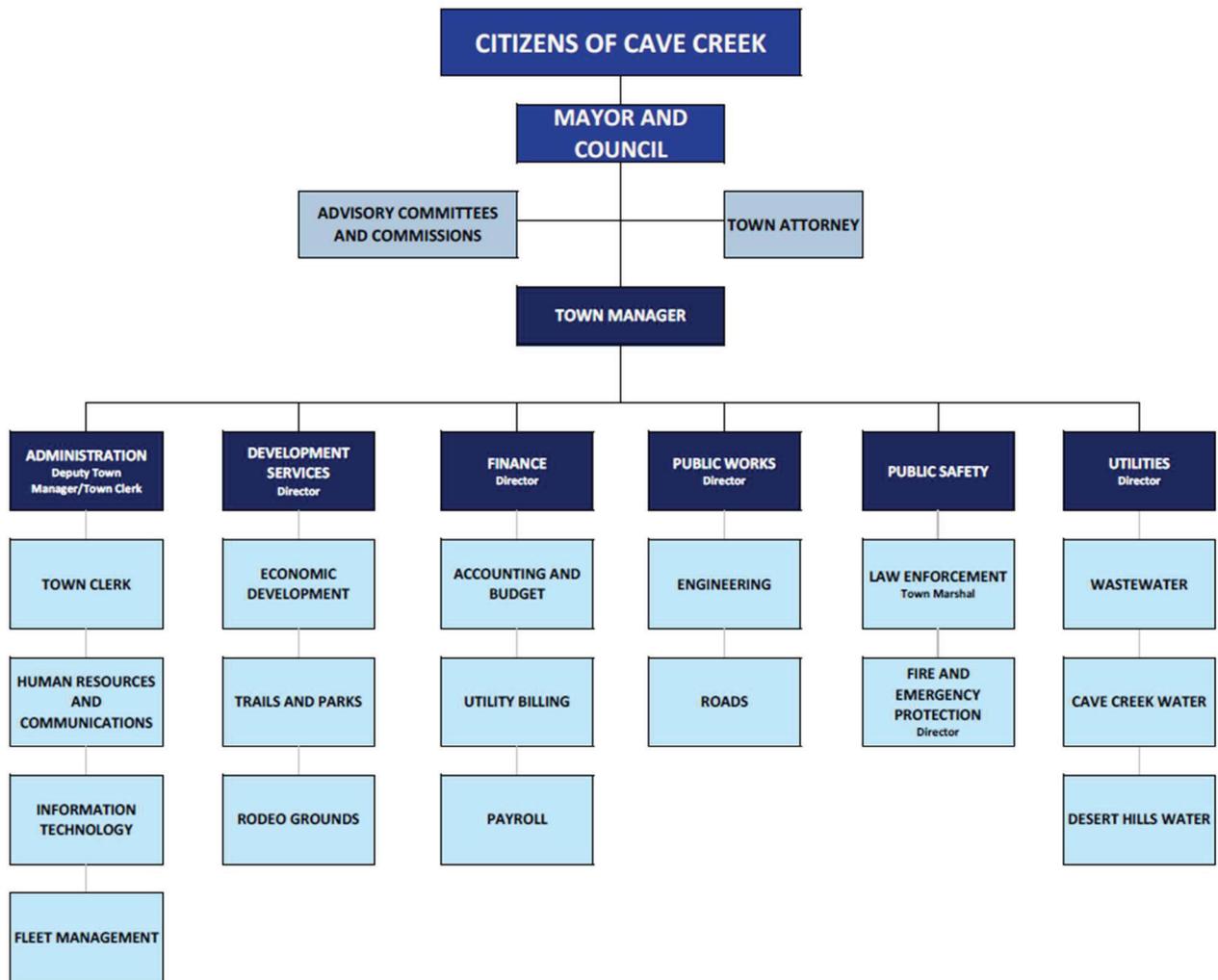
List of Principal Officials

ELECTED OFFICIALS

Mayor	Robert Morris
Vice-Mayor	Kathryn Royer
Councilmember	Tom Augheron
Councilmember	Ernie Bunch
Councilmember	Paul Eelkema
Councilmember	Thomas McGuire
Councilmember	Dusty Rhoades

APPOINTED OFFICIALS

Town Manager	Grady E. Miller
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Financial Section



Independent Auditors' Report

To the Town Council of
Town of Cave Creek, Arizona

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Cave Creek, Arizona (the Town), as of and for the year ended June 30, 2024, 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 referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town as of June 30, 2024 and the respective changes in financial position and, where applicable, cash flows 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 (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditors' 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.

Emphasis of Matter

As discussed in Note 1, the Town adopted the provisions of Government Accounting Standards Board Statement No. 100, Accounting Changes and Error Corrections effective July 1, 2023. Our opinions are not modified with respect to this matter.

Other Matter

Compliance Over Use of Highway User Revenue Fund and Other Dedicated State Transportation Revenue Monies

In connection with our audit, nothing came to our attention that caused us to believe that the Town failed to comply with the authorized transportation purposes, insofar as they relate to accounting matters, for Highway User Revenue Fund monies it received pursuant to Arizona Revised Statutes Title 28, Chapter 18, Article 2, and any other dedicated State transportation revenues it received. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Town's noncompliance with the authorized transportation purposes referred to above, insofar as they relate to accounting matters.

The communication related to compliance over the use of Highway User Revenue Fund and other dedicated State transportation revenue monies in the preceding paragraph is intended solely for the information and use of the members of the Arizona State Legislature, the Arizona Auditor General, the Town's Council and management, and other responsible parties within the Town and is not intended to be and should not be used by anyone other than these specified parties.

Responsibilities of Management for the Financial Statements

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.

Auditors' 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 auditors' 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 required supplementary information, as listed in the table of contents and Management's Discussion and Analysis, 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 financial information listed as supplementary information in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 supplementary information 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 section and statistical section but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic 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 basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic 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 January 16, 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 the Town's 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.

Baker Tilly US, LLP

Tempe, Arizona
January 16, 2025

Financial Section

Management's Discussion and Analysis



Town of Cave Creek, Arizona

Management's Discussion and Analysis
Year Ended June 30, 2024

We, the management of the Town of Cave Creek, Arizona (Town), are pleased to provide an overview of the Town's financial activities for the fiscal year ended June 30, 2024. The intended purpose of Management's Discussion and Analysis (MD&A) is to provide an introduction to the basic financial statements that provides an objective and easy to read analysis of the Town's financial activities based on currently known facts, decisions, and conditions, by providing an easily readable summary of operating results and reasons for changes, which will help to determine if the Town's financial position improved or deteriorated over the past year. This report addresses current operational activities, the sources, uses, and changes in resources, adherence to budget, service levels, limitations, and significant economic factors. When referring to prior year data in this analysis, we will be drawing upon information from last year's audited financial reports. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the Town's letter of transmittal, which can be found on pages i-iv of this 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 \$103.9 million (net position). Of this amount \$35.4 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 \$10.4 million due to increases in net investment in capital assets that were the result of construction in progress of the Phoenix Interconnect and fire station remodel projects.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$36.7 million, a decrease of \$0.5 million in comparison with the prior year. Approximately 20% of this amount (\$7.2 million) is available for spending at the Town's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$7.2 million or 50% of total General Fund expenditures (\$14.5 million).
- Actual General Fund revenues were greater than budgeted revenues by \$0.5 million for fiscal year ending June 30, 2024. This was mostly due to investment earnings revenues exceeding budget by \$0.9 million with interest rates continuing to remain at a higher level than anticipated. Actual expenditures were \$3.1 million less than budgeted in the General Fund.

Overview of the Financial Statements

The financial section of the Annual Comprehensive Financial Report (ACFR) for the Town consists of this discussion and analysis, the basic financial statements and the required and other supplementary schedules presented after the basic financial statements. The basic financial statements include the Government-Wide Financial Statements, Fund Financial Statements, including the Budgetary Statements for the General Fund and major Special Revenue Funds, and notes to the basic financial statements.

Town of Cave Creek, Arizona

Management's Discussion and Analysis
Year Ended June 30, 2024

Government-Wide Financial Statements

The Government-Wide Financial Statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to private-sector business.

The Statement of Net Position presents information on all the Town's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as useful indicator of whether the financial position of the Town is improving or deteriorating.

The Statement of Activities presents information showing how the Town's net 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 vacation leave).

Both of the 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, culture and recreation, and health and welfare. The business-type activities include wastewater and water operations. These Government-Wide Financial Statements can be found as noted in the Table of Contents.

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 funds 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 the Town's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the Government-Wide Financial Statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the Government-Wide Financial Statements. By doing so, readers may better understand the long-term impact of the Town's near-term financing decisions. Both the Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Town of Cave Creek, Arizona

Management's Discussion and Analysis
Year Ended June 30, 2024

The Town maintains seven individual governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, Highway User Revenue Fund and Spur Cross & Open Space Acquisition Fund, which are considered the Town's major funds. Data from the other four governmental funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the Combining and Individual Fund Statements and Schedules section of this report.

The basic Governmental Fund Financial Statements can be found as noted in 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 a business-type activity 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, Cave Creek Water System, and Desert Hills Water System Funds, which are all considered to be major funds.

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

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Government-Wide and Fund Financial Statements. The notes to financial statements can be found as noted in the Table of Contents.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information regarding the Town's budgetary comparison schedules for its major governmental funds and regarding the Town's progress in funding its obligations to provide pension benefits to its employees. Budgetary comparisons have been provided for these funds to demonstrate compliance with the budget. Required supplementary information concerning the Town's pension benefits follows the budgetary comparison schedules for major governmental funds. The required supplementary information related to budgetary comparison schedules and employee pension schedules can be found as noted in the Table of Contents.

The combining statements referred to earlier in connection with nonmajor governmental funds and their related budgetary comparison schedules are presented immediately following the required supplementary information on pensions. Combining and Individual Fund Statements and Schedules can be found as noted in the Table of Contents.

Town of Cave Creek, Arizona

Management's Discussion and Analysis
Year Ended June 30, 2024

Government-Wide Financial Analysis

As noted earlier, net position over time may serve as useful indicator of the Town's financial position. In the case of the Town, the condensed Statement of Net Position of the Town for June 30, 2024 shows that assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$103.9 million.

Town of Cave Creek, Arizona Condensed Statement of Net Position						
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2024	2023	2024	2023	2024	2023
Assets:						
Current and other assets	\$ 37,791,262	\$ 37,952,693	\$ 7,388,205	\$ 7,114,547	\$ 45,179,467	\$ 45,067,240
Capital assets	20,848,990	17,398,613	66,935,999	65,197,022	87,784,989	82,595,635
Total assets	<u>58,640,252</u>	<u>55,351,306</u>	<u>74,324,204</u>	<u>72,311,569</u>	<u>132,964,456</u>	<u>127,662,875</u>
Deferred outflows of resources	<u>465,282</u>	<u>576,189</u>	<u>281,224</u>	<u>338,399</u>	<u>746,506</u>	<u>914,588</u>
Liabilities:						
Long-term liabilities outstanding	3,273,552	3,002,082	23,240,436	27,569,077	26,513,988	30,571,159
Other liabilities	<u>856,851</u>	<u>493,066</u>	<u>2,064,410</u>	<u>3,556,251</u>	<u>2,921,261</u>	<u>4,049,317</u>
Total liabilities	<u>4,130,403</u>	<u>3,495,148</u>	<u>25,304,846</u>	<u>31,125,328</u>	<u>29,435,249</u>	<u>34,620,476</u>
Deferred inflows of resources	<u>270,170</u>	<u>391,390</u>	<u>90,741</u>	<u>74,978</u>	<u>360,911</u>	<u>466,368</u>
Net position:						
Net investment in capital assets	20,346,069	17,311,598	45,947,060	40,028,677	66,293,129	57,340,275
Restricted	412,762	674,531	1,803,132	1,803,132	2,215,894	2,477,663
Unrestricted	<u>33,946,130</u>	<u>34,054,825</u>	<u>1,459,649</u>	<u>(382,147)</u>	<u>35,405,779</u>	<u>33,672,678</u>
Total net position	<u>\$ 54,704,961</u>	<u>\$ 52,040,954</u>	<u>\$ 49,209,841</u>	<u>\$ 41,449,662</u>	<u>\$ 103,914,802</u>	<u>\$ 93,490,616</u>

Net position consists of three components. The largest portion of the Town's net position (63.8%) reflects its investment in capital assets (e.g., land, infrastructure, buildings, furniture, equipment and vehicles), 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.

An additional portion of the Town's net position (2.1%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (34.1%) may be used to meet the Town's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Town reported positive balances in all three categories of net position for the governmental activities and business-type activities.

Town of Cave Creek, Arizona

Management's Discussion and Analysis
Year Ended June 30, 2024

The condensed Statement of Activities of the Town for June 30, 2024 shows that overall net position increased \$10.9 million from the prior fiscal year.

Town of Cave Creek, Arizona Condensed Statement of Activities Fiscal Years Ended June 30, 2024 and 2023						
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2024	2023	2024	2023	2024	2023
Revenues:						
Program revenues:						
Charges for service	\$ 1,289,937	\$ 1,261,939	\$ 10,710,693	\$ 10,610,267	\$ 12,000,630	\$ 11,872,206
Operating grants and contributions	552,019	512,325	-	-	552,019	512,325
Capital grants and contributions	-	273,564	724,318	-	724,318	273,564
General revenues:						
Taxes	11,335,389	11,618,503	2,203,237	1,833,496	13,538,626	13,451,999
Intergovernmental	2,391,752	1,956,364	1,949,776	-	4,341,528	1,956,364
Investment earnings	1,764,007	983,877	180,843	4,659	1,944,850	988,536
Miscellaneous	9,491	130,105	47,063	14,387	56,554	144,492
Total revenues	<u>17,342,595</u>	<u>16,736,677</u>	<u>15,815,930</u>	<u>12,462,809</u>	<u>33,158,525</u>	<u>29,199,486</u>
Expenses:						
General government	5,156,130	5,021,288	-	-	5,156,130	5,021,288
Public safety	4,295,846	3,598,656	-	-	4,295,846	3,598,656
Highways and streets	2,065,328	1,125,032	-	-	2,065,328	1,125,032
Culture and recreation	489,991	227,352	-	-	489,991	227,352
Health and welfare	15,402	-	-	-	15,402	-
Interest on long-term debt	6,892	1,851	-	-	6,892	1,851
Wastewater system	-	-	2,363,361	2,319,628	2,363,361	2,319,628
Cave Creek Water System	-	-	5,347,631	5,733,318	5,347,631	5,733,318
Desert Hills Water System	-	-	2,993,758	3,023,198	2,993,758	3,023,198
Total expenses	<u>12,029,589</u>	<u>9,974,179</u>	<u>10,704,750</u>	<u>11,076,144</u>	<u>22,734,339</u>	<u>21,050,323</u>
Increase in net position before transfers	5,313,006	6,762,498	5,111,180	1,386,665	10,424,186	8,149,163
Transfers	<u>(2,648,999)</u>	<u>-</u>	<u>2,648,999</u>	<u>-</u>	<u>-</u>	<u>-</u>
Increase in net position	2,664,007	6,762,498	7,760,179	1,386,665	10,424,186	8,149,163
Net position, beginning	<u>52,040,954</u>	<u>45,278,456</u>	<u>41,449,662</u>	<u>40,062,997</u>	<u>93,490,616</u>	<u>85,341,453</u>
Net position, ending	<u>\$ 54,704,961</u>	<u>\$ 52,040,954</u>	<u>\$ 49,209,841</u>	<u>\$ 41,449,662</u>	<u>\$ 103,914,802</u>	<u>\$ 93,490,616</u>

Town of Cave Creek, Arizona

Management's Discussion and Analysis
Year Ended June 30, 2024

Governmental Activities - During the current fiscal year, governmental activities increased the Town's net position by \$2.7 million.

Total revenues increased \$0.6 million (4%) from the prior fiscal year. Program revenues, which are comprised of charges for services, operating and capital grants and contributions, decreased \$0.2 million (10%) largely due to a one-time grant for a street sweeper in the prior fiscal year. General revenues, which include local taxes, state revenue sharing, investment income, and other revenues, increased \$0.8 million (6%) due to increases in investment earnings as a result of interest rates continuing to remain at a higher level than anticipated.

Expenses increased approximately \$2.1 million, or 21%. Public safety expenses increased \$0.7 million or 19% due to an increase in pension expense for the Public Safety Personnel Retirement System (PSPRS) and an increase in the intergovernmental agreement with the Maricopa County Sheriff's Office for law enforcement services. Highways and streets expenses increased \$0.9 million or 84% primarily due to accounting entries to reclassify streets-related costs previously categorized as general government in the prior fiscal year. Culture and recreation expenses increased \$0.3 million or 116% due to accounting entries to reclassify trails and rodeo grounds maintenance costs and depreciation of capital assets previously categorized as general government in the prior fiscal year. After the offset of the reclassification of costs to highways and streets and culture and recreation, the net increase in general government expenses of \$0.1 million or 3% included increases in personnel costs related to turnover, reclassification of positions, and professional services to cover interim vacancies.

Transfers from governmental activities of \$2.6 million to business-type activities included \$1.8 million of subsidies for the wastewater and Cave Creek water systems and \$0.8 million from sales taxes earmarked for water infrastructure.

Business-Type Activities - During the current fiscal year, business-type activities increased the Town's net position by \$7.8 million.

Total revenues increased \$3.4 million (27%) from the prior fiscal year. Program revenues, which are comprised of charges for services, and capital grants and contributions, increased \$0.8 million (8%) due to annual increases in service rates. In 2022, the Town Council approved annual utility rate increases through 2028. General revenues, which include local taxes, unrestricted grants, investment income, and other revenues, increased \$2.5 million (136%) due to accounting entries to reallocate sales tax revenues in accordance with the Town ordinance establishing the dedication of a half-cent toward payment of debt service for sewer and water systems, as well as increases in investment earnings resulting from interest rates continuing to remain at a higher level than anticipated.

Expenses decreased approximately \$0.4 million (3%) due to an accounting entry in the prior fiscal year to write off a capital improvement project that did not result in construction as originally anticipated during the design process.

As discussed above, transfers from governmental activities of \$2.6 million to business-type activities included \$1.8 million of subsidies for the wastewater and Cave Creek water systems and \$0.8 million from sales taxes earmarked for water infrastructure.

Town of Cave Creek, Arizona

Management's Discussion and Analysis
Year Ended June 30, 2024

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 on essential governmental services. Such information is useful in assessing the Town's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the Town's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$36.7 million, a decrease of \$0.5 million (1%) in comparison with the prior fiscal year.

At fiscal year-end, fund balances were as follows:

	<u>June 30, 2024</u> <u>Balances</u>	<u>Increase</u> <u>(Decrease) From</u> <u>Prior Year</u>
Fund:		
General Fund	\$ 31,194,289	\$ (667,342)
Highway User Revenue Fund	228,905	(113,757)
Spur Cross and Open Space Acquisition	1,482,994	(195,957)
Nonmajor Governmental Funds	3,781,378	427,654

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 \$7.2 million, while total fund balance was \$31.2 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 50% of total General Fund expenditures, while the General Fund total fund balance represents 253% of that same amount.

During the current fiscal year, the fund balance of the Town's General Fund decreased by \$0.7 million. This change is primarily due to the catch-up of subsidies to the Wastewater Fund.

The Highway User Revenue fund balances are expected to be fully expended within each year, or soon after. In the current fiscal year, revenues exceeded expenditures by \$0.1 million due to utilization of accumulated fund balance.

The Spur Cross and Open Space Acquisition fund decreased by \$0.2 million due to allocation of accumulated Spur Cross sales tax balances to the Water Infrastructure Fund and the General Fund in accordance with the Town ordinance.

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 an accumulation of fund balance in the Water Infrastructure Fund for use toward future capital improvement projects.

Town of Cave Creek, Arizona

Management's Discussion and Analysis
Year Ended June 30, 2024

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.

The net position of the Wastewater Fund increased \$3.1 million due to the annual increases in service rates, accounting entries to reallocate sales tax revenues in accordance with the Town ordinance establishing the dedication of a half-cent toward payment of debt service for sewer and water systems, the catch-up of subsidies from the General Fund, and the reduction of long-term debt in accordance with the debt retirement schedules.

The net position of the Cave Creek Water System Fund increased \$3.9 due to the catch-up of subsidies from the General Fund, grant funding for the Phoenix Interconnect and the water meter replacement projects, increases in investment earnings resulting from interest rates continuing to remain at a higher level than anticipated, and the reduction of long-term debt in accordance with the debt retirement schedules.

The net position of the Desert Hills Water System Fund increased \$0.8 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 \$63,770 transfer from contingency to the Town Manager's Office for costs related to turnover and employee compensation and benefits studies identified in the November 2023 Strategic Plan. These were not anticipated at the time of the budget preparation.
- A \$102,940 transfer from contingency to the Finance Department for costs related to turnover, professional services to cover interim vacancies, and a cost allocation and user fee study identified in the November 2023 Strategic Plan. These were not anticipated at the time of the budget preparation.
- A \$39,860 transfer from contingency to the Town Council for costs related to recruitment and professional services for development of performance metrics to be used in the budgeting process identified in the November 2023 Strategic Plan. These were not anticipated at the time of the budget preparation.
- A \$294,650 transfer from contingency to the Fire and Emergency Services Department for progress on the fire station remodel project that exceeded the timeline anticipated at the time of the budget preparation.

Town of Cave Creek, Arizona

Management's Discussion and Analysis
Year Ended June 30, 2024

Final Budget Compared to Actual Results - General Fund revenues of \$14.3 million were more than budgeted revenues by \$0.5 million (4%) due to increases in investment earnings resulting from interest rates continuing to remain at a higher level than anticipated.

General Fund expenditures of \$14.5 million were less than budgeted revenues by \$2.9 million (16% less). Unspent contingencies were \$0.7 million. Public Works Department expenditures were less than budgeted by \$1.3 million largely due to delays in some capital improvement road projects, as well as savings in other capital improvement road projects. Development Services Department expenditures were less than budgeted by \$0.4 million as a result of a trailhead project that was cancelled, as well as delays in a pedestrian pathway project due to a reevaluation of other Town priorities that took precedence.

Capital Assets and Debt Administration

Capital Assets

The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2024 amounts to \$87.8 million (net of accumulated depreciation/amortization). This investment in capital assets includes land and improvements, buildings and improvements, machinery, equipment, vehicles, infrastructure, utility systems and improvements, and right-to-use subscription and lease assets. The total increase in capital assets for the current fiscal year was \$5.2 million (6%).

The following table provides a breakdown of the capital assets of the Town at June 30, 2024 and 2023:

Town of Cave Creek, Arizona Capital Assets, Net of Accumulated Depreciation/Amortization As of June 30, 2024 and 2023						
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2024	2023	2024	2023	2024	2023
Land	\$ 10,342,232	\$ 10,342,232	\$ 7,930,088	\$ 7,930,088	\$ 18,272,320	\$ 18,272,320
Construction in progress	2,885,548	274,181	4,675,167	1,486,760	7,560,715	1,760,941
Utility systems and improvements	-	-	53,880,735	55,296,016	53,880,735	55,296,016
Infrastructure	3,040,733	2,452,862	-	-	3,040,733	2,452,862
Land improvements	598,937	671,216	-	-	598,937	671,216
Buildings and improvements	2,201,668	1,860,512	-	-	2,201,668	1,860,512
Machinery, equipment and vehicles	1,576,848	1,714,299	450,012	484,160	2,026,860	2,198,459
Right-to-use leased buildings	71,410	83,311	-	-	71,410	83,311
Right-to-use subscription assets	131,614	-	-	-	131,614	-
Total capital assets	\$ 20,848,990	\$ 17,398,613	\$ 66,936,002	\$ 65,197,024	\$ 87,784,992	\$ 82,595,637

Town of Cave Creek, Arizona

Management's Discussion and Analysis
Year Ended June 30, 2024

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

- Remodel of Fire Station #1
- Various road improvements
- Construction of the Phoenix Interconnect project to improve the reliability of the Town's water supply by creating a second way to treat and deliver the Town's water supply from the Central Arizona Project
- Rehabilitation of the wastewater collection system
- Water meter replacements to an automatic metering infrastructure system

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

Long-Term Debt

At the end of the current fiscal year, the Town had total long-term debt outstanding, of \$21.5 million. Of this amount, \$21.0 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, leases payable, and subscription liabilities.

The Town's total debt decreased by \$4.2 million (16%) during the current fiscal year as a result of debt payments made in accordance with debt retirement schedules.

The State imposes certain debt limitations on the Town of 6% and 20% of the outstanding secondary assessed valuation of the Town depending on the type of general obligation bonds. Since the Town has no general obligation bonds, the current debt limit and available debt margin were \$11.2 million in the 6% capacity and \$37.5 million in the 20% capacity. Additional information on the debt limitations and capacities may be found in the Statistical Section of this report, as noted in the Table of Contents.

The following schedule shows the outstanding debt of the Town as of June 30, 2024 and 2023.

	Town of Cave Creek, Arizona Outstanding Debt As of June 30, 2024 and 2023					
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2024	2023	2024	2023	2024	2023
Notes payable	\$ -	\$ -	\$ 9,626,239	\$ 11,690,445	\$ 9,626,239	\$ 11,690,445
Private placement bond	-	-	11,363,700	13,477,900	11,363,700	13,477,900
Water agreement	-	-	305,869	473,136	305,869	473,136
Leases payable	76,661	87,015	-	-	76,661	87,015
Subscription liabilities	131,614	-	-	-	131,614	-
Total outstanding debt	<u>\$ 208,275</u>	<u>\$ 87,015</u>	<u>\$ 21,295,808</u>	<u>\$ 25,641,481</u>	<u>\$ 21,504,083</u>	<u>\$ 25,728,496</u>

Further detail on the Town's outstanding debt may be found in Note 6.

Town of Cave Creek, Arizona

Management's Discussion and Analysis
Year Ended June 30, 2024

Economic Factors and Next Year's Budgets and Rates

The following factors currently affect the Town and were considered in developing the fiscal year 2025 budget.

- The overall economy remains steady, and home and land values have maintained their values.
- A 3.5% salary increase for employees with satisfactory performance and above has been included.
- The completion of the fire station remodel at \$2.9 million and acquisition of fire vehicles and equipment at \$925,000 has been included.
- A focus on traffic and pedestrian safety measures and road improvements of \$3.5 million has been included, as well as updates to the pavement management plan and implementation of pedestrian safety study recommendations.
- A placeholder of \$1.6 million has been included in case an opportunity for land acquisition arises during the year.
- The continued construction of the Phoenix Interconnect project has been included at \$13.7 million and is anticipated to be completed in fiscal year 2026.

Overall, the good financial condition of the Town is maintained, and the actions of the Town Council will help to ensure this continues.

Financial Contact

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. Questions about any of the information provided in this report, or requests for additional financial information should be addressed to:

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

Or visit our website at: www.cavecreekaz.gov.



Financial Section

Government-Wide Financial Statements



Town of Cave Creek, Arizona

Statement of Net Position
June 30, 2024

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 34,931,910	\$ 3,815,143	\$ 38,747,053
Accounts receivable, net	136,548	1,820,984	1,957,532
Taxes receivables	1,402,315	261,066	1,663,381
Due from other governments	72,538	-	72,538
Leases receivable	127,297	-	127,297
Internal balances	368,775	(368,775)	-
Prepaid items	751,879	56,655	808,534
Restricted cash and cash equivalents	-	1,803,132	1,803,132
Capital assets:			
Capital assets not depreciated/amortized	13,227,780	12,605,254	25,833,034
Capital assets, net of depreciation/amortization	7,621,210	54,330,745	61,951,955
Total assets	<u>58,640,252</u>	<u>74,324,204</u>	<u>132,964,456</u>
Deferred Outflows of Resources			
Deferred outflows of resources related to pensions	465,282	281,224	746,506
Total deferred outflows of resources	<u>465,282</u>	<u>281,224</u>	<u>746,506</u>
Liabilities			
Accounts payable	445,041	1,613,459	2,058,500
Accrued payroll and employee benefits	113,541	81,876	195,417
Accrued interest payable	-	234,929	234,929
Deposits	-	134,146	134,146
Retainage payable	294,646	-	294,646
Unearned revenue	3,623	-	3,623
Noncurrent liabilities:			
Due within one year			
Compensated absences	77,137	37,926	115,063
Subscription liability	64,625	-	64,625
Lease payable	10,563	-	10,563
Water agreement	-	151,364	151,364
Notes payable	-	2,136,812	2,136,812
Private placement bonds	-	2,140,200	2,140,200
Due in more than one year			
Compensated absences	127,487	72,738	200,225
Subscription liability	66,989	-	66,989
Lease payable	66,098	-	66,098
Water agreement	-	154,505	154,505
Notes payable	-	7,488,427	7,488,427
Private placement bonds	-	9,223,500	9,223,500
Net pension liability	2,860,653	1,834,964	4,695,617
Total liabilities	<u>4,130,403</u>	<u>25,304,846</u>	<u>29,435,249</u>
Deferred Inflows of Resources			
Deferred inflows of resources related to leases	119,894	-	119,894
Deferred inflows of resources related to pensions	150,276	90,741	241,017
Total deferred inflows of resources	<u>270,170</u>	<u>90,741</u>	<u>360,911</u>
Net Position			
Net investment in capital assets	20,346,069	45,947,060	66,293,129
Restricted for:			
Franchise capital expenditures	8,414	-	8,414
Highways and streets	228,905	-	228,905
Law enforcement	8,780	-	8,780
Debt service	-	1,803,132	1,803,132
Opioid Settlement	166,663	-	166,663
Unrestricted	33,946,130	1,459,649	35,405,779
Total net position	<u>\$ 54,704,961</u>	<u>\$ 49,209,841</u>	<u>\$ 103,914,802</u>

See notes to financial statements

Town of Cave Creek, Arizona

Statement of Activities
Year Ended June 30, 2024

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Totals
Governmental Activities							
General government	\$ 5,156,130	\$ 1,091,512	\$ -	\$ -	\$ (4,064,618)	\$ -	\$ (4,064,618)
Public safety	4,295,846	106,820	2,768	-	(4,186,258)	-	(4,186,258)
Highways and streets	2,065,328	63,230	378,603	-	(1,623,495)	-	(1,623,495)
Culture and recreation	489,991	28,375	-	-	(461,616)	-	(461,616)
Health and welfare	15,402	-	170,648	-	155,246	-	155,246
Interest on long-term debt	6,892	-	-	-	(6,892)	-	(6,892)
Total governmental activities	12,029,589	1,289,937	552,019	-	(10,187,633)	-	(10,187,633)
Business-Type Activities							
Wastewater	2,363,361	1,416,947	-	199,474	-	(746,940)	(746,940)
Cave Creek Water System	5,347,631	5,607,635	-	510,279	-	770,283	770,283
Desert Hills Water System	2,993,758	3,686,111	-	14,565	-	706,918	706,918
Total business-type activities	10,704,750	10,710,693	-	724,318	-	730,261	730,261
Total primary government	<u>\$ 22,734,339</u>	<u>\$ 12,000,630</u>	<u>\$ 552,019</u>	<u>\$ 724,318</u>	<u>(10,187,633)</u>	<u>730,261</u>	<u>(9,457,372)</u>
Total General Revenues and Transfers							
Taxes:							
Sales taxes, unrestricted					10,976,547	2,203,237	13,179,784
Franchise fees					358,842	-	358,842
State shared revenue, unrestricted					1,360,731	-	1,360,731
State sales tax revenue sharing, unrestricted					776,506	-	776,506
Auto lieu tax revenue sharing					254,515	-	254,515
Grants and contributions not restricted to specific programs					-	1,949,776	1,949,776
Investment income					1,764,007	180,843	1,944,850
Miscellaneous					9,491	37,563	47,054
Gain on sale of capital asset					-	9,500	9,500
Transfers					(2,648,999)	2,648,999	-
Total general revenues					12,851,640	7,029,918	19,881,558
Changes in net position					2,664,007	7,760,179	10,424,186
Net Position, Beginning					52,040,954	41,449,662	93,490,616
Net Position, Ending					<u>\$ 54,704,961</u>	<u>\$ 49,209,841</u>	<u>\$ 103,914,802</u>

See notes to financial statements

Financial Section

Government Funds Financial Statements

Major Funds

General Fund - This fund is the general operating fund of the Town. It accounts for all financial resources of the Town, except those required to be accounted for in other funds.

Highway User Revenue Fund (HURF) - This special revenue fund accounts for the funding obtained through gas and fuel taxes distributed from the State of Arizona.

Spur Cross and Open Space Acquisition Fund - This fund 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.

Nonmajor Funds - Other governmental funds are the nonmajor funds and are special revenue, and capital project funds.



Town of Cave Creek, Arizona

Balance Sheet - Governmental Funds
June 30, 2024

	General Fund	Highway User Revenue	Spur Cross and Open Space Acquisition	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Assets					
Cash and cash equivalents	\$ 29,747,703	\$ 190,300	\$ 1,221,928	\$ 3,771,979	\$ 34,931,910
Accounts receivable	198	-	-	136,350	136,548
Due from other governments	33,933	38,605	-	-	72,538
Taxes receivable	1,141,249	-	261,066	-	1,402,315
Leases receivable	127,297	-	-	-	127,297
Due from other funds	368,775	-	-	-	368,775
Prepaid items	751,879	-	-	-	751,879
	<u>32,171,034</u>	<u>228,905</u>	<u>1,482,994</u>	<u>3,908,329</u>	<u>37,791,262</u>
Total assets	<u>\$ 32,171,034</u>	<u>\$ 228,905</u>	<u>\$ 1,482,994</u>	<u>\$ 3,908,329</u>	<u>\$ 37,791,262</u>
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities					
Accounts payable	\$ 445,041	\$ -	\$ -	\$ -	\$ 445,041
Accrued payroll and employee benefits	113,541	-	-	-	113,541
Retainage payable	294,646	-	-	-	294,646
Unearned revenue	3,623	-	-	-	3,623
	<u>856,851</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>856,851</u>
Total liabilities	<u>856,851</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>856,851</u>
Deferred Inflows of Resources					
Unavailable revenue, opioid settlement	-	-	-	126,951	126,951
Resources related to leases	119,894	-	-	-	119,894
	<u>119,894</u>	<u>-</u>	<u>-</u>	<u>126,951</u>	<u>246,845</u>
Total deferred inflows of resources	<u>119,894</u>	<u>-</u>	<u>-</u>	<u>126,951</u>	<u>246,845</u>
Fund Balances					
Nonspendable:					
Advances to other funds	368,775	-	-	-	368,775
Prepaid items	751,879	-	-	-	751,879
Restricted to:					
Law enforcement	-	-	-	8,780	8,780
Franchise capital expenditures	8,414	-	-	-	8,414
Highways and Streets	-	228,905	-	-	228,905
Other	-	-	-	39,712	39,712
Committed for:					
Open space acquisition	-	-	1,482,994	-	1,482,994
Capital projects	-	-	-	3,732,886	3,732,886
Assigned for:					
Capital projects	22,828,557	-	-	-	22,828,557
Unassigned	7,236,664	-	-	-	7,236,664
	<u>31,194,289</u>	<u>228,905</u>	<u>1,482,994</u>	<u>3,781,378</u>	<u>36,687,566</u>
Total fund balances	<u>31,194,289</u>	<u>228,905</u>	<u>1,482,994</u>	<u>3,781,378</u>	<u>36,687,566</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 32,171,034</u>	<u>\$ 228,905</u>	<u>\$ 1,482,994</u>	<u>\$ 3,908,329</u>	<u>\$ 37,791,262</u>

See notes to financial statements

Town of Cave Creek, Arizona

Reconciliation of the Balance Sheet to the Statement of Net Position - Governmental Funds
June 30, 2024

Fund Balance - Total Governmental Funds Balance Sheet		\$ 36,687,566
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the governmental funds:		
Governmental capital assets	\$ 32,007,051	
Governmental right-to-use assets	302,821	
Less accumulated depreciation/amortization	<u>(11,460,882)</u>	20,848,990
Some receivables are not available to pay for current-period expenditures, and therefore, are reported as unavailable revenue in the funds.		
		126,951
Long-term liabilities, including net pension liabilities, leases payable and compensated absences, are not due and payable in the current period, and therefore, are not reported in the funds:		
Net pension liability	(2,860,653)	
Compensated absences	(204,624)	
Leases payable	(76,661)	
Subscription-based IT arrangement	<u>(131,614)</u>	(3,273,552)
Deferred outflows and inflows of resources related to pensions are applicable to future reporting periods, and therefore, are not reported in the funds:		
Deferred outflows of resources related to pensions	465,282	
Deferred inflows of resources related to pensions	<u>(150,276)</u>	<u>315,006</u>
Net Position of Governmental Activities		<u>\$ 54,704,961</u>

See notes to financial statements

Town of Cave Creek, Arizona

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
Year Ended June 30, 2024

	General Fund	Highway User Revenue	Spur Cross and Open Space Acquisition	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Sales taxes	\$ 8,773,310	\$ -	\$ 2,203,237	\$ -	\$ 10,976,547
Franchise fees	358,842	-	-	-	358,842
Intergovernmental	2,391,752	378,603	-	46,465	2,816,820
Licenses and permits	988,166	-	-	-	988,166
Charges for services	147,042	-	678	-	147,720
Rents and royalties	154,051	-	-	-	154,051
Investment income	1,432,368	15,519	164,450	151,670	1,764,007
Miscellaneous	9,491	-	-	-	9,491
	<u>14,255,022</u>	<u>394,122</u>	<u>2,368,365</u>	<u>198,135</u>	<u>17,215,644</u>
Total revenues					
Expenditures					
Current:					
General government	4,661,448	-	-	-	4,661,448
Public safety	4,014,201	-	-	-	4,014,201
Public works	1,314,102	-	-	-	1,314,102
Culture and recreation	162,371	-	216,000	-	378,371
Health and welfare	-	-	-	15,402	15,402
Capital outlay	4,291,080	507,879	-	47,932	4,846,891
Debt service:					
Principal retirement, leases	74,448	-	-	-	74,448
Interest and fiscal charges	6,892	-	-	-	6,892
	<u>14,524,542</u>	<u>507,879</u>	<u>216,000</u>	<u>63,334</u>	<u>15,311,755</u>
Total expenditures					
Excess (deficiency) of revenues over (under) expenditures	<u>(269,520)</u>	<u>(113,757)</u>	<u>2,152,365</u>	<u>134,801</u>	<u>1,903,889</u>
Other Financing Sources (Uses)					
Subscription-based information technology arrangements	195,708	-	-	-	195,708
Transfers in	1,224,161	-	-	1,130,173	2,354,334
Transfers out	(1,817,691)	-	(2,348,322)	(837,320)	(5,003,333)
	<u>(397,822)</u>	<u>-</u>	<u>(2,348,322)</u>	<u>292,853</u>	<u>(2,453,291)</u>
Total other financing sources (uses)					
Changes in fund balances	(667,342)	(113,757)	(195,957)	427,654	(549,402)
Fund Balances, Beginning	<u>31,861,631</u>	<u>342,662</u>	<u>1,678,951</u>	<u>3,353,724</u>	<u>37,236,968</u>
Fund Balances, Ending	<u>\$ 31,194,289</u>	<u>\$ 228,905</u>	<u>\$ 1,482,994</u>	<u>\$ 3,781,378</u>	<u>\$ 36,687,566</u>

See notes to financial statements

Town of Cave Creek, Arizona

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Year Ended June 30, 2024

Net Change In Fund Balances - Total Governmental Funds \$ (549,402)

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

Governmental funds report capital and other capital expenditures by function as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation/amortization expense.

Expenditures for capitalized assets	\$ 4,465,315	
Less current year depreciation/amortization	<u>(1,014,938)</u>	3,450,377

Town pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the statement of net position because the reported net pension liability is measured a year before the Town's report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the Statement of Activities.

Town pension contributions	305,219	
Pension expense	<u>(605,216)</u>	(299,997)

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

Opioid settlement		126,951
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Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Subscription liability proceeds	(195,708)	
Lease Principal	10,354	
Subscriptions principal	<u>64,094</u>	(121,260)

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.

	<u>57,338</u>
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Change in Net Position of Governmental Activities \$ 2,664,007

Financial Statements

Proprietary Funds

Enterprise Funds

Wastewater - This fund is used to account for the activities of the Town's wastewater utility operations.

Cave Creek Water - This fund is used to account for the activities of the Town's water utility operations in the Cave Creek Water System.

Desert Hills Water - This fund is used to account for the activities of the Town's water utility operations in the Desert Hills Water System.



Town of Cave Creek, Arizona

Statement of Net Position - Proprietary Funds
June 30, 2024

	Business-Type Activities-Enterprise Funds			Total Proprietary
	Wastewater System	Cave Creek Water System	Desert Hills Water System	
Assets				
Current assets:				
Cash and cash equivalents	\$ 1,655,444	\$ 2,159,699	\$ -	\$ 3,815,143
Accounts receivables, net	194,471	959,823	666,690	1,820,984
Taxes receivables	261,066	-	-	261,066
Prepaid items	-	50,130	6,525	56,655
Total current assets	2,110,981	3,169,652	673,215	5,953,848
Noncurrent assets:				
Restricted cash and cash equivalents	-	1,336,541	466,591	1,803,132
Capital assets:				
Nondepreciable	5,904,805	6,516,151	184,298	12,605,254
Depreciable, net	20,220,631	23,739,209	10,370,905	54,330,745
Total noncurrent assets	26,125,436	31,591,901	11,021,794	68,739,131
Total assets	28,236,417	34,761,553	11,695,009	74,692,979
Deferred Outflows of Resources				
Deferred outflows of resources related to pensions				
	48,175	159,214	73,835	281,224
Total deferred outflows of resources	48,175	159,214	73,835	281,224
Liabilities				
Current liabilities:				
Accounts payable	253,123	1,180,519	179,817	1,613,459
Accrued wages and benefits	21,778	38,826	21,272	81,876
Accrued interest payable	58,882	134,920	41,127	234,929
Customer deposits	1,000	84,884	48,262	134,146
Due to other funds	-	-	368,775	368,775
Current portion of:				
Compensated absences	10,245	17,931	9,750	37,926
Water agreement	-	-	151,364	151,364
Notes payable	-	1,730,503	406,309	2,136,812
Private placement bond	1,776,200	-	364,000	2,140,200
Total current liabilities	2,121,228	3,187,583	1,590,676	6,899,487
Long-term portion of:				
Compensated absences	19,648	34,390	18,700	72,738
Water agreement	-	-	154,505	154,505
Notes payable	-	6,181,681	1,306,746	7,488,427
Private placement bond	7,725,500	-	1,498,000	9,223,500
Net pension liability	274,378	1,022,130	538,456	1,834,964
Total liabilities	10,140,754	10,425,784	5,107,083	25,673,621
Deferred Inflows of Resources				
Deferred inflows of resources related to pensions				
	43,176	24,631	22,934	90,741
Total deferred inflows of resources	43,176	24,631	22,934	90,741
Net Position				
Net investment in capital assets	16,623,736	22,343,176	6,980,148	45,947,060
Restricted for:				
Debt service	-	1,336,541	466,591	1,803,132
Unrestricted	1,476,926	790,635	(807,912)	1,459,649
Total net position	\$ 18,100,662	\$ 24,470,352	\$ 6,638,827	\$ 49,209,841

See notes to financial statements

Town of Cave Creek, Arizona

Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds
Year Ended June 30, 2024

	Business-Type Activities-Enterprise Funds			Total Proprietary
	Wastewater System	Cave Creek Water System	Desert Hills Water System	
Operating Revenues				
Charges for services	\$ 1,416,947	\$ 5,607,635	\$ 3,686,111	\$ 10,710,693
Other income	40	12,008	25,515	37,563
Total operating revenue	1,416,987	5,619,643	3,711,626	10,748,256
Operating Expenses				
Cost of sales and services	1,596,673	4,127,430	2,558,697	8,282,800
Depreciation	648,925	950,360	343,562	1,942,847
Total operating expenses	2,245,598	5,077,790	2,902,259	10,225,647
Operating income (loss)	(828,611)	541,853	809,367	522,609
Nonoperating Revenues (Expense)				
Sales taxes	2,203,237	-	-	2,203,237
Investment earnings	-	155,375	25,468	180,843
Interest expense	(117,763)	(269,841)	(91,499)	(479,103)
Gain on sale of capital asset	-	9,500	-	9,500
Total nonoperating revenues (expense)	2,085,474	(104,966)	(66,031)	1,914,477
Income (loss) before transfers	1,256,863	436,887	743,336	2,437,086
Capital Contributions, Capacity Fees	199,474	283,957	14,565	497,996
Capital Contributions, Grants	-	2,176,098	-	2,176,098
Transfers In	1,673,942	975,057	-	2,648,999
Change in net position	3,130,279	3,871,999	757,901	7,760,179
Net Position, Beginning	14,970,383	20,598,353	5,880,926	41,449,662
Net Position, Ending	\$ 18,100,662	\$ 24,470,352	\$ 6,638,827	\$ 49,209,841

See notes to financial statements

Town of Cave Creek, Arizona

Statement of Cash Flows - Proprietary Funds
Year Ended June 30, 2024

	Business-Type Activities-Enterprise Funds			
	Wastewater System	Cave Creek Water System	Desert Hills Water System	Total Proprietary
Cash Flows From Operating Activities				
Receipts from customers and users	\$ 1,416,176	\$ 5,729,300	\$ 3,667,905	\$ 10,813,381
Payments to suppliers	(988,027)	(2,119,949)	(2,087,882)	(5,195,858)
Payments to employees	(592,135)	(1,241,662)	(656,907)	(2,490,704)
Net cash provided (used) by operating activities	<u>(163,986)</u>	<u>2,367,689</u>	<u>923,116</u>	<u>3,126,819</u>
Cash Flows From Noncapital and Related Financing Activities				
Interfund borrowings	-	-	127,561	127,561
Transfers from other funds	1,673,942	975,057	-	2,648,999
Receipts from sales taxes	2,153,827	-	-	2,153,827
Net cash provided (used) by noncapital and related financing activities	<u>3,827,769</u>	<u>975,057</u>	<u>127,561</u>	<u>4,930,387</u>
Cash Flows From Capital and Related Financing Activities				
Acquisition and construction of capital assets	(668,673)	(2,941,728)	(71,423)	(3,681,824)
Proceeds from the sale of capital assets	-	9,500	-	9,500
Proceeds from capital grants	-	226,322	-	226,322
Receipts from capacity fees	199,474	283,957	14,565	497,996
Water agreement with CAP (Note 6)	-	-	(167,267)	(167,267)
Principal paid on capital debt	(1,755,200)	(1,672,709)	(751,497)	(4,179,406)
Interest paid on capital debt	(128,568)	(298,739)	(100,523)	(527,830)
Net cash provided (used) by capital and related financing activities	<u>(2,352,967)</u>	<u>(4,393,397)</u>	<u>(1,076,145)</u>	<u>(7,822,509)</u>
Cash Flows From Investing Activities				
Receipts from investment earnings	-	155,375	25,468	180,843
Net cash provided by investing activities	<u>-</u>	<u>155,375</u>	<u>25,468</u>	<u>180,843</u>
Net increase in cash and cash equivalents	1,310,816	(895,276)	-	415,540
Cash and Cash Equivalents, Beginning	<u>344,628</u>	<u>4,391,516</u>	<u>466,591</u>	<u>5,202,735</u>
Cash and Cash Equivalents, Ending	<u>\$ 1,655,444</u>	<u>\$ 3,496,240</u>	<u>\$ 466,591</u>	<u>\$ 5,618,275</u>

See notes to financial statements

Town of Cave Creek, Arizona

Statement of Cash Flows - Proprietary Funds
 Year Ended June 30, 2024

	Business-Type Activities-Enterprise Funds			
	Wastewater System	Cave Creek Water System	Desert Hills Water System	Total Proprietary
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating income (loss)	\$ (828,611)	\$ 541,853	\$ 809,367	\$ 522,609
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	648,925	950,360	343,562	1,942,847
(Increase) decrease in:				
Accounts receivable	(811)	107,340	(46,562)	59,967
Prepaid items	1,712	1,279	773	3,764
Deferred outflows of resources related to pensions	9,878	25,396	21,901	57,175
Increase (decrease) in:				
Accounts payable	(6,936)	712,617	(216,441)	489,240
Accrued wages and benefits	6,261	6,047	(44)	12,264
Compensated absences payable	(446)	8,443	(83)	7,914
Customer deposits	-	2,317	2,841	5,158
Net pension liability	2,362	4,706	3,050	10,118
Deferred inflows of resources related to pensions	3,680	7,331	4,752	15,763
Total adjustments	664,625	1,825,836	113,749	2,604,210
Net cash provided (used) by operating activities	\$ (163,986)	\$ 2,367,689	\$ 923,116	\$ 3,126,819
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position				
Cash and cash equivalents	\$ 1,655,444	\$ 2,159,699	\$ -	\$ 3,815,143
Restricted cash and cash equivalents	-	1,336,541	466,591	1,803,132
Total cash and cash equivalents	\$ 1,655,444	\$ 3,496,240	\$ 466,591	\$ 5,618,275

See notes to financial statements

Financial Statements

Notes to the Financial Statements



Town of Cave Creek, Arizona

Notes to Financial Statements
June 30, 2024

1. Summary of Significant Accounting Policies

The accompanying financial statements of the Town of Cave Creek, Arizona (the 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). A summary of the Town's more significant accounting policies follows.

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, 2024. 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 activities of the primary government. The effect of interfund activity has been removed from these statements. 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 for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is 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.

Fund Balances - Governmental Funds

As of June 30, 2024, fund balances of the governmental funds are classified as follows:

Nonspendable

Amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Town of Cave Creek, Arizona

Notes to Financial Statements
June 30, 2024

Restricted

Amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors or the laws or regulations of other governments.

Committed

Amounts that can be used only for specific purposes determined by a formal action of Town Council. Town Council is the highest level of decision-making authority for the Town. Commitments may be established, modified or rescinded only through ordinances approved by Town Council.

Assigned

Amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Accumulated appropriations which have not been spent are reflected as assigned fund balances. Only Town Council may assign amounts for specific purposes.

Unassigned

All other spendable amounts. The General Fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds it is not appropriate to report a positive unassigned fund balance amount. However, in governmental funds other than the General Fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

The General Fund has Unassigned Funds consisting of a Stabilization Arrangement in the amount of \$2,641,815. The Stabilization Arrangement 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 Stabilization Arrangement for contingencies is a minimum requirement of 10% of General Fund Sales Tax and State Shared Revenues.

When an expenditure is incurred for purposes for which both restricted and unassigned fund balance is available, the Town considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned or unassigned fund balances are available, the Town considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless Town Council or the Town Manager has provided otherwise in its commitment or assignment actions.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-Wide Financial Statements and Proprietary Fund Financial Statements

The Government-Wide Financial Statements and 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.

Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Town of Cave Creek, Arizona

Notes to Financial Statements
June 30, 2024

Governmental Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting, except expenditures related to compensated absences and claims and judgments, which are recorded only when payment is due. However, since debt service resources are provided during the current year for payment of long-term principal and interest due early in the following year, the expenditures and related liabilities have been recognized in the fund financial statements.

Taxes, intergovernmental grants and aid, charges for services, rental income 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. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). 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:

General Fund

This 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.

Highway User Revenue Fund

This special revenue fund accounts for the Town's share of motor fuel tax revenues and lottery proceeds.

Spur Cross and Open Space Acquisition Fund

This special revenue fund 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:

Wastewater Fund

This fund accounts for the activities of the Cave Creek wastewater plant operations.

Cave Creek Water Fund

This fund accounts for the activities of the Cave Creek water system operations.

Desert Hills Water Fund

This fund accounts for the activities of the Desert Hills water systems operations.

Town of Cave Creek, Arizona

Notes to Financial Statements
June 30, 2024

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 and internal service 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.

Amounts reported as program revenues include (1) charges for services, (2) operating grants and contributions and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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 funds 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.

Deposits and Investments

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, cash and investments held by the State Treasurer 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 is allocated to each of the funds based on the average daily cash balances. State statutes authorize the Town to invest in investments such as 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). However, the Town's adopted policy restricts investments to interest-bearing savings accounts and the State Treasurer's LGIP. Investments in the LGIP are stated at fair value.

Receivables

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

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.

Town of Cave Creek, Arizona

Notes to Financial Statements
June 30, 2024

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, 2024 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 right of use assets, property, plant, infrastructure, furniture, equipment and vehicles, are reported in the governmental and business-type activities columns in the government-wide financial statements and in the proprietary fund 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.

Capital assets purchased or acquired are carried at historical cost or estimated historical cost. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance is expensed as incurred.

Land and construction in progress are not depreciated. Depreciation/amortization on all other assets is provided on a straight-line basis over the following estimated useful lives:

	<u>Useful Lives</u>
Infrastructure	10 years
Land improvements	10-30 years
Buildings and improvements	5-30 years
Machinery, equipment and vehicles	5-15 years
Wastewater system	5-50 years
Water system	5-50 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.

Compensated Absences

The liability for compensated absences reported in the Government-Wide Financial Statements and the proprietary fund financial statements consist of unpaid, accumulated leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. 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. Liability is reported in the governmental funds' financial statements only if leave balances have matured, for example, as a result of employee resignations and retirements by fiscal year-end.

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 the average interest rate of other financing instruments with similar terms and risks as those currently entered into by the Town.

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.

Subscription-Based Information Technology Arrangements

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 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.

Postemployment Benefits

For purposes of measuring the net pension and other postemployment benefits (OPEB) assets and liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the plans' fiduciary net position and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans. 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 Financial Statements
June 30, 2024

Budgetary Information

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

In accordance with Arizona Revised Statutes, 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. Public hearings are conducted to obtain taxpayer comment.

Prior to the third Monday in August, the expenditure limitation for the Town is legally enacted through passage of an ordinance. 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 financial statements to total expenditures for reporting in accordance with the State's uniform expenditure reporting system (A.R.S. §41-1279.07).

Expenditures may not legally exceed the expenditure limitation described below of all fund types as a whole. For management purposes, the Town adopts a budget by department for the General Fund and in total by fund for other funds. The Town Manager, subject to Town Council approval, may at any time transfer any unencumbered appropriation balance or portion thereof between a department or activity. The adopted budget cannot be amended in any way without Town Council approval. Certain supplemental budgetary appropriations were made during the year.

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.

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 carryover unrestricted cash balance from the prior fiscal year. The limitation is applied to the total of the combined funds. The Town complied with this law during the year.

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	\$ 13,227,780	\$ 12,605,254
Other capital assets and right-of-use assets, net of accumulated depreciation/amortization	7,621,210	54,330,745
Less retainage payables	294,646	-
Less notes payables	-	9,625,239
Less private placements bonds	-	11,363,700
Less leases payable outstanding	76,661	-
Less subscription liability outstanding	131,614	-
Total	<u>\$ 20,346,069</u>	<u>\$ 45,947,060</u>

Town of Cave Creek, Arizona

Notes to Financial Statements
June 30, 2024

Change in Accounting Principle

During the fiscal year ended June 30, 2024, the Town adopted one new accounting standard issued by the Governmental Accounting Standards Board (GASB) as follows:

GASB Statement No. 100, *Accounting Changes and Error Corrections*, establishes accounting and financial reporting requirements for accounting changes and error corrections. The Town will apply the provisions of this standard retrospectively when used, resulting in the restatement of prior period financial statements to correct errors identified in previous years when applicable. There was no impact to the current year financial statements as a result of adopting this standard.

Effect of New Accounting Standards on Current Period Financial Statements

The Governmental Accounting Standards Board (GASB) has issued several statements that have been adopted but are not yet effective for the fiscal year ending June 30, 2024. The Town will implement these standards in future reporting periods as required. Those standards include:

GASB Statement No. 101, *Compensated Absences*,

GASB Statement No. 102, *Certain Risk Disclosures*,

GASB Statement No. 103, *Financial Reporting Model Improvements*,

GASB Statement No. 104, *Disclosure of Certain Capital Assets*.

The Town continues to monitor and evaluate the impact of these new standards, and any future accounting standards issued by GASB, to ensure compliance and accurate financial reporting on its future financial statements. The adoption of these standards is expected to enhance the transparency and comparability of the Town's financial reporting. The Town will provide additional disclosures in the financial statements for the periods in which these standards become effective.

2. Cash and Investments

The following table summarizes the Town's cash and investments at June 30, 2024:

	Governmental Activities	Business Activities	Total
Cash and cash equivalents	\$ 34,931,910	\$ 3,815,143	\$ 38,747,053
Restricted cash and cash equivalents	-	1,803,132	1,803,132
Total	<u>\$ 34,931,910</u>	<u>\$ 5,618,275</u>	<u>\$ 40,550,185</u>

Cash in Bank

At June 30, 2024, the Town had \$450 of petty cash on hand. The carrying amount of the Town's cash in bank totaled \$5,444,970 and the bank balance was \$6,179,050. Of the bank balance, \$250,000 was covered by federal depository insurance, and \$5,929,050 was covered by collateral held in the pledging bank's trust department not in the Town's name.

Restricted Cash and Cash Equivalents

Of the Town's cash in bank, at June 30, 2024, the Town had restricted cash and cash equivalents of \$1,803,132. The total balance was restricted in reserve funds for the notes payable to the WIFA.

Town of Cave Creek, Arizona

Notes to Financial Statements

June 30, 2024

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. 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. At June 30, 2024, the Town's funds invested with the State Treasurer totaled \$35,104,765.

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. Information about the sensitivity of the fair values of the Town's investments to market interest rate fluctuations is provided by the following table that shows the distribution of Town's investments by remaining maturity, 12 months or less:

Investment type:	
Primary government:	
LGIP	\$ 35,104,765
Total	<u>\$ 35,104,765</u>

The Town has no policy regarding interest rate risk. State law limits investments into securities having maturities no greater than five years.

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 does not address credit risk. However, the Town's policy restricts its investments to interest-bearing savings accounts and the State Treasurer's Local Government Investment Pool. Presented below is the actual rating as of year-end for each investment type.

	Total	Ratings	
		AAf/S1+	Unrated
Investment type:			
LGIP	\$ 35,104,765	\$ 35,104,765	\$ -
Total	<u>\$ 35,104,765</u>	<u>\$ 35,104,765</u>	<u>\$ -</u>

Town of Cave Creek, Arizona

Notes to Financial Statements
June 30, 2024

3. Receivables

Governmental Fund receivables contained no allowance for uncollectible as of year-end for the Town's individual major governmental funds and nonmajor governmental funds. Approximately \$117,000 of the opioid settlement receivable reported in the Grants and Other Restricted Fund, a nonmajor governmental fund, is not expected to be collected within the next year.

The following table summarizes the Town's receivables for the enterprise funds as of June 30, 2024:

	<u>Wastewater Fund</u>	<u>Cave Creek Water Fund</u>	<u>Desert Hills Water Fund</u>	<u>Total Enterprise</u>
Accounts receivable	\$ 205,724	\$ 1,159,376	\$ 721,170	\$ 2,086,270
Less allowance	<u>(11,253)</u>	<u>(199,553)</u>	<u>(54,480)</u>	<u>(265,286)</u>
Net receivables	<u>\$ 194,471</u>	<u>\$ 959,823</u>	<u>\$ 666,690</u>	<u>\$ 1,820,984</u>

Revenues of the Enterprise Funds are reported net of uncollectible amounts. The Wastewater, Cave Creek Water and Desert Hills Water Funds recorded provisions for uncollectible accounts of \$(1,973), \$10,720 and \$4,837, respectively, for the current fiscal year.

Lease Receivables

As of June 30, 2024, the Town is reporting Leases Receivable of \$127,297 and Deferred Inflows Related to Leases of \$119,894. For the fiscal year 2024, the Town reported lease revenue of \$102,765 and interest revenue of \$3,685, related to lease payments received. From time to time the Town's lease contracts include variable lease payments, including residual value guarantees, that are not included in the lease receivable because they are not fixed in substance. The Town recognized an insignificant amount of revenue related to these variable lease payments and they have not been further disclosed or included in the measurement of the Town's lease receivables. The Town's leases are summarized as follows:

MCSO Lease - On September 1, 2020, the Town entered into a five-year lease agreement with Maricopa County for the lease of an office owned by the Town, the incremental borrowing rate related to the lease is 2.00%. Based on this agreement, the Town is receiving monthly payments through August of 2025.

Town of Cave Creek, Arizona

Notes to Financial Statements
June 30, 2024

4. Capital Assets

A summary of capital assets activity for the fiscal year ended June 30, 2024 follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated/amortized:				
Land	\$ 10,342,232	\$ -	\$ -	\$ 10,342,232
Construction in progress	274,181	2,611,367	-	2,885,548
Total capital assets not being depreciated/ amortized	<u>10,616,413</u>	<u>2,611,367</u>	<u>-</u>	<u>13,227,780</u>
Capital assets, being depreciated/amortized:				
Infrastructure	8,053,589	1,067,959	-	9,121,548
Land improvements	1,612,364	-	-	1,612,364
Buildings and improvements	3,975,742	487,483	-	4,463,225
Machinery, equipment and vehicles	3,479,336	102,798	-	3,582,134
Right-to-use asset, lease asset- buildings	107,113	-	-	107,113
Right-to-use asset, subscription asset	-	195,708	-	195,708
Total capital assets being depreciated/ amortized	<u>17,228,144</u>	<u>1,853,948</u>	<u>-</u>	<u>19,082,092</u>
Less accumulated depreciation/amortization for:				
Infrastructure	(5,600,727)	(480,088)	-	(6,080,815)
Land improvements	(941,148)	(72,279)	-	(1,013,427)
Buildings and improvements	(2,115,230)	(146,327)	-	(2,261,557)
Machinery, equipment and vehicles	(1,765,037)	(240,249)	-	(2,005,286)
Right-to-use asset, lease asset- buildings	(23,802)	(11,901)	-	(35,703)
Right-to-use asset, subscription asset	-	(64,094)	-	(64,094)
Total accumulated depreciation/ amortization	<u>(10,445,944)</u>	<u>(1,014,938)</u>	<u>-</u>	<u>(11,460,882)</u>
Total capital assets, being depreciated/ amortized, net	<u>6,782,200</u>	<u>839,010</u>	<u>-</u>	<u>7,621,210</u>
Governmental activities capital assets, net	<u>\$ 17,398,613</u>	<u>\$ 3,450,377</u>	<u>\$ -</u>	<u>\$ 20,848,990</u>

Town of Cave Creek, Arizona

Notes to Financial Statements
June 30, 2024

A summary of capital assets activity for the fiscal year ended June 30, 2024 follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 7,930,088	\$ -	\$ -	\$ 7,930,088
Construction in progress	1,486,760	3,188,407	-	4,675,167
Total capital assets not being depreciated	<u>9,416,848</u>	<u>3,188,407</u>	<u>-</u>	<u>12,605,255</u>
Capital assets, being depreciated:				
Utility systems and improvements	77,938,424	434,579	-	78,373,003
Machinery, equipment and vehicles	891,985	58,839	(40,703)	910,121
Total capital assets being depreciated	<u>78,830,409</u>	<u>493,418</u>	<u>(40,703)</u>	<u>79,283,124</u>
Less accumulated depreciation/amortization for:				
Utility systems and improvements	(22,642,408)	(1,849,860)	-	(24,492,268)
Machinery, equipment and vehicles	(407,825)	(92,987)	40,703	(460,109)
Total accumulated depreciation/amortization	<u>(23,050,233)</u>	<u>(1,942,847)</u>	<u>40,703</u>	<u>(24,952,377)</u>
Total capital assets, being depreciated, net	<u>55,780,176</u>	<u>(1,449,429)</u>	<u>-</u>	<u>54,330,747</u>
Business-type activities capital assets, net	<u>\$ 65,197,024</u>	<u>\$ 1,738,978</u>	<u>\$ -</u>	<u>\$ 66,936,002</u>

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

Governmental activities:	
General government	\$ 172,393
Public safety	118,197
Highway and streets	612,728
Culture and recreation	111,620
Total depreciation/amortization	<u>\$ 1,014,938</u>
Business-type activities:	
Wastewater	\$ 648,925
Cave Creek Water	950,360
Desert Hills Water	343,562
Total depreciation expense	<u>\$ 1,942,847</u>

Town of Cave Creek, Arizona

Notes to Financial Statements
June 30, 2024

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, 2024 are as follows:

	<u>Due From Enterprise Funds</u>
Due to:	
General Fund	\$ 368,775
Total	<u>\$ 368,775</u>

Interfund transfers for the year ended June 30, 2024 consisted of the following:

	<u>Transfers Out</u>	<u>Transfers In</u>
General Fund	\$ 1,817,691	\$ 1,224,161
Spur Cross and Open Space Acquisition Fund	2,348,322	-
Nonmajor governmental funds	837,320	1,130,173
Wastewater Fund	-	1,673,942
Cave Creek Water Fund	-	975,057
Total	<u>\$ 5,003,333</u>	<u>\$ 5,003,333</u>

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 Wastewater and Cave Creek Water Funds, transfer of Water Infrastructure Capital Fund monies to the Cave Creek Water Fund for a portion of the Phoenix Interconnect project.

6. Long-Term Liabilities

Long-term liabilities activity for the year ended June 30, 2024 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Compensated absences	\$ 261,962	\$ 83,413	\$ 140,751	\$ 204,624	\$ 77,137
Leases payable	87,015	-	10,354	76,661	10,563
Subscription liabilities	-	195,708	64,094	131,614	64,625
Net pension liability	2,653,108	207,545	-	2,860,653	-
Governmental activities long-term liabilities	<u>\$ 3,002,085</u>	<u>\$ 486,666</u>	<u>\$ 215,199</u>	<u>\$ 3,273,552</u>	<u>\$ 152,325</u>

Town of Cave Creek, Arizona

Notes to Financial Statements
June 30, 2024

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities:					
Notes payable	\$ 11,690,445	\$ -	\$ 2,065,206	\$ 9,625,239	\$ 2,136,812
Private placement refunding	13,477,900	-	2,114,200	11,363,700	2,140,200
Water agreement	473,136	-	167,267	305,869	151,364
Compensated absences	102,750	26,129	18,216	110,663	37,926
Net pension liability	1,824,846	10,118	-	1,834,964	-
Business-type activities long-term liabilities	<u>\$ 27,569,077</u>	<u>\$ 36,247</u>	<u>\$ 4,364,889</u>	<u>\$ 23,240,435</u>	<u>\$ 4,466,302</u>

Generally, for governmental activities, compensated absences, lease payable and net pension liabilities are liquidated by the General Fund.

Notes Payable

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.

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.

The following tables summarize the Town's WIFA notes payables:

WIFA Loan Descriptions	Amount of Installment	Interest Rate	Maturity	Outstanding Principal June 30, 2024	Due Within One Year
2007A (CC Water Company)	\$ 514,285 - 844,258	3.604 %	July 1, 2027	\$ 3,204,871	\$ 759,181
2007B (CC Water Company)	389,470 - 639,359	3.604	July 1, 2027	2,427,059	574,930
2007 (DH Water Company)	233,634 - 450,730	3.519	July 1, 2027	1,713,055	406,309
2008 (CC Improvements)	203,896 - 360,048	3.038	July 1, 2028	1,697,167	319,426
2011 (CC Line Upgrade)	34,729 - 88,911	2.625	July 1, 2030	583,087	76,966
Total				<u>\$ 9,625,239</u>	<u>\$ 2,136,812</u>

Town of Cave Creek, Arizona

Notes to Financial Statements
June 30, 2024

Annual debt service requirements to maturity on notes payable at June 30, 2024 are summarized as follows:

	Business-Type Activities	
	Principal	Interest
Years ending June 30:		
2025	\$ 2,136,812	\$ 293,071
2026	2,210,916	217,675
2027	2,287,604	139,650
2028	2,366,966	58,904
2029	445,418	11,250
2030-2031	177,523	4,690
Total	<u>\$ 9,625,239</u>	<u>\$ 725,240</u>

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, 2024 for the fiscal year 2024 on all loans is \$1,803,132. Over time, the Town has made deposits into the Arizona Local Government Investment Pool for this purpose.

Leases

On June 1, 2020, the Town entered into a five-year lease agreement for the lease of the tourism office. Based on this agreement, the Town will make monthly payments through June 2025 with the option extend an additional five years.

Total intangible right-to-use lease assets	\$ 107,113
Less accumulated amortization	<u>(35,703)</u>
Carrying value	<u>\$ 71,410</u>

The following schedule details minimum lease payments to maturity for the Town's leases payable at June 30, 2024:

	Governmental Activities	
	Principal	Interest
Years ending June 30:		
2025	\$ 10,563	\$ 1,437
2026	11,382	1,218
2027	12,254	982
2028	13,167	729
2029	14,135	457
2030	15,160	165
Total	<u>\$ 76,661</u>	<u>\$ 4,988</u>

Town of Cave Creek, Arizona

Notes to Financial Statements
June 30, 2024

Subscription-Based Information Technology Arrangements (SBITAs)

The Town has obtained the right to use IT software under the provisions of a subscription-based information technology arrangement. The term is 3 years. The discount rate applied to the subscription-based technology arrangements is based on an estimated incremental borrowing rate of 3.4%.

The total of the Town's subscription asset is recorded at cost of \$195,708, less accumulated amortization of \$64,094.

The following schedule details minimum subscription payments to maturity for the Town's subscriptions liability at June 30, 2024:

	Governmental Activities	
	Principal	Interest
Fiscal years ending June 30:		
2025	\$ 64,625	\$ 4,715
2026	66,989	2,351
Total	<u>\$ 131,614</u>	<u>\$ 7,066</u>

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, 2024 is summarized as follows:

	Payment	Interest	Total
Years ending June 30:			
2025	\$ 151,364	\$ 6,348	\$ 157,712
2026	154,505	3,207	157,712
Total	<u>\$ 305,869</u>	<u>\$ 9,555</u>	<u>\$ 315,424</u>

Private Placement Bond

On March 25, 2021, the Town issued a \$5.4 million private placement excise tax refunding bond 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 loans 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 1, 2021, the Town issued a private placement excise tax refunding bond 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.

Town of Cave Creek, Arizona

Notes to Financial Statements
June 30, 2024

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, 2024	Due Within One Year
Private Placement Excise Tax Refunding Obligations:					
Series 2021B wastewater refunding	\$ 1,385,700 - 1,286,200	1.25 %	July 1, 2029	\$ 8,061,700	\$ 1,302,200
Series 2021 wastewater refunding	324,000 - 486,000	1.18 %	July 1, 2026	1,440,000	474,000
Series 2021 Desert Hills water refunding	154,000 - 381,000	1.18 %	July 1, 2028	1,862,000	364,000
Total				<u>\$ 11,363,700</u>	<u>\$ 2,140,200</u>

The debt service requirements are summarized below:

	Business-Type Activities	
	Principal	Interest
Fiscal years ending June 30:		
2025	\$ 2,140,200	\$ 143,945
2026	2,166,500	100,325
2027	2,193,000	73,675
2028	1,728,700	49,597
2029	1,749,600	28,123
2030	1,385,700	8,661
Total	<u>\$ 11,363,700</u>	<u>\$ 404,326</u>

7. Pensions

The Town contributes to the plans described below. The plans are component units of the State of Arizona.

At June 30, 2024, the ASRS and PSPRS net OPEB liabilities (assets) have not been recorded in accordance with GASB Statement No. 75 due to the relative insignificance to the Town's financial statements.

At June 30, 2024, the Town reported the following amounts related to the pension plans to which it contributes:

	Governmental Activities	Business-Type Activities	Total
Statement of net position and statement of activities			
Net pension liabilities	\$ 2,860,653	\$ 1,834,964	\$ 4,695,617
Deferred outflows of resources related to pensions	465,282	281,224	746,506
Deferred inflows of resources related to pensions	150,276	90,741	241,017
Pension expense	605,217	267,378	872,595
Total	<u>\$ 4,081,428</u>	<u>\$ 2,474,307</u>	<u>\$ 6,555,735</u>

Town of Cave Creek, Arizona

Notes to Financial Statements
June 30, 2024

The Town reported \$305,219 of pension contributions as expenditures in the governmental funds related to the pension plans to which it contributes.

Arizona State Retirement System (ASRS)

Plan Description

Qualifying 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) plan 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 Web site at www.azasrs.gov.

Benefits Provided

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

ASRS	Retirement Initial Membership Date	
	Before July 1, 2011	On or After January 1, 2011
Years of service and age required to receive benefit	Sum of years and age equals 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.

Health insurance premium benefits are available to retired or disabled members with five years of credited service. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible. For members with 10 or more years of service, benefits range from \$100 per month to \$260 per month depending on the age of the member and dependents. For members with five to nine years of service, the benefits are the same dollar amounts as above multiplied by a vesting fraction based on completed years of service.

Active members are eligible for a monthly long-term disability benefit equal to two-thirds of monthly earnings. Members receiving benefits continue to earn service credit up to their normal retirement dates. Members with long-term disability commencement dates after June 30, 1999, are limited to 30 years of service or the service on record as of the effective disability date if their service is greater than 30 years.

Town of Cave Creek, Arizona

Notes to Financial Statements
June 30, 2024

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, 2024, statute required active ASRS members to contribute at the actuarially determined rate of 12.29% (12.14% 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 12.29% (12.03% for retirement, 0.11% 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 9.99% (9.94% 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, 2024 were \$477,753.

During fiscal year 2024, the Town paid 62.47% from the General Fund and 37.53% from the Enterprise Funds for ASRS pension and OPEB contributions.

Liability

At June 30, 2024, the Town reported the following liability of \$4,470,933 for its proportionate share of the ASRS' net pension liability. The net liability was measured as of June 30, 2023. The total liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2022, to the measurement date of June 30, 2023.

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, 2023. The Town's proportion measured as of June 30, 2023, was 0.027626%, which was an increase of 0.000392% from its proportion measured as of June 30, 2022.

Expense

For the year ended June 30, 2024, the Town recognized the pension expense of \$697,360.

Deferred Outflows/Inflows of Resources

At June 30, 2024, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

ASRS	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 101,025	\$ -
Changes of assumptions or other inputs	-	-
Net difference between projected and actual earnings on pension plan investments	-	158,185
Changes in proportion and differences between Town contributions and proportionate share of contributions	128,697	-
Town contributions subsequent to the measurement date	477,753	-
Total	<u>\$ 707,475</u>	<u>\$ 158,185</u>

Town of Cave Creek, Arizona

Notes to Financial Statements
June 30, 2024

The \$477,753 reported as deferred outflows of resources related to ASRS pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net liability in the year ended June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized as expenses as follows:

Years ending June 30:	
2025	\$ 87,922
2026	(167,205)
2027	170,477
2028	(19,657)
2029	-
Thereafter	-
	<hr/>
Total	<u>\$ 71,537</u>

Actuarial Assumptions

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

Actuarial valuation date	June 30, 2022
Actuarial roll forward date	June 30, 2023
Actuarial cost method	Entry age normal
Investment rate of return	7.0%
Projected salary increases	2.9%-8.4% for pensions
Inflation	2.3%
Permanent benefit increase	Included for pensions
Mortality rates	2017 SRA Scale U-MP for pensions and health insurance premium benefit
Recovery rates	2012 GLDT for long-term disability
Healthcare cost trend rate	Not applicable

Actuarial assumptions used in the June 30, 2022 valuation was based on the results of an actuarial experience study for the five-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 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.

Town of Cave Creek, Arizona

Notes to Financial Statements
June 30, 2024

The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

ASRS Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public equity	44 %	3.50 %
Credit	23	5.90
Real estate	17	5.90
Private equity	10	6.70
Interest rate sensitive	6	1.50
Total	<u>100 %</u>	

Discount Rate

At June 30, 2023, the discount rate used to measure the ASRS total pension/OPEB liability was 7%. 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 plan's 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 liability.

Sensitivity of 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:

ASRS	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
Town's proportionate share of the net pension liability	\$ 6,696,801	\$ 4,470,933	\$ 2,614,953

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued ASRS financial report.

Town of Cave Creek, Arizona

Notes to Financial Statements
June 30, 2024

Public Safety Personnel Retirement System (PSPRS)

Plan Description

Town public safety 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 and agent and cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) 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). 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 for PSPRS plans. The reports are available on the PSPRS website at www.psprs.com.

Benefits Provided

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

PSPRS Retirement and Disability	Initial Membership Date	
	Before January 1, 2012	On or After January 1, 2012 and Before July 1, 2017
Years of service and age required to receive benefit	20 years of service, any age 15 years of service, age 62	25 years of services 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 Percent		
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	

Town of Cave Creek, Arizona

Notes to Financial Statements
June 30, 2024

Survivor Benefits	Initial Membership Date	
	Before January 1, 2012	On or After January 1, 2012 and Before July 1, 2017
Retired members	80% to 100% of retired member's pension benefit	
Active members	80% to 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.

Health insurance premium benefits are available to retired or disabled members with five years of credited service. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible. Benefits range from \$100 per month to \$260 per month depending on the age of the member and dependents. PSPRS also provides temporary disability benefits of 50% of the members' compensation for up to 12 months.

Employees Covered by Benefit Terms

At June 30, 2024, the following employees were covered by the agent plans' benefit terms:

	PSPRS Marshals Pension
Inactive employees or beneficiaries currently receiving benefits	-
Inactive employees entitled to but not yet receiving benefits	1
Active employees	-
Total	1

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 pension and health insurance premium 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. Contribution rates for the year ended June 30, 2024 are indicated below. Rates are a percentage of active members' annual covered payroll.

	Active Member Pension	Town Pension	Health Insurance Premium Benefit
PSPRS Marshals	7.65 %	11.33 %	0.46 %

The Town's contributions to the plans for the year ended June 30, 2024, were:

	Pension
PSPRS Marshals	\$ 11,787

During fiscal year 2024, the Town paid for PSPRS pension contributions 100% from the General Fund.

Town of Cave Creek, Arizona

Notes to Financial Statements

June 30, 2024

Liability

At June 30, 2024, the Town reported the following net pension liabilities:

	<u>Net Liability</u>
PSPRS, Marshal pension	\$ 224,684

The net assets and net liabilities were measured as of June 30, 2023, and the total liability used to calculate the net asset or liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

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

Actuarial valuation date	June 30, 2023
Actuarial cost method	Entry age normal
Investment rate of return	7.2%
Wage inflation	3.0- 6.25% for pensions
Price inflation	2.5% for pensions
Cost-of-living adjustments	1.85% for pensions
Mortality rates	PubS-2010 tables

Actuarial assumptions used in the June 30, 2023, valuation was based on the results of an actuarial experience study for the five-year period ended June 30, 2021.

The long-term expected rate of return on PSPRS plan investments was determined to be 7.2% using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense 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:

<u>PSPRS Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Geometric Rate of Return</u>
U.S. public entity	24 %	3.98 %
International public entity	16	4.49
Global private equity	20	7.28
Other assets (capital appreciation)	7	4.49
Core bonds	6	1.90
Private credit	20	6.19
Diversifying strategies	5	3.68
Cash - Mellon	2	0.69
Total	<u>100 %</u>	

Town of Cave Creek, Arizona

Notes to Financial Statements
June 30, 2024

Discount Rate

At June 30, 2024, the discount rate used to measure the total pension liabilities was 7.2%. 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 actuarially determined contribution rates 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 liability.

Changes in the Net Pension Liability

The change in net pension liability for the year ended June 30, 2024 is as follows:

PSPRS - Marshals - Pension	Pension Increase (Decrease)		
	Total Pension Liability (Asset) (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2023	\$ 685,362	\$ 651,951	\$ 33,411
Adjustments to beginning of year	-	-	-
Changes for the year:			
Service cost	19,101	-	19,101
Interest	50,722	-	50,722
Differences between expected and actual experience	186,071	-	186,071
Changes of assumptions	-	-	-
Contributions, employer	-	14,059	(14,059)
Contributions, employee	-	-	-
Net investment income	-	50,757	(50,757)
Administrative expense	-	(195)	195
Net changes	255,894	64,621	191,273
Balances, at June 2024	\$ 941,256	\$ 716,572	\$ 224,684

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

The following table presents the Town's net pension liability calculated using the discount rate of 7.2%, 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 (6.2%) or 1 percentage point higher (8.2%) than the current rate:

PSPRS - Marshals	1% Decrease (6.20%)	Current Discount Rate (7.20%)	1% Increase (8.20%)
Net pension liability	\$ 351,958	\$ 224,684	\$ 120,890

Plan Fiduciary Net Position

Detailed information about the plans' fiduciary net position is available in the separately issued PSPRS financial reports.

Town of Cave Creek, Arizona

Notes to Financial Statements
June 30, 2024

Expense

For the year ended June 30, 2024, the Town recognized the following pension expense:

	<u>Pension Expense</u>
PSPRS Marshals	\$ 175,235

Deferred Outflows/Inflows of Resources

At June 30, 2024, The Town Reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>PSPRS - Marshals - Pension</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 17,279	\$ 77,020
Changes of assumptions or other inputs	2,968	5,812
Net difference between projected and actual earnings on pension plan investments	6,997	-
Town contributions subsequent to the measurement date	<u>11,787</u>	<u>-</u>
Total	<u>\$ 39,031</u>	<u>\$ 82,832</u>

The amounts reported as deferred outflows of resources related to PSPRS pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to PSPRS pensions will be recognized in pension expense as follows:

Years ending June 30:	
2025	\$ (31,142)
2026	(38,078)
2027	14,295
2028	(663)
2029	-
Thereafter	<u>-</u>
Total	<u>\$ (55,588)</u>

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.

Town of Cave Creek, Arizona

Notes to Financial Statements
June 30, 2024

9. Contingencies

The Town participates in various federal grant programs, the principal of which are subject to program compliance audits pursuant to the Single Audit Act as amended. Accordingly, the Town's compliance with applicable grant requirements will be established at a future date. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the Town anticipates such amounts, if any, will be immaterial.

10. Construction Commitments

The Town has active construction projects as of June 30, 2024. At fiscal year-end, the City's commitments with contractors were as follows:

<u>Project</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Governmental activities:		
Fire station #1 remodel	<u>\$ 2,946,464</u>	<u>\$ 2,346,875</u>
Business-type activities:		
Wastewater collection system rehabilitation	\$ 534,594	\$ 19,433
Phoenix Interconnect design	836,296	519,113
Phoenix Interconnect construction	<u>1,478,380</u>	<u>17,684,583</u>
Total business-type activities	<u>\$ 2,849,270</u>	<u>\$ 18,223,129</u>

11. Subsequent Events

In July 2023, the Town entered into a loan agreement with the Water Infrastructure Finance Authority of Arizona (WIFA) in the amount of \$13,190,000 with \$1,012,500 of forgivable principal bearing interest at the rate of 2.967%. The loan agreement was entered to finance the costs of a new interconnect site with the City of Phoenix with respect to the Town's water system. Other funding sources for the Phoenix Interconnect project were used during the year ended June 30, 2024. The Town did not request drawdowns from WIFA loan until subsequent to June 20, 2024; therefore, a liability for the loan will not be recognized until the year ended June 30, 2025.

In July and August 2024, the Town Council approved two contracts for road projects for approximately \$397,000 and \$396,000. These exceeded the budgeted total of \$385,000. In September 2024, the Town Council approve a contract for a road project for approximately \$392,000, which was budgeted for the year ended June 30, 2026. Due to the priority of these three projects, other road projects planned for the year ended June 30, 2025 have been deferred to the year ended June 30, 2026.

In September 2024, the Town Council approved the purchase of a water tender truck for approximately \$437,000 for the Town's rebuilt fire station opened in December 2024.

In September 2024, the Town Council approved a construction contract for \$595,000 to rebuild the skybox at the Cave Creek Memorial Arena and Rodeo Grounds that had been destroyed by a storm in 2022. The Cave Creek Rodeo Days (CCRD), a not-for-profit organization that is a current, long-time sublessee of the rodeo grounds and the entity which organizes rodeos and other main events held at the Grounds, entered into an agreement with the Town to cover approximately \$512,000 of the construction cost. CCRD made an initial payment of \$200,000 to the Town and the remaining balance will be paid over the next seven years in the approximate amount of \$45,000 annually.

Town of Cave Creek, Arizona

Notes to Financial Statements
June 30, 2024

In November 2024, the Town was accepted as a nonvoting member of the Bartlett Dam Modification Feasibility Study Steering Committee. The Town's participation cost is estimated to total \$208,000, with \$120,000 paid during the year ended June 30, 2025 and two payments of \$44,000 paid each of the following two fiscal years. The Town would only be financially committed through the completion of the feasibility study. Once the project construction is approved, the Town would still have to elect to move forward again at that point. There are still several unanswered questions like when and how the construction phase funding would need to be paid and what the future project operating and maintenance costs may be. Initial estimates of the Town's participation cost in the dam construction project are approximately \$2.8 million. The water obtained from the expansion of Bartlett Dam would not add to the Town's overall water portfolio and could not be used to support new growth. The main benefit to the Town would be as a backup in case of future shortages in the town's Colorado River water supplies. Construction currently is not projected to be completed before 2033 at the earliest, which is after potential cuts in the Town's Colorado River water supplies projected to take effect in 2027.

Financial Section

Required Supplementary Information



Financial Section

Required Supplementary Information

Budgetary Comparison Schedules

Major Governmental Funds



Town of Cave Creek, Arizona

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund
Year Ended June 30, 2024

	Budgeted Amounts		Actual Amounts	Variance With Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Sales taxes	\$ 9,810,900	\$ 9,810,900	\$ 8,773,310	\$ (1,037,590)
Franchise fees	285,000	285,000	358,842	73,842
Intergovernmental	2,356,720	2,356,720	2,391,752	35,032
Licenses and permits	454,800	454,800	988,166	533,366
Charges for services	137,350	137,350	147,042	9,692
Rents and royalties	158,300	158,300	154,051	(4,249)
Investment income	540,000	540,000	1,432,368	892,368
Miscellaneous	10,500	10,500	9,491	(1,009)
Total revenues	13,753,570	13,753,570	14,255,022	501,452
Expenditures				
Town Council	127,900	167,760	167,759	1
Town Manager	342,860	406,630	406,621	9
Administration	1,735,460	1,735,460	1,465,479	269,981
Finance	672,420	775,360	765,907	9,453
Legal Services	350,000	350,000	91,407	258,593
Development Services	2,538,840	2,538,840	2,091,920	446,920
Municipal Court	196,050	196,050	195,055	995
Law Enforcement	1,276,170	1,276,170	1,267,335	8,835
Fire and Emergency Services	5,610,090	5,904,740	5,878,294	26,446
Public Works	3,254,570	3,254,570	1,979,545	1,275,025
Special Events	68,500	68,500	19,512	48,988
Contingency	1,216,800	715,580	-	715,580
Total expenditures	17,389,660	17,389,660	14,328,834	3,060,826
Excess (deficiency) of revenues over (under) expenditures	(3,636,090)	(3,636,090)	(73,812)	3,562,278
Other Financing Sources (Uses)				
Transfers in	928,877	928,877	1,224,161	295,284
Transfers out	(874,011)	(874,011)	(1,817,691)	(943,680)
Total other financing sources (uses)	54,866	54,866	(593,530)	(648,396)
Changes in fund balances	(3,581,224)	(3,581,224)	(667,342)	2,913,882
Fund Balances, Beginning	29,051,596	29,051,596	31,861,631	2,810,035
Fund Balances, Ending	\$ 25,470,372	\$ 25,470,372	\$ 31,194,289	\$ 5,723,917

See notes to budgetary comparison schedules

Town of Cave Creek, Arizona

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual -

Highway User Revenue Fund

Year Ended June 30, 2024

	Budgeted Amounts		Actual Amounts	Variance With Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental revenues	\$ 389,385	\$ 389,385	\$ 378,603	\$ (10,782)
Investment income	-	-	15,519	15,519
Total revenues	389,385	389,385	394,122	4,737
Expenditures				
Capital outlay	634,938	634,938	507,879	127,059
Total expenditures	634,938	634,938	507,879	127,059
Excess (deficiency) of revenues over (under) expenditures	(245,553)	(245,553)	(113,757)	131,796
Net change in fund balance	(245,553)	(245,553)	(113,757)	131,796
Fund Balance, Beginning	245,553	245,553	342,662	97,109
Fund Balance, Ending	\$ -	\$ -	\$ 228,905	\$ 228,905

See note to budgetary comparison schedules

Town of Cave Creek, Arizona

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual -
 Spur Cross and Open Space Acquisition Special Revenue Fund
 Year Ended June 30, 2024

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Sales taxes	\$ 1,699,600	\$ 1,699,600	\$ 2,203,237	\$ 503,637
Charges for services	800	800	678	(122)
Investment income	-	-	164,450	164,450
Total revenues	<u>1,700,400</u>	<u>1,700,400</u>	<u>2,368,365</u>	<u>667,965</u>
Expenditures				
Current:				
Culture and recreation	<u>216,000</u>	<u>216,000</u>	<u>216,000</u>	<u>-</u>
Total expenditures	<u>216,000</u>	<u>216,000</u>	<u>216,000</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,484,400</u>	<u>1,484,400</u>	<u>2,152,365</u>	<u>667,965</u>
Other Financing Sources (Uses)				
Transfers out	<u>(1,757,754)</u>	<u>(1,757,754)</u>	<u>(2,348,322)</u>	<u>(590,568)</u>
Total other financing sources (uses)	<u>(1,757,754)</u>	<u>(1,757,754)</u>	<u>(2,348,322)</u>	<u>(590,568)</u>
Net change in fund balances	(273,354)	(273,354)	(195,957)	77,397
Fund Balance, Beginning	<u>1,675,991</u>	<u>1,675,991</u>	<u>1,678,951</u>	<u>2,960</u>
Fund Balance, Ending	<u>\$ 1,402,637</u>	<u>\$ 1,402,637</u>	<u>\$ 1,482,994</u>	<u>\$ 80,357</u>

Town of Cave Creek, Arizona

Required Supplementary Information
Notes to the Budgetary Comparison Schedules
Year Ended June 30, 2024

1. Budgetary Basis of Accounting

Arizona Revised Statutes requires the Town to prepare and adopt a balanced budget annually for each governmental fund. The Town Council must approve such operating budgets on or before the third Monday in July. Arizona Revised Statute prohibits expenditures or liabilities in excess of the amounts budgeted.

Expenditures may not legally exceed appropriations at the department level. In certain instances, transfers of appropriations between departments or from contingency accounts to other departments may be made upon the Town Council's approval. With the exception of the General Fund, each fund includes only one department. The Town's budget is prepared on a basis consistent with generally accepted accounting principles, except for the General Fund capital outlay and debt service is budgeted by department.

The Town's adopted budget is prepared on a basis consistent with generally accepted accounting principles, except for present value of subscription-based information technology arrangements (SBITAs). The following schedule reconciles the excess (deficiency) of revenues over expenditures from the statement of revenues, expenditures and changes in fund balances to the budgetary comparison schedules:

	General Fund	
	Total Expenditures	Other Financing Sources (Uses)
Statement of revenues, expenditures and changes in fund balances	\$ 14,524,542	\$ (397,822)
Present value of SBITAs	(195,708)	(195,708)
Budgetary comparison schedule	<u>\$ 14,328,834</u>	<u>\$ (593,530)</u>

Financial Section

Required Supplementary Information

Pension Plan Schedules



Town of Cave Creek, Arizona

Schedule of the Town's Proportionate Share of the Net Pension Liability Cost-Sharing Pension Plan - Arizona Retirement System
 Year Ended June 30, 2024

Arizona Retirement System	Reporting Fiscal Year (Measurement Date)									
	2024 (2023)	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
Town's proportion of the net pension liability	0.027626%	0.027234%	0.025383%	0.025314%	0.025199%	0.024587%	0.024356%	0.024821%	0.024550%	0.024584%
Town's proportionate share of the net pension liability	\$ 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	\$ 3,637,534
Town's 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
Town's proportionate share of the net pension liability as a percentage of its covered-payroll	112.58%	128.71%	104.63%	153.68%	132.96%	129.24%	165.60%	168.92%	163.14%	160.59%
Plan fiduciary net position as a percentage of the total pension liability	75.47%	74.26%	78.58%	69.33%	73.24%	73.40%	69.92%	67.06%	68.35%	69.49%

See notes to pension plan schedules

Town of Cave Creek, Arizona

Schedule of Changes in the Town's Net Pension Liability (Asset) and Related Ratios - Agent Pension Plan - Public Safety Personnel Retirement System
Year Ended June 30, 2024

Cave Creek Marshal Public Safety Personnel Retirement System	Reporting Fiscal Year (Measurement Date)									
	2024 (2023)	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
Total Pension Liability										
Service cost	\$ 19,101	\$ 25,943	\$ 24,780	\$ 23,068	\$ 24,957	\$ 25,264	\$ 23,119	\$ 19,708	\$ 17,896	\$ 17,255
Interest on the total pension liability	50,721	55,349	50,995	44,053	42,027	33,798	31,121	23,664	20,137	17,319
Changes on benefit terms	-	-	-	-	-	-	4,271	45,772	-	(955)
Differences between expected and actual experience in the measurement of the pension liability	186,071	(116,568)	(17,300)	26,266	(39,889)	-	(18,606)	4,220	5,985	(2,566)
Changes of assumptions or other inputs	-	(11,624)	-	-	10,334	39,813	807	18,427	-	4,519
Net change in total pension liability	255,893	(46,900)	58,475	93,387	37,429	98,875	40,712	111,791	44,018	35,572
Total Pension Liability, Beginning	<u>685,362</u>	<u>732,262</u>	<u>673,787</u>	<u>580,400</u>	<u>542,971</u>	<u>444,096</u>	<u>403,384</u>	<u>291,593</u>	<u>247,575</u>	<u>212,003</u>
Total Pension Liability, Ending (a)	<u>\$ 941,255</u>	<u>\$ 685,362</u>	<u>\$ 732,262</u>	<u>\$ 673,787</u>	<u>\$ 580,400</u>	<u>\$ 542,971</u>	<u>\$ 444,096</u>	<u>\$ 403,384</u>	<u>\$ 291,593</u>	<u>\$ 247,575</u>
Plan Fiduciary Net Position										
Contributions, employer	\$ 14,059	\$ 25,283	\$ 25,931	\$ 28,150	\$ 26,331	\$ 44,586	\$ 15,979	\$ 15,280	\$ 13,184	\$ 12,034
Contributions, employee	-	7,520	8,667	8,569	8,237	8,544	10,652	11,673	10,511	9,343
Net investment income	50,757	(26,449)	137,530	5,738	21,267	23,632	32,501	1,438	7,887	23,067
Hall/parker settlement	-	-	-	-	-	(17,115)	-	-	-	-
Administrative expense	(195)	(477)	(640)	(468)	(1,370)	(1,060)	(688)	(606)	(580)	-
Other changes	-	-	-	-	-	4	3	1	(150)	(5,104)
Net change in plan fiduciary net position	64,621	5,877	171,488	41,989	54,465	58,591	58,447	27,786	30,852	39,340
Plan Fiduciary Net Position, Beginning	<u>651,951</u>	<u>646,074</u>	<u>474,586</u>	<u>433,891</u>	<u>379,611</u>	<u>321,020</u>	<u>262,573</u>	<u>234,787</u>	<u>203,935</u>	<u>164,595</u>
Adjustment to beginning	-	-	-	(1,294)	(185)	-	-	-	-	-
Plan Fiduciary Net Position, Ending (b)	<u>\$ 716,572</u>	<u>\$ 651,951</u>	<u>\$ 646,074</u>	<u>\$ 474,586</u>	<u>\$ 433,891</u>	<u>\$ 379,611</u>	<u>\$ 321,020</u>	<u>\$ 262,573</u>	<u>\$ 234,787</u>	<u>\$ 203,935</u>
Town's Net Pension Liability, Ending (a)-(b)	<u>\$ 224,684</u>	<u>\$ 33,411</u>	<u>\$ 86,188</u>	<u>\$ 199,201</u>	<u>\$ 146,509</u>	<u>\$ 163,360</u>	<u>\$ 123,076</u>	<u>\$ 140,811</u>	<u>\$ 56,806</u>	<u>\$ 43,640</u>

See notes to pension plan schedules

Town of Cave Creek, Arizona

Schedule of Changes in the Town's Net Pension Liability (Asset) and Related Ratios Agent Pension Plan - Public Safety Personnel Retirement System
 Year Ended June 30, 2024

Cave Creek Marshal Public Safety Personnel Retirement System	Reporting Fiscal Year (Measurement Date)									
	2024 (2023)	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
Plan fiduciary net position as a percentage of the total pension liability	76.13%	95.13%	88.23%	70.44%	74.76%	69.91%	72.92%	65.09%	80.52%	82.37%
Covered payroll	\$ -	\$ 98,301	\$ 113,294	\$ 112,018	\$ 109,031	\$ 111,689	\$ 99,310	\$ 100,194	\$ 95,124	\$ 90,274
Town's net pension liability as a percentage of covered payroll	0.00%	33.99%	76.07%	177.83%	134.37%	146.26%	123.93%	140.54%	59.72%	48.34%

See notes to pension plan schedules

Town of Cave Creek, Arizona

Schedule of the Town's Pension Contributions - Cost Sharing Plan - Arizona Retirement System
 Year Ended June 30, 2024

Arizona Retirement System	Reporting Fiscal Year									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily required contribution	\$ 477,753	\$ 411,604	\$ 382,783	\$ 332,433	\$ 315,783	\$ 296,656	\$ 249,970	\$ 255,669	\$ 254,366	\$ 246,451
Town's contributions in relation to the statutorily required contribution	477,753	411,604	382,783	332,433	315,783	296,656	249,970	255,669	254,366	246,451
Town's contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's 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
Town's contributions as a percentage of covered payroll	12.03%	11.92%	12.01%	11.65%	11.45%	11.18%	10.90%	10.78%	10.85%	10.88%

See notes to pension plan schedules

Town of Cave Creek, Arizona

Schedule of the Town's Pension Contributions - Agent Plan - Public Safety Personnel Retirement System
 Year Ended June 30, 2024

Cave Creek Marshal Public Safety Personnel Retirement System	Reporting Fiscal Year									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 11,787	\$ 9,250	\$ 25,224	\$ 25,933	\$ 28,150	\$ 26,331	\$ 44,586	\$ 15,797	\$ 15,280	\$ 13,184
Town's contributions in relation to the actuarially determined contribution	11,787	9,250	25,224	25,933	28,150	26,331	44,586	15,797	15,280	13,184
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	\$ 95,124
Town's contributions as a percentage of covered payroll	11.33%	25.47%	25.66%	22.89%	25.13%	24.15%	39.92%	15.91%	15.25%	13.86%

See notes to pension plan schedules

Town of Cave Creek, Arizona

Required Supplementary Information
Notes to the Pension Plan Schedules
Year Ended June 30, 2024

1. 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 the 2022 actuarial valuation	15 years
Asset valuation method	7-year smoothed fair value; 80%/120% market corridor
Actuarial assumptions: 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 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%.
Projected salary increases	In the 2017 actuarial valuation, projected salary increases were decreased from 4.0% - 8.0% to 3.5% - 7.5% for PSPRS. In the 2014 actuarial valuation, projected salary increases were decreased from 4.5% - 8.5% to 4.0% - 8.0% for PSPRS. In the 2013 actuarial valuation, projected salary increases were decreased from 5.0% - 9.0% to 4.5% - 8.5% for PSPRS.
Wage growth	In the 2022 actuarial valuation, wage growth was changed from 3.5% to a range of 3.0% - 6.25% for PSPRS and CORP. In the 2017 actuarial valuation, wage growth was decreased from 4% to 3.5% for PSPRS. In the 2014 actuarial valuation, wage growth was decreased from 4.5% to 4.0% for PSPRS. In the 2013 actuarial valuation, wage growth was decreased from 5.0% to 4.5% for PSPRS.
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).

Town of Cave Creek, Arizona

Required Supplementary Information
Notes to the Pension Plan Schedules
Year Ended June 30, 2024

2. 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 pension 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.



Financial Section

Supplementary Information

Combining Nonmajor Governmental Fund Financial Statements

Special Revenue Funds

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

Capital Project Funds

Parks and Trails Impact Fees Fund - accounts for development impact fees used to fund capital projects for park and trail related improvements.

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 of the Cave Creek Water Fund.

Open Space Trails Impact Fees Fund - accounts for the collection of impact fees and the related constructing, reconstructing and funding major maintenance projects.



Town of Cave Creek, Arizona

Combining Balance Sheet - Nonmajor Governmental Funds

June 30, 2024

	Special Revenue Fund	Capital Projects Funds			Total Nonmajor Governmental Funds
	Grants and Other Restricted	Parks and Trails Impact Fees	Water Infrastructure	Open Space and Trails Impact Fees	
Assets					
Cash and cash equivalents	\$ 39,093	\$ -	\$ 3,732,886	\$ -	\$ 3,771,979
Accounts receivable	136,350	-	-	-	136,350
Total assets	<u>\$ 175,443</u>	<u>\$ -</u>	<u>\$ 3,732,886</u>	<u>\$ -</u>	<u>\$ 3,908,329</u>
Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Deferred Inflows of Resources					
Unavailable revenue, opioid settlement	126,951	-	-	-	126,951
Total deferred inflows of resources	<u>126,951</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>126,951</u>
Fund Balances					
Restricted to:					
Law enforcement	8,780	-	-	-	8,780
Opioid Settlement	39,712	-	-	-	39,712
Committed to:					
Capital projects	-	-	3,732,886	-	3,732,886
Total fund balances	<u>48,492</u>	<u>-</u>	<u>3,732,886</u>	<u>-</u>	<u>3,781,378</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 175,443</u>	<u>\$ -</u>	<u>\$ 3,732,886</u>	<u>\$ -</u>	<u>\$ 3,908,329</u>

Town of Cave Creek, Arizona

Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds

Year Ended June 30, 2024

	Special Revenue	Capital Project Funds			Total Nonmajor Governmental Funds
	Funds				
	Grants and Other Restricted	Parks and Trails Impact Fees	Water Infrastructure	Open Space and Trails Impact Fees	
Revenues					
Intergovernmental revenues	\$ 46,465	\$ -	\$ -	\$ -	\$ 46,465
Investment income	835	-	150,835	-	151,670
Total revenues	47,300	-	150,835	-	198,135
Expenditures					
Current:					
Health and welfare	15,402	-	-	-	15,402
Capital outlay	-	35,566	-	12,366	47,932
Total expenditures	15,402	35,566	-	12,366	63,334
Excess (deficiency) of revenues over (under) expenditures	31,898	(35,566)	150,835	(12,366)	134,801
Other Financing Sources (Uses)					
Transfers in	6,012	-	1,124,161	-	1,130,173
Transfers out	-	-	(837,320)	-	(837,320)
Total other financing sources (uses)	6,012	-	286,841	-	292,853
Changes in fund balances	37,910	(35,566)	437,676	(12,366)	427,654
Fund Balances, Beginning	10,582	35,566	3,295,210	12,366	3,353,724
Fund Balances, Ending	\$ 48,492	\$ -	\$ 3,732,886	\$ -	\$ 3,781,378

Financial Section

Supplementary Information
Budgetary Comparison Schedules
Nonmajor Governmental Funds



Town of Cave Creek, Arizona

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual -
 Grants and Other Restricted Fund
 Year Ended June 30, 2024

	Budgeted Amounts		Actual Amounts	Variance With Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental revenues	\$ 3,840,000	\$ 3,840,000	\$ 46,465	\$ (3,793,535)
Investment income	-	-	835	835
Total revenues	3,840,000	3,840,000	47,300	(3,792,700)
Expenditures				
General government	3,355,000	3,352,020	-	3,352,020
Highways and streets	400,000	400,000	-	400,000
Culture and recreation	70,000	70,000	-	70,000
Health and welfare	15,000	17,980	15,402	2,578
Total expenditures	3,840,000	3,840,000	15,402	3,824,598
Excess (deficiency) of revenues over (under) expenditures	-	-	31,898	31,898
Other Financing Sources (Uses)				
Transfers in	-	-	6,012	6,012
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	6,012	6,012
Net change in fund balances	-	-	37,910	37,910
Fund Balances, Beginning	-	-	10,582	10,582
Fund Balances, Ending	\$ -	\$ -	\$ 48,492	\$ 48,492

Town of Cave Creek, Arizona

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual -

Parks and Trails Impact Fees Fund

Year Ended June 30, 2024

	Budgeted Amounts		Actual Amounts	Variance With Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Miscellaneous	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
Expenditures				
Capital outlay	35,566	35,566	35,566	-
Total expenditures	35,566	35,566	35,566	-
Excess (deficiency) of revenues over (under) expenditures	(35,566)	(35,566)	(35,566)	-
Fund Balances, Beginning	35,566	35,566	35,566	-
Fund Balances, Ending	\$ -	\$ -	\$ -	\$ -

Town of Cave Creek, Arizona

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual -

Water Infrastructure Capital Projects Fund

Year Ended June 30, 2024

	Budgeted Amounts		Actual Amounts	Variance With Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Investment income	\$ -	\$ -	\$ 150,835	\$ 150,835
Total revenues	-	-	150,835	150,835
Excess (deficiency) of revenues over (under) expenditures	-	-	150,835	150,835
Other Financing Sources (Uses)				
Transfers in	828,877	828,877	1,124,161	295,284
Transfers out	(837,320)	(837,320)	(837,320)	-
Total other financing sources (uses)	(8,443)	(8,443)	286,841	295,284
Net change in fund balances	(8,443)	(8,443)	437,676	446,119
Fund Balances, Beginning	3,218,192	3,218,192	3,295,210	77,018
Fund Balances, Ending	\$ 3,209,749	\$ 3,209,749	\$ 3,732,886	\$ 523,137

Town of Cave Creek, Arizona

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual -
 Open Spaces and Trails Impact Fees Fund
 Year Ended June 30, 2024

	Budgeted Amounts		Actual Amounts	Variance With Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Miscellaneous	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
Expenditures				
Capital outlay	12,366	12,366	12,366	-
Total expenditures	12,366	12,366	12,366	-
Excess (deficiency) of revenues over (under) expenditures	(12,366)	(12,366)	(12,366)	-
Fund Balances, Beginning	12,366	12,366	12,366	-
Fund Balances, Ending	\$ -	\$ -	\$ -	\$ -

Financial Section

Supplementary Information

Budgetary Comparison Schedules

Enterprise Funds



Town of Cave Creek, Arizona

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Budgetary Basis

Wastewater

Year Ended June 30, 2024

	Budget		Actual Amounts	Variance With Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Charges for services	\$ 1,429,190	\$ 1,429,190	\$ 1,416,947	\$ (12,243)
Capacity fees	337,265	337,265	199,474	(137,791)
Sales taxes	1,699,633	1,699,633	2,203,237	503,604
Other income	-	-	40	40
Total revenues	<u>3,466,088</u>	<u>3,466,088</u>	<u>3,819,698</u>	<u>353,610</u>
Expenditures				
Cost of sales and services	1,551,135	1,551,135	1,581,199	(30,064)
Capital outlay	895,000	895,000	668,673	226,327
Debt service	1,893,964	1,893,964	1,893,963	1
Total expenditures	<u>4,340,099</u>	<u>4,340,099</u>	<u>4,143,835</u>	<u>196,264</u>
Excess (deficiency) of revenues over expenditures	<u>(874,011)</u>	<u>(874,011)</u>	<u>(324,137)</u>	<u>549,874</u>
Other Financing Sources (Uses)				
Transfers in	<u>874,011</u>	<u>874,011</u>	<u>1,673,942</u>	<u>799,931</u>
Total other financing sources (uses)	<u>874,011</u>	<u>874,011</u>	<u>1,673,942</u>	<u>799,931</u>
Net change in fund balances	-	-	1,349,805	1,349,805
Fund Balances, Beginning	-	-	<u>(1,349,807)</u>	<u>(1,349,807)</u>
Fund Balances, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2)</u>	<u>\$ (2)</u>

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

Net position, end of year, budgetary basis:	\$ (2)
Adjustments to reconcile to net position:	
Adjustments from prior years	16,320,190
Depreciation	(648,925)
Capital outlay	668,673
Principal paid on long-term debt	1,776,200
Decrease in compensated absences	446
Decrease in deferred outflows	(9,878)
Increase in net pension liability	(2,362)
Increase in deferred inflows	<u>(3,680)</u>
Net Position, Ending	<u>\$ 18,100,662</u>

Town of Cave Creek, Arizona

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Budgetary Basis

Cave Creek Water System

Year Ended June 30, 2024

	Budget		Actual Amounts	Variance With Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Charges for services	\$ 6,154,070	\$ 6,154,070	\$ 5,607,635	\$ (546,435)
Capacity fees	302,052	302,052	283,957	(18,095)
Grant revenues	3,000,000	3,000,000	2,176,098	(823,902)
Investment earnings (loss)	-	-	155,375	155,375
Other	5,000	5,000	12,008	7,008
Total revenues	9,461,122	9,461,122	8,235,073	(1,226,049)
Expenditures				
Cost of sales and services	3,813,710	3,813,710	4,081,554	(267,844)
Capital outlay	19,814,777	19,814,777	2,941,728	16,873,049
Debt service	2,000,345	2,000,345	2,000,345	-
Total expenditures	25,628,832	25,628,832	9,023,627	16,605,205
Excess (deficiency) of revenues over expenditures	(16,167,710)	(16,167,710)	(788,554)	15,379,156
Other Financing Sources (Uses)				
Gain on sale of capital assets	-	-	9,500	9,500
WIFA loans issued	13,190,000	13,190,000	-	(13,190,000)
Transfers in	837,320	837,320	975,057	137,737
Total other financing sources (uses)	14,027,320	14,027,320	984,557	(13,042,763)
Net change in fund balances	(2,140,390)	(2,140,390)	196,003	2,336,393
Fund Balances, Beginning	3,476,931	3,476,931	1,140,538	(2,336,393)
Fund Balances, Ending	\$ 1,336,541	\$ 1,336,541	\$ 1,336,541	\$ -

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

Net position, end of year, budgetary basis:	\$ 1,336,541
Adjustments to reconcile to net position:	
Adjustments from prior years	19,457,815
Depreciation	(950,360)
Capital outlay	2,941,728
Principal paid on long-term debt	1,730,504
Increase in compensated absences	(8,443)
Decrease in deferred outflows	(25,396)
Increase in net pension liability	(4,706)
Increase in deferred inflows	(7,331)
Net Position, Ending	\$ 24,470,352

Town of Cave Creek, Arizona

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Budgetary Basis

Desert Hill Water System

Year Ended June 30, 2024

	Budget		Actual Amounts	Variance With Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Charges for services	\$ 4,458,500	\$ 4,458,500	\$ 3,686,111	\$ (772,389)
Capacity fees	-	-	14,565	14,565
Investment earnings (loss)	-	-	25,468	25,468
Other	-	-	25,515	25,515
Total revenues	4,458,500	4,458,500	3,751,659	(706,841)
Expenditures				
Cost of sales and services	2,566,598	2,566,598	2,529,077	37,521
Capital outlay	630,000	630,000	71,423	58,577
Debt service	1,010,564	1,010,564	1,010,263	301
Contingency	251,338	251,338	-	251,338
Total expenditures	4,458,500	4,458,500	3,610,763	847,737
Excess (deficiency) of revenues over expenditures	-	-	140,896	140,896
Net change in fund balances	-	-	140,896	140,896
Fund Balances, Beginning	466,591	466,591	339,657	(126,934)
Fund Balances, Ending	\$ 466,591	\$ 466,591	\$ 480,553	\$ 13,962
Reconciliation to Net Position per Statement of Revenues, Expenses and Changes in Net Position:				
Net position, end of year, budgetary basis:			\$ 480,553	
Adjustments to reconcile to net position:				
Adjustments from prior years			5,541,269	
Depreciation			(343,562)	
Capital outlay			71,423	
Principal paid on long-term debt			918,764	
Decrease in compensated absences			83	
Decrease in deferred outflows			(21,901)	
Increase in net pension liability			(3,050)	
Increase in deferred inflows			(4,752)	
Net Position, Ending			\$ 6,638,827	



Statistical Section

Contents

Financial Trends

These schedules contain trend information to help the reader understand how the Town'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 sources, property tax and sales and uses 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 Statistics

These schedules offer economic and demographic 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 government's financial report relates to the services the government provides and the activities it performs.

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



Town of Cave Creek, Arizona

Net Position by Component
 Last Ten Fiscal Years
 (Accrual Basis of Accounting)
 (Unaudited)

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Governmental Activities										
Net investment in capital assets	\$ 12,574,061	\$ 12,863,784	\$ 13,092,548	\$ 13,586,648	\$ 14,201,183	\$ 14,522,293	\$ 14,426,326	\$ 16,461,837	\$ 17,311,598	\$ 20,346,069
Restricted	377,351	391,594	277,534	273,049	418,092	587,992	699,075	600,880	674,531	412,762
Unrestricted	14,121,936	16,579,799	19,706,803	23,299,918	21,259,673	26,878,541	23,380,331	28,215,739	34,054,825	33,946,130
Total governmental activities net position	<u>\$ 27,073,348</u>	<u>\$ 29,835,177</u>	<u>\$ 33,076,885</u>	<u>\$ 37,159,615</u>	<u>\$ 35,878,948</u>	<u>\$ 41,988,826</u>	<u>\$ 38,505,732</u>	<u>\$ 45,278,456</u>	<u>\$ 52,040,954</u>	<u>\$ 54,704,961</u>
Business-Type Activities										
Net investment in capital assets	\$ 15,541,722	\$ 17,464,268	\$ 19,231,489	\$ 21,336,676	\$ 23,722,550	\$ 28,467,540	\$ 32,986,511	\$ 35,856,201	\$ 40,028,677	\$ 45,947,060
Restricted	-	-	-	-	-	652,340	2,706,834	2,041,177	1,803,132	1,803,132
Unrestricted	(7,326,127)	(7,665,204)	(7,566,270)	(7,408,324)	(2,437,761)	(6,811,881)	2,034,332	2,165,619	(382,147)	1,459,649
Total business-type activities net position	<u>\$ 8,215,595</u>	<u>\$ 9,799,064</u>	<u>\$ 11,665,219</u>	<u>\$ 13,928,352</u>	<u>\$ 21,284,789</u>	<u>\$ 22,307,999</u>	<u>\$ 37,727,677</u>	<u>\$ 40,062,997</u>	<u>\$ 41,449,662</u>	<u>\$ 49,209,841</u>
Primary Government										
Net investment in capital assets	\$ 28,025,783	\$ 30,328,052	\$ 32,324,037	\$ 34,923,324	\$ 37,923,733	\$ 42,989,833	\$ 47,412,837	\$ 52,318,038	\$ 57,340,275	\$ 66,293,129
Restricted	377,351	391,351	277,534	273,049	418,092	1,240,332	3,405,909	2,642,057	2,477,663	2,215,894
Unrestricted	6,795,809	6,795,809	12,140,533	15,891,594	18,821,912	20,066,660	25,414,663	30,381,358	33,672,678	35,405,779
Total primary government net position	<u>\$ 35,198,943</u>	<u>\$ 37,515,212</u>	<u>\$ 44,742,104</u>	<u>\$ 51,087,967</u>	<u>\$ 57,163,737</u>	<u>\$ 64,296,825</u>	<u>\$ 76,233,409</u>	<u>\$ 85,341,453</u>	<u>\$ 93,490,616</u>	<u>\$ 103,914,802</u>

Town of Cave Creek, Arizona

Changes in Net Position
 Last Ten Fiscal Years
 (Accrual Basis of Accounting)
 (Unaudited)

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019*</u>	<u>2020*</u>	<u>2021*</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Expenses										
Governmental activities:										
General government	\$ 3,761,223	\$ 2,822,919	\$ 2,620,613	\$ 2,476,446	\$ 3,199,131	\$ 3,572,053	\$ 3,911,165	\$ 3,703,944	\$ 5,021,288	\$ 5,156,130
Public safety	889,544	621,321	668,528	644,601	714,101	1,041,576	1,047,635	2,823,963	3,598,656	4,295,846
Highways and streets	480,050	1,067,789	1,107,663	1,117,685	1,232,807	1,413,233	1,632,969	1,466,400	1,125,032	2,065,328
Culture and recreation	330,024	305,048	318,804	348,297	400,026	419,671	295,570	185,882	227,352	489,991
Health and welfare	-	-	-	-	-	-	-	-	-	15,402
Interest on long-term debt	31,292	153,650	171,993	173,739	9,683	-	-	-	1,851	6,892
Total governmental activities expenses	<u>5,492,133</u>	<u>4,970,727</u>	<u>4,887,601</u>	<u>4,760,768</u>	<u>5,555,748</u>	<u>6,446,533</u>	<u>6,887,339</u>	<u>8,180,189</u>	<u>9,974,179</u>	<u>12,029,589</u>
Business-type activities:										
Wastewater treatment	2,299,430	2,334,484	2,304,635	2,096,726	2,127,779	2,250,686	2,162,030	2,247,175	2,317,957	2,363,361
Water System:	5,381,992	5,066,168	4,948,260	5,352,688	-	-	-	-	-	-
Cave Creek Water System	-	-	-	-	4,351,504	4,480,626	4,606,677	4,657,186	5,733,318	5,347,631
Desert Hills Water System	-	-	-	-	1,844,979	1,935,425	3,251,145	3,788,160	3,023,198	2,993,758
Total business-type activities expenses	<u>7,681,422</u>	<u>7,400,652</u>	<u>7,252,895</u>	<u>7,449,414</u>	<u>8,324,262</u>	<u>8,666,737</u>	<u>10,019,852</u>	<u>10,692,521</u>	<u>11,074,473</u>	<u>10,704,750</u>
Total primary government expenses	<u>13,173,555</u>	<u>12,371,379</u>	<u>12,140,496</u>	<u>12,210,182</u>	<u>13,880,010</u>	<u>15,113,270</u>	<u>16,907,191</u>	<u>18,872,710</u>	<u>21,048,652</u>	<u>22,734,339</u>
Program Revenue										
Governmental activities:										
Fines, fees and charges for services:										
General government	633,929	686,241	864,430	985,616	896,676	1,000,090	1,188,595	1,278,320	1,240,251	1,091,512
Public safety	-	-	-	-	-	-	-	-	-	106,820
Highways and streets	-	-	-	-	-	-	-	-	-	63,230
Culture and recreation	107,241	113,949	92,008	90,990	120,795	145,719	920	36,854	21,688	28,375
Operating grants and contributions	326,216	339,223	359,351	383,437	399,578	595,761	1,090,234	438,435	512,325	552,019
Capital grants and contributions	11,039	6,438	8,713	7,926	17,671	1,765	187,407	4,698	273,564	-
Total governmental activities program revenues	<u>1,078,425</u>	<u>1,145,851</u>	<u>1,324,502</u>	<u>1,467,969</u>	<u>1,434,720</u>	<u>1,743,335</u>	<u>2,467,156</u>	<u>1,758,307</u>	<u>2,047,828</u>	<u>1,841,956</u>
Business-type activities:										
Fines, fees and charges for services:										
Wastewater treatment	2,498,749	2,250,608	769,847	723,056	945,735	1,239,160	1,761,631	1,336,030	1,366,336	1,416,947
Water	-	-	6,780,379	7,048,001	-	-	-	-	-	-
Cave Creek Water System	-	-	-	-	4,551,658	4,745,357	7,127,083	6,580,465	6,080,504	5,607,635
Desert Hills Water System	3,099,652	3,101,634	-	-	2,249,004	2,451,829	3,328,344	3,184,509	3,161,756	3,686,111
Capital grants and contributions	80,000	76,875	32,105	-	146,246	-	-	-	-	724,318
Total business-type activities revenues	<u>5,678,401</u>	<u>5,429,117</u>	<u>7,582,331</u>	<u>7,771,057</u>	<u>7,892,643</u>	<u>8,436,346</u>	<u>12,217,058</u>	<u>11,101,004</u>	<u>10,608,596</u>	<u>11,435,011</u>
Total primary government revenues	<u>6,756,826</u>	<u>6,574,968</u>	<u>8,906,833</u>	<u>9,239,026</u>	<u>9,327,363</u>	<u>10,179,681</u>	<u>14,684,214</u>	<u>12,859,311</u>	<u>12,656,424</u>	<u>13,276,967</u>
Net (expense) revenue:										
Governmental activities	(4,413,708)	(3,824,876)	(3,563,099)	(3,292,799)	(4,177,019)	(4,703,198)	(4,421,103)	(6,421,882)	(7,926,351)	(10,187,633)
Business-type activities	(2,003,021)	(1,971,535)	329,436	321,643	(431,619)	(230,391)	2,197,206	408,483	(465,877)	730,261
Total primary government net expense	<u>\$ (6,416,729)</u>	<u>\$ (5,796,411)</u>	<u>\$ (3,233,663)</u>	<u>\$ (2,971,156)</u>	<u>\$ (4,608,638)</u>	<u>\$ (4,933,589)</u>	<u>\$ (2,223,897)</u>	<u>\$ (6,013,399)</u>	<u>\$ (8,392,228)</u>	<u>\$ (9,457,372)</u>

Town of Cave Creek, Arizona

Changes in Net Position
 Last Ten Fiscal Years
 (Accrual Basis of Accounting)
 (Unaudited)

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019*</u>	<u>2020*</u>	<u>2021*</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
General Revenues and Other										
Changes in Net Position										
Governmental activities:										
Taxes:										
Sales tax	\$ 4,952,162	\$ 5,319,822	\$ 5,733,774	\$ 6,369,346	\$ 7,433,669	\$ 8,690,006	\$ 9,506,642	\$ 11,348,828	\$ 11,293,905	\$ 10,976,547
Franchise fees	193,201	198,231	194,015	217,288	219,330	220,359	261,645	290,572	324,598	358,842
State revenue sharing	607,097	603,805	653,433	678,255	680,824	744,851	834,332	664,598	963,783	1,360,731
State sales tax revenue sharing	458,315	475,403	489,920	527,213	566,658	595,628	692,895	704,645	744,124	776,506
Auto lieu tax revenue sharing	191,761	207,073	210,214	226,607	243,128	244,808	276,352	272,632	248,457	254,515
Interest	12,281	21,171	55,026	143,284	330,030	283,151	23,124	51,003	983,877	1,764,007
Other	96,760	36,912	61,756	137,070	136,674	34,274	90,072	22,091	130,105	9,491
Transfers	(774,403)	(275,712)	(593,330)	(923,534)	(6,682,716)	-	(10,747,054)	(157,712)	-	(2,648,999)
Total governmental activities	<u>5,737,174</u>	<u>6,586,705</u>	<u>6,804,808</u>	<u>7,375,529</u>	<u>2,927,597</u>	<u>10,813,077</u>	<u>938,008</u>	<u>13,196,657</u>	<u>14,688,849</u>	<u>12,851,640</u>
Business-type activities:										
Sales taxes	858,385	903,108	940,064	1,008,187	1,095,403	1,241,370	1,433,636	1,697,339	1,833,496	2,203,237
Grants and contributions not restricted	-	-	-	-	-	-	-	-	-	1,949,776
Interest	4	40,426	-	-	-	-	-	53,112	4,659	180,843
Gain (loss) on sale of capital assets	(1,013)	-	-	-	-	-	-	-	-	9,500
Other	18,320	-	3,325	9,769	9,937	12,331	1,041,782	18,674	14,387	37,563
Transfers	774,403	275,712	593,330	923,534	6,682,716	-	10,747,054	157,712	-	2,648,999
Total business-type activities	<u>1,650,099</u>	<u>1,219,246</u>	<u>1,536,719</u>	<u>1,941,490</u>	<u>7,788,056</u>	<u>1,253,701</u>	<u>13,222,472</u>	<u>1,926,837</u>	<u>1,852,542</u>	<u>7,029,918</u>
Total primary government	<u>\$ 7,387,273</u>	<u>\$ 7,805,951</u>	<u>\$ 8,341,527</u>	<u>\$ 9,317,019</u>	<u>\$ 10,715,653</u>	<u>\$ 12,066,778</u>	<u>\$ 14,160,480</u>	<u>\$ 15,123,494</u>	<u>\$ 16,541,391</u>	<u>\$ 19,881,558</u>
Change in net position:										
Governmental activities	\$ 1,323,466	\$ 2,761,829	\$ 3,241,709	\$ 4,082,730	\$ (1,193,431)	\$ 6,109,879	\$ (3,483,095)	\$ 6,774,775	\$ 6,762,498	\$ 2,664,007
Business-type activities	1,661,302	1,673,469	1,866,155	2,263,133	7,356,437	1,023,310	15,419,678	2,335,320	1,386,665	7,760,179
Total primary government	<u>\$ 2,984,768</u>	<u>\$ 4,435,298</u>	<u>\$ 5,107,864</u>	<u>\$ 6,345,863</u>	<u>\$ 6,163,006</u>	<u>\$ 7,133,189</u>	<u>\$ 11,936,583</u>	<u>\$ 9,110,095</u>	<u>\$ 8,149,163</u>	<u>\$ 10,424,186</u>

Town of Cave Creek, Arizona

Governmental Activities Tax Revenues by Source
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Sales Taxes</u>	<u>Franchise Fees</u>	<u>Property Taxes</u>	<u>Total</u>
2015	\$ 4,952,162	\$ 193,201	\$ 169,636	\$ 5,314,999
2016	5,319,822	198,231	-	5,518,053
2017	5,733,774	194,015	-	5,927,789
2018	6,369,346	217,288	-	6,586,634
2019	7,433,668	221,104	-	7,654,772
2020	8,690,006	220,359	-	8,910,365
2021	9,506,642	261,645	-	9,768,287
2022	11,348,828	290,572	-	11,639,400
2023	11,293,905	324,598	-	11,618,503
2024	10,976,547	358,842	-	11,335,389

Town of Cave Creek, Arizona

Fund Balances of Governmental Funds
Last Ten Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
General Fund										
Nonspendable	\$ 11,025,929	\$ 11,671,683	\$ 12,271,475	\$ 12,451,592	\$ 7,287,301	\$ 7,319,792	\$ 142,681	\$ 849,032	\$ 995,423	\$ 1,120,654
Restricted	-	-	-	-	-	-	-	-	-	8,414
Committed	-	-	-	-	239,586	241,855	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	22,828,557
Unassigned	4,289,544	5,476,408	7,550,381	10,400,668	13,259,248	18,825,780	22,031,978	25,460,178	30,866,208	7,236,664
Total general fund	<u>\$ 15,315,473</u>	<u>\$ 17,148,091</u>	<u>\$ 19,821,856</u>	<u>\$ 22,852,260</u>	<u>\$ 20,786,135</u>	<u>\$ 26,387,427</u>	<u>\$ 22,174,659</u>	<u>\$ 26,309,210</u>	<u>\$ 31,861,631</u>	<u>\$ 31,194,289</u>
All Other Governmental Funds										
Restricted, reported in:										
Special revenue funds	\$ 106,945	\$ 233,124	\$ 167,046	\$ 166,491	\$ 270,824	\$ 265,025	\$ 378,541	\$ 279,593	\$ 626,599	\$ 277,397
Debt service funds	2,470	2,470	4,834	12,244	-	3,354	-	-	-	-
Capital projects fund	264,532	152,596	103,880	92,540	147,268	319,613	320,534	321,287	47,932	-
Committed for:										
Open Space acquisition	1,430,929	1,711,644	1,722,105	1,745,096	1,786,298	1,786,298	1,776,797	1,766,297	1,405,596	1,482,994
Capital Projects	-	-	449,778	907,673	829,843	1,285,027	1,843,845	2,534,516	3,295,210	3,732,886
Unassigned reported in:										
Special revenue funds	(1,931)	-	-	-	1	(320,961)	-	-	-	-
Total all other governmental funds	<u>\$ 1,802,945</u>	<u>\$ 2,099,834</u>	<u>\$ 2,447,643</u>	<u>\$ 2,924,044</u>	<u>\$ 3,034,234</u>	<u>\$ 3,338,356</u>	<u>\$ 4,319,717</u>	<u>\$ 4,901,693</u>	<u>\$ 5,375,337</u>	<u>\$ 5,493,277</u>

Town of Cave Creek, Arizona

Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenues										
Taxes	\$ 5,149,711	\$ 5,518,054	\$ 5,929,419	\$ 6,586,634	\$ 7,654,772	\$ 8,690,006	\$ 9,506,642	\$ 11,348,828	\$ 11,293,905	\$ 10,976,547
Franchise fees						220,359	261,645	290,572	324,598	358,842
Intergovernmental	1,583,139	1,625,504	1,712,918	1,804,662	1,890,188	2,174,548	3,081,220	2,085,008	2,742,253	2,816,820
Fines and forfeitures	275	-	-	-	-	-	-	-	-	-
Licenses and permits	354,812	440,749	532,346	490,565	527,042	691,624	737,225	937,516	944,565	988,166
Charges for services	266,632	242,904	307,460	522,213	442,438	341,954	261,846	221,061	161,129	147,720
Rents and royalties	123,904	122,974	123,353	136,415	130,770	112,231	189,524	156,597	156,245	154,051
Contributions and donations	2,488	-	-	10,850	-	6,500	-	-	-	-
Special assessments	4,348	-	1,992	-	2,302	-	-	-	-	-
Investment income	12,281	21,171	55,026	143,284	330,030	283,151	23,124	51,003	983,877	1,764,007
Miscellaneous	96,760	36,912	61,756	137,070	136,674	36,039	90,072	22,091	130,105	9,491
Total revenues	7,594,350	8,008,268	8,724,270	9,831,693	11,114,216	12,556,412	14,151,298	15,112,676	16,736,677	17,215,644
Expenditures										
General government	3,395,868	3,187,428	2,726,340	2,989,881	3,112,389	3,445,907	3,698,544	3,350,308	3,903,213	4,661,448
Public safety	870,072	596,072	646,812	623,929	685,419	1,011,069	1,005,771	2,818,611	3,786,375	4,014,201
Public works	-	-	-	-	-	-	-	-	-	1,314,102
Highways and streets	15,036	1,299,217	1,213,790	1,286,838	1,775,098	856,015	1,005,536	1,027,097	1,109,650	-
Culture and recreation	314,526	339,284	294,178	306,486	342,181	354,184	227,270	225,250	227,352	378,371
Health and welfare	-	-	-	-	-	-	-	-	-	15,402
Capital outlay	310,196	27,398	56,253	20,481	297,665	983,822	698,530	2,805,171	1,672,022	4,846,891
Debt service:										
Principal retirement	-	115,000	145,000	155,000	165,000	-	-	9,949	10,149	74,448
Interest on long-term debt	31,292	38,650	26,993	18,739	9,683	-	-	2,051	1,851	6,892
Total expenditures	4,936,990	5,603,049	5,109,366	5,401,354	6,387,435	6,650,997	6,635,651	10,238,437	10,710,612	15,311,755
Excess of revenues over (under) expenditures	2,657,360	2,405,219	3,614,904	4,430,339	4,726,781	5,905,415	7,515,647	4,874,239	6,026,065	1,903,889
Other Financing Sources (Uses)										
Subscription-based Information technology arrangements	-	-	-	-	-	-	-	-	-	195,708
Transfers in	1,032,857	424,902	969,543	970,824	897,435	1,025,370	1,492,379	1,481,341	1,621,390	2,354,334
Transfers out	(1,807,260)	(700,614)	(1,562,873)	(1,894,358)	(7,580,151)	(1,025,370)	(12,239,433)	(1,639,053)	(1,621,390)	(5,003,333)
Total other financing sources and (uses)	(774,403)	(275,712)	(593,330)	(923,534)	(6,682,716)	-	(10,747,054)	(157,712)	-	(2,453,291)
Net change in fund balances	\$ 1,882,957	\$ 2,129,507	\$ 3,021,574	\$ 3,506,805	\$ (1,955,935)	\$ 5,905,415	\$ (3,231,407)	\$ 4,716,527	\$ 6,026,065	\$ (549,402)
Debt Service as a Percentage of Noncapital Expenditures*	0.67%	3.20%	3.84%	3.83%	3.28%	0.00%	0.00%	0.12%	0.13%	0.75%

*Difference between total expenditures and expenditures for capitalized assets amount found on the Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.

Town of Cave Creek, Arizona

Taxable Sales by Category
Last Ten Fiscal Years

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Sales Category										
Construction	\$ 12,920,274	\$ 15,865,003	\$ 23,854,130	\$ 30,413,010	\$ 43,410,447	\$ 56,792,668	\$ 54,822,262	\$ 69,686,106	\$ 51,483,133	\$ 42,331,655
Retail trade	81,885,122	94,224,870	109,057,165	107,786,469	134,476,900	167,142,282	190,070,732	220,213,332	241,035,808	251,765,916
Restaurants	35,302,984	32,362,902	37,933,804	38,847,935	44,080,911	36,883,293	45,940,328	61,259,319	63,456,316	64,636,777
Communications/utilities	9,467,192	10,134,235	15,654,903	13,885,430	15,151,863	14,495,328	16,131,551	14,558,732	15,445,104	16,826,298
Real estate, rental and leasing	16,236,630	19,270,007	7,454,210	7,784,038	8,092,906	8,962,935	10,142,131	10,240,800	17,184,640	18,380,606
Arts and entertainment	3,710,773	3,643,536	3,886,122	4,144,762	4,226,265	4,016,245	6,024,268	6,430,176	6,768,990	7,293,885
Other	25,548,408	21,353,764	9,061,694	4,104,224	7,347,059	6,894,104	7,828,178	10,343,014	11,064,415	12,286,202
Total	\$ 185,071,383	\$ 196,854,317	\$ 206,902,028	\$ 206,965,868	\$ 256,786,351	\$ 295,186,855	\$ 330,959,450	\$ 392,731,479	\$ 406,438,406	\$ 413,521,339
City 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: Arizona Department of Revenue.

Town of Cave Creek, Arizona

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities			Business-type Activities			Total Primary Government	Percentage Of Personal Income	Per Capita
	Certificates Of Participation	Subscription Liabilities	Leases	Loans Payable	Water Agreement	Private Placement Refunding Bonds			
2015	\$ 580,000	\$ -	\$ -	\$ 52,458,725	\$ -	\$ -	\$ 53,038,725	23%	\$ 9,906
2016	535,000	-	-	49,409,027	-	-	49,944,027	23%	9,199
2017	395,000	-	-	46,253,436	-	-	46,648,436	19%	8,519
2018	245,000	-	-	42,988,265	-	-	43,233,265	15%	7,895
2019	85,000	-	-	39,609,698	-	-	39,694,698	13%	7,249
2020	-	-	-	38,376,048	-	-	38,376,048	12%	6,573
2021	-	-	-	27,217,404	-	5,426,000	32,643,404	13%	6,673
2022	-	-	97,164	13,686,454	630,847	15,586,300	29,369,918	11%	4,906
2023	-	-	87,015	11,690,444	473,136	13,477,900	25,255,359	9%	4,882
2024	-	131,614	76,661	9,625,240	305,869	11,363,700	21,065,601	N/A	4,089

Town of Cave Creek, Arizona

Direct and Overlapping Governmental Activities Debt
June 30, 2024

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable ¹	Estimated Share of Direct and Overlapping Debt
Maricopa County ²	\$ -	0.34%	\$ -
Maricopa County Special Health Care District	544,135,000	0.34%	1,850,059
Maricopa County Community College District ³	57,615,000	0.34%	195,891
Western Maricopa Education Center	98,510,000	0.90%	886,590
Cave Creek Unified School District No. 93	19,065,000	6.66%	1,269,729
Deer Valley Unified School District No. 97	<u>176,740,000</u>	0.44%	<u>777,656</u>
Subtotal, overlapping debt	896,065,000	-	4,979,925
Town of Cave Creek direct debt ⁴	208,275	100.00%	<u>208,275</u>
Total direct and overlapping debt			<u>\$ 5,188,200</u>

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 2023/24.

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 capital leases.

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

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Debt limit	\$ 31,735,161	\$ 31,383,346	\$ 39,876,181	\$ 42,449,504	\$ 43,559,135	\$ 38,823,982	\$ 41,535,238	\$ 43,252,731	\$ 45,977,818	\$ 48,699,615
Total applicable to limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin	<u>\$ 31,735,161</u>	<u>\$ 31,383,346</u>	<u>\$ 39,876,181</u>	<u>\$ 42,449,504</u>	<u>\$ 43,559,135</u>	<u>\$ 38,823,982</u>	<u>\$ 41,535,238</u>	<u>\$ 43,252,731</u>	<u>\$ 45,977,818</u>	<u>\$ 48,699,615</u>
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

Calculated Legal Debt Margin
Last Ten Fiscal Years

Net Secondary Assessed Valuation		<u>\$ 187,306,210</u>
Water, Sewer, Light, Parks, Open Space and Recreational Facility Bonds		
Debt limit - 20% of secondary net assessed valuation		\$ 37,461,242
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>37,461,242</u>
All Other General Obligation Bonds		
Debt limit - 6% of secondary net assessed valuation		11,238,373
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>11,238,373</u>
Total legal debt margin		<u>\$ 48,699,615</u>

Source: Maricopa County Assessor's Office.

Town of Cave Creek, Arizona

Pledged Revenue Coverage

Last Ten Fiscal Years

(Dollars in Thousands)

Desert Hills Water System WIFA Loans

Fiscal Year	Water Charges and Other ¹	Less: Operating Expenses ²	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2015	\$ 1,976,784	\$ 999,124	\$ 977,660	\$ 694,800	\$ 315,596	0.97
2016	2,297,570	1,035,658	1,261,912	555,787	296,811	1.48
2017	2,277,608	941,784	1,335,824	575,228	277,369	1.57
2018	2,351,651	1,030,152	1,321,499	595,350	257,247	1.55
2019	2,253,389	1,003,710	1,249,679	616,176	236,422	1.47
2020	2,461,565	1,362,892	1,098,673	637,730	214,867	1.29
2021	3,331,135	2,670,386	660,749	366,266	100,326	1.42
2022	3,184,523	2,532,400	652,123	379,155	87,437	1.40
2023	3,167,881	2,574,081	593,800	392,497	74,094	1.27
2024	3,751,659	2,558,697	1,192,962	406,309	60,282	2.56

Cave Creek Water System WIFA Loans

Fiscal Year	Water Charges and Other ¹	Less: Operating Expenses ²	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2015	\$ 4,316,786	\$ 2,353,418	\$ 1,963,368	\$ 856,981	\$ 480,962	1.47
2016	4,403,496	2,066,981	2,336,515	885,889	452,054	1.75
2017	4,509,136	2,107,117	2,402,019	915,781	422,162	1.80
2018	4,706,292	2,478,145	2,228,147	946,691	391,252	1.67
2019	4,557,210	3,172,872	1,384,338	978,654	359,289	1.03
2020	4,747,952	3,216,537	1,531,415	942,318	326,237	1.21
2021**	7,166,074	3,341,689	3,824,385	1,045,884	292,058	2.86
2022	6,652,223	3,438,136	3,214,087	1,081,228	256,715	2.40
2023	6,084,408	3,978,172	2,106,236	1,117,777	220,165	1.57
2024	6,206,212	4,127,430	2,078,782	1,155,572	182,370	1.55

Excise Tax and State Shared Revenues WIFA and Private Funding Loans

Fiscal Year	Excise Tax and State Shared Revenues	Debt Service		Coverage
		Principal	Interest	
2015	\$ 7,107,622	\$ 1,655,716	\$ 1,022,671	2.65
2016	7,485,926	1,608,023	1,017,417	2.85
2017	8,181,997	1,774,162	904,225	3.05
2018	9,246,115	1,836,526	841,861	3.45
2019	10,508,763	1,901,083	777,304	3.92
2020	11,762,021	1,967,910	710,478	4.39
2021	13,484,889	2,114,445	701,718	4.79
2022***	14,396,055	2,644,027	353,699	4.80
2023	16,039,079	2,669,131	273,054	5.45
2024	18,977,459	2,715,130	227,206	6.45

Source: The Town's records.

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

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

Principal Sales Taxpayers

Current Fiscal Year and Nine Years Prior

Taxpayer	June 30, 2024			June 30, 2015		
	Sales Tax Payments	Rank	% of Total Sales Tax Payments	Sales Tax Payments	Rank	% of Total Sales Tax Payments
Retail	\$ 7,552,977	1	57%	\$ 2,744,685	1	49%
Restaurants and bars	1,939,103	2	15%	1,059,090	2	19%
Construction	2,116,583	3	16%	646,014	4	11%
Real estate, rental and leasing	551,418	4	4%	487,099	3	9%
Communications/utilities	504,789	5	4%	284,016	6	5%
Other	368,586	6	3%	291,663	5	5%
Arts and entertainment	218,817	7	2%	111,323	7	2%
	<u>13,252,274</u>		<u>100%</u>	<u>5,623,890</u>		<u>100%</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

Population Statistics
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Population</u>	<u>Total Personal Income</u>	<u>Household Income</u>	<u>Per Capita Income</u>	<u>Unemployment Rate</u>
2015	5,500	229,334,292	\$107,316	41,697	5.90%
2016	5,586	216,766,961	98,129	38,805	5.80%
2017	5,666	251,890,088	108,949	44,456	3.90%
2018	5,744	296,041,520	120,440	51,539	4.10%
2019	5,850	309,333,580	118,292	52,878	3.60%
2020	4,931	316,583,988	115,626	64,203	9.10%
2021	5,010	251,494,880	84,112	50,199	5.10%
2022	5,134	278,470,954	121,391	54,241	3.50%
2023	5,152	283,151,050	124,462	58,217	3.50%
2024	5,225	-*	-*	-*	3.20%

Source: United States Census Bureau, Maricopa Association of Governments, and AZ Office of Economic Opportunity.

Town of Cave Creek, Arizona

Principal Employers by Function
Current Fiscal Year and Nine Years Prior

	2024			2015		
	Employees	Rank	Percentage of Employment	Employees	Rank	Percentage of Employment
Walmart	250	1	10.45%	230	1	N/A
Dos Amigos Investments	100	2	4.18%	-	-	-
Sprouts Farmers Market	80	3	3.34%	-	-	-
Harolds Restaurant LLC	70	4	2.93%	65	3	N/A
Chipotle Mexican Grill Inc	50	5	2.09%	-	-	-
Worldwide Supply Network Llc	50	6	2.09%	-	-	-
Cave Creek Coffee Company Llc	50	7	2.09%	-	-	-
Town of Cave Creek	50	8	2.07%	36	8	N/A
Wdowiak Enterprises Inc	40	9	1.67%	-	-	-
Maricopa County	40	10	1.67%	49	6	N/A
Town of Cave Creek	-	-	-	36	8	N/A
El Encanto Mexican Café	-	-	-	80	2	N/A
Animal Health Services of Cave Creek	-	-	-	60	4	N/A
Cartwrights On Saguaro Hill	-	-	-	50	5	N/A
Desert Foothills Landscape	-	-	-	43	7	N/A
Name Quest	-	-	-	35	9	N/A
Total	780		32.59%	684		0.00%
Total town employment	2,392			N/A		

Source: Maricopa Association of Governments.

Town of Cave Creek, Arizona

Full-Time Equivalent Employees by Function

Last Ten Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
General government:										
Management services	4.8	5.6	5.3	5.3	5.3	5.3	6.1	6.1	6.0	6.0
Finance	2.8	2.8	2.8	3.0	3.0	3.0	3.0	3.0	4.0	3.7
Planning	3.3	3.5	3.8	3.8	4.0	4.0	4.0	4.5	4.5	4.5
Public safety:										
Building	3.9	5.5	5.5	5.5	6.0	6.0	6.0	6.0	6.0	6.0
Law Enforcement	1.0	1.0	1.0	1.0	1.0	1.0	1.4	1.0	1.0	1.0
Fire	-	-	-	-	-	-	-	1.0	1.0	1.0
Public works:										
Engineering	1.4	0.6	0.9	1.7	1.0	1.0	1.5	1.5	1.6	1.3
Public Works	4.0	4.6	4.6	5.0	5.0	5.0	6.0	6.2	6.0	6.0
Utilities	14.4	13.7	15.2	15.7	16.8	16.8	19.5	20.3	19.4	20.0
Total	<u>35.6</u>	<u>37.3</u>	<u>39.0</u>	<u>40.9</u>	<u>42.1</u>	<u>42.1</u>	<u>47.4</u>	<u>49.5</u>	<u>49.5</u>	<u>49.5</u>

Source: The Town's records.

Town of Cave Creek, Arizona

Operating Indicators by Function

Last Ten Years

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Law Enforcement:										
Part 1 Crimes*	62	-	-	-	134	151	102	122	87	111
Part 2 Crimes*	123	-	-	-	102	215	263	232	284	277
Traffic Citations*	602	-	-	-	353	252	150	402	286	738
Planning and building safety:										
Total Building permits issued	246	357	233	310	349	382	501	434	467	444
Building permits issued (single family homes only)	25	28	26	43	53	50	106	70	34	37
Inspections	3,269	3,933	2,825	4,035	4,253	5,571	6,447	7,344	6,614	5,020
Highways and Streets:										
Street resurfacing (miles)	3.15	1.80	1.12	2.35	3.20	1.52	3.50	2.18	1.09	2.285
Chipseal (miles)	1.66	0.95	0.59	0.73	0.00	0.00	0.00	0.00	0.00	0.00

* Law Enforcement data unavailable.

Law Enforcement Source: Maricopa County Sheriff's Office.

Source: The Town's records.

Town of Cave Creek, Arizona

Capital Asset Statistics by Function Last Ten Years

Function	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Public safety										
Police stations	1	1	1	1	1	1	1	1	1	1
Patrol units	3	3	3	2	2	2	2	2	2	2
Speed trailers	4	3	3	3	3	3	4	4	4	4
Highways and streets										
Streets (miles)	88.5	88.5	88.5	88.5	88.5	88.5	88.5	88.5	88.5	89.5
Highways (miles)	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Traffic signals	4	4	4	4	4	4	5	5	5	5
Parks and recreation										
Open space - recreation	1,186	1,186	1,186	1,186	1,186	1,186	1,186	1,186	1,186	1,186
Open space - conservation	3,554	3,554	3,554	3,554	3,554	3,554	3,554	3,554	3,584	3,584
Sewer										
Sanitary sewers (miles)	18	18	18	18	18	18	32	32.7	32.7	32.8
Treatment capacity (thousands of gallons)	670,000	670,000	670,000	670,000	670,000	670,000	710,000	710,000	710,000	710,000
Water*										
<i>Desert Hills Water Company</i>										
Water lines (miles)	54	54	54	54	54	54	54.2	54.2	54.3	54.4
Ground water production per day (thousands of gallons)	700	700	700	135	135	135	482.4	181	209.2	199.7
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
Pump stations	4	4	4	4	4	4	4	4	4	4
Central Arizona Project NIA allocation (acre feet per year)	-	-	-	-	-	-	-	386	386	386
<i>Cave Creek Water Company</i>										
Water lines (miles)	117	117	117	117	117	117	133.2	133.2	114.5	117.8
Ground water production per day (thousands of gallons)	400	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
Pump stations	16	16	16	16	16	16	16	16	13	13
Central Arizona Project allocation (acre feet per year)	2,606	2,606	2,606	2,606	2,606	2,606	2,606	2,606	2,606	2,228
Drinking water treatment capacity (millions of gallons per day)	5	5	5	5	5	5	3	3	3	3

Compliance Section



**Report on Internal Control
Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of
Financial Statements Performed in Accordance
With *Government Auditing Standards***

Independent Auditors' Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the Town of Cave Creek, Arizona (the Town), which comprise the Town's statement of financial position as of June 30, 2024, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 16, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Baker Tilly US, LLP

Tempe, Arizona
January 16, 2025