

**TOWN OF CAMP VERDE, ARIZONA**

**FINANCIAL STATEMENTS AND  
SINGLE AUDIT REPORT**

**FISCAL YEAR ENDED JUNE 30, 2008**

**February 11, 2009**

**Lumbard & Associate, P.L.L.C.  
4143 North 12th Street, Suite 100  
Phoenix, AZ 85014  
(602) 274-9966  
Fax (602) 265-0021**

**TOWN OF CAMP VERDE, ARIZONA  
TABLE OF CONTENTS  
JUNE 30, 2008**

<b>INDEPENDENT AUDITOR'S REPORT</b>	1 – 2
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	3 – 11
<b>BASIC FINANCIAL STATEMENTS</b>	
<b>Government-Wide Financial Statements</b>	
Statement of Net Assets	12
Statement of Activities	13
<b>Fund Financial Statements</b>	
Balance Sheet- Governmental Funds	14 – 15
Reconciliation of the Balance Sheet- to the Statement of Net Assets- Governmental Funds	16
Statement of Revenues, Expenditures and Changes in Fund Balances- Governmental Funds	17 – 18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of- Governmental Funds to the Statement of Activities	19
<b>Proprietary Fund Financial Statements</b>	
Statement of Net Assets- Proprietary Funds	20
Statement of Revenues, Expenses and Changes in Fund Net Assets- Proprietary Funds	21
Statement of Cash Flows- Proprietary Funds	22
<b>Fiduciary Fund Financial Statements</b>	
Statement of Fiduciary Fund Net Assets	23
<b>Notes to Financial Statements</b>	24 – 39

**TOWN OF CAMP VERDE, ARIZONA**  
**TABLE OF CONTENTS**  
**JUNE 30, 2008**

**REQUIRED SUPPLEMENTARY INFORMATION**

Schedule of Revenues, Expenditures and Changes in Fund Balances- Budget & Actual- General Fund	40
Schedule of Revenues, Expenditures and Changes in Fund Balances- Budget & Actual- HURF Fund	41
Schedule of Revenues, Expenditures and Changes in Fund Balances- Budget & Actual- Parks Fund	42
Schedule of Revenues, Expenditures and Changes in Fund Balances- Budget & Actual- CDBG Fund	43
Notes to Budgetary Comparison Schedules	44
Schedule of Agent Retirement Plan's Funding Progress	45

**OTHER SUPPLEMENTARY INFORMATION**

Combining Balance Sheet- All Non-Major Governmental Funds- By Fund Type	46
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances- All Non-Major Governmental Funds- By Fund Type	47
Combining Balance Sheet- Non-Major Special Revenue Funds	48 – 49
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances- Non-Major Special Revenue Funds	50 – 51
Schedule of Expenditures of Federal Awards	52
Notes to Schedule of Expenditures of Federal Awards	53

**SINGLE AUDIT 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 <i>Government Auditing Standards</i>	54 – 55
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	56- 57
Summary of Auditor's Results	58
Schedule of Findings	59
Management Response to Findings	60
Summary Schedule of Prior Year Audit Findings and Questioned Costs	61

**L** LUMBARD & ASSOCIATE, P.L.L.C.  
*A Certified Public Accounting Firm*

Lisa B. Lumbard, C.P.A., C.G.F.M.

Neil Broadstock, C.P.A.

Richard Ruller

Rosendo L. Portillo

A. Jake Litwiller

Miranda Penrod

Jessica M. Castro

Stephanie M. Canez

American Institute of  
Certified Public  
Accountants

Government Finance  
Officers Association

Arizona Finance  
Officers Association

Arizona Society of  
Certified Public  
Accountants

Association of  
Government  
Accountants

**Independent Auditor's Report**

To the Honorable Mayor and Members of the Council  
of the Town of Camp Verde, Arizona

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Camp Verde, Arizona, (the Town) as of and for the year ended June 30, 2008, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Camp Verde, as of June 30, 2008, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In connection with our audit, nothing came to our attention that caused us to believe that the Town failed to use highway user revenue fund monies received by the Town pursuant to Arizona Revised Statutes Title 28, Chapter 18, Article 2 and any other dedicated state transportation revenues received by the Town solely for the authorized transportation purposes. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance.

Honorable Mayor and Members of the of the Council  
the Town of Camp Verde, Arizona

In accordance with *Government Auditing Standards*, we have also issued a report dated February 11, 2009 on our consideration of the Town's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information presented in pages 3 through 11 and pages 40 through 44 along with the schedule of agent retirement plan's funding progress on page 45 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Camp Verde's basic financial statements. The accompanying combining financial statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditure of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements of the Town of Camp Verde. The combining financial statements and the schedule of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Lumbar* ; Associate, PLLC

Phoenix, Arizona  
February 11, 2009

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
**(Required Supplementary Information)**

**TOWN OF CAMP VERDE, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2008**

As management of the Town of Camp Verde, Arizona (Town), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2008. Please read it in conjunction with the Town's basic financial statements, which begin on page 12.

### **FINANCIAL HIGHLIGHTS**

The financial statements which follow the Management's Discussion and Analysis provide those significant key financial highlights for 2008 as follows:

- The Town's total net assets of governmental activities increased by \$1.1 million to \$13.1 million, representing a 9.2 percent increase from fiscal year 2006-07.
- General revenues from governmental activities accounted for \$6.0 million in revenue, or 67.0 percent of all revenues from governmental activities. Program specific revenues in the form of charges for services and grants and contributions accounted for \$3.0 million or 33.0 percent of total governmental activities revenues.
- The Town had \$7.8 million in expenses related to governmental activities; of which \$3.0 million of these expenses were offset by program specific charges for services or grants and contributions. General revenues of \$6.0 million were adequate to provide for the remaining costs of these programs.
- Among major governmental funds, the General Fund had \$6.9 million in revenues, which primarily consisted of taxes, licenses and permits, charges for services, fines and forfeitures, and intergovernmental revenues. The total expenditures of the General Fund were \$6.1 million. The General Fund's fund balance increased by \$46,198 to \$3.6 million. The HURF Fund had revenues of \$1.1 million, which consisted primarily of intergovernmental revenues, and expenditures of \$1.2 million. The fund balance of the HURF Fund increased by \$586,220 from the prior year due primarily to an operating transfer from the Capital Improvements Fund to cover additional projects and funding shortfalls. Many of these projects will be completed in fiscal year 2008-09. The fund balance of the Parks Fund decreased by \$2.4 million as a result of a purchase of 119 acres of park land. The fund balance of the Capital Improvements Fund decreased by \$507,160 due primarily to a \$722,000 transfer made to the HURF Fund to eliminate a deficit fund balance and offset projected revenue shortfalls.

### **OVERVIEW OF FINANCIAL STATEMENTS**

This discussion and analysis are intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**TOWN OF CAMP VERDE, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2008**

**OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)**

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Town's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The *statement of activities* presents information showing how the Town's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused compensated absences).

In the government-wide financial statements the Town's activities are presented in the following category:

- **Governmental activities** – Most of the Town's basic services are included here, such as general government, public safety, public works and streets, health and welfare, culture and recreation, and economic and community development. Sales taxes, intergovernmental, licenses and permits, charges for services, and fines and forfeitures revenue finance most of these activities.

**Fund Financial Statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into three categories: governmental funds, proprietary funds, and fiduciary 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 on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the Town's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Town's near-term financing 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 CAMP VERDE, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2008**

**OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)**

The Town maintains fourteen 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, HURF, Parks, CDBG, and Capital Improvement Funds, all of which are considered to be major funds. Data from the other nine governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* in the other supplementary information section.

**Proprietary funds.** The Town maintains one type of proprietary fund. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the Town's various functions. The Town uses an internal service fund to account for its partially self-insured employee benefit fund. Because the Town only reports governmental activities, it has been included within governmental activities in the government-wide financial statements.

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 Employee Benefit Fund which was closed March 2008.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the Town. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the Town's own programs.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the Town's budget process. The Town adopts an annual budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund, the HURF Fund, the Parks Fund, and the CDBG Fund as required supplementary information.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information on budgets.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets exceeded liabilities by \$13.1 million as of June 30, 2008.

The largest portion of the Town's net assets (60.7 percent) reflects its investment in capital assets (e.g., land, infrastructure, buildings, improvements other than buildings, and machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to its citizens; consequently, these assets are *not* available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**TOWN OF CAMP VERDE, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2008**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

In addition, portions of the Town's net assets are restricted for the specified purposes of debt service repayment (1.0 percent), animal shelter (less than one percent), K-9 unit (less than one percent), police services (less than one percent), redevelopment and housing (3.1 percent), library services (1.7 percent), highways and streets (3.6 percent), and transportation (less than one percent). The remaining balance of unrestricted net assets (\$3.9 million) may be used to meet the Town's ongoing obligation to citizens and creditors.

The Town's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

The following tables present a summary of the Town's net assets for the fiscal years ended June 30, 2008 and June 30, 2007.

	2008 <u>Governmental Activities</u>	2007 <u>Governmental Activities</u>
Current assets	\$ 7,479,366	\$ 9,280,709
Restricted assets	124,350	97
Deferred bond issuance costs	24,764	26,304
Capital assets, net	<u>10,000,764</u>	<u>6,886,049</u>
<b>Total assets</b>	<u>17,629,244</u>	<u>16,193,159</u>
Current liabilities	2,532,225	2,138,029
Non-current liabilities	<u>2,032,156</u>	<u>2,122,153</u>
<b>Total liabilities</b>	<u>4,564,381</u>	<u>4,260,182</u>
Net assets:		
Invested in capital assets, net of related debt	7,929,411	4,720,012
Restricted for:		
Debt service	124,350	97
Capital improvements	-	1,719,178
Parks development	-	1,660,258
Animal shelter	5,600	-
K-9 Unit	1,936	-
Police services	1,000	-
Redevelopment and housing	405,979	402,024
Library services	215,983	186,440
Highways and streets	463,892	-
Transportation	988	-
Unrestricted	<u>3,915,724</u>	<u>3,244,968</u>
<b>Total net assets</b>	<u>\$13,064,863</u>	<u>\$ 11,932,977</u>

**TOWN OF CAMP VERDE, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2008**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

The following are significant current year transactions that have had an impact on the Statement of Net Assets.

- Cash and cash equivalents balances decreased approximately \$2.1 million largely due to the purchase of 119 acres of park land. Capital assets increased approximately \$3.1 million mostly due to the park land purchase, in addition to other infrastructure and building improvements made during the year.

**Changes in net assets.** The Town's total revenues for the fiscal year ended June 30, 2008, were \$8.9 million. The total cost of all programs and services was \$7.8 million. The following table presents a summary of the changes in net assets for the fiscal years ended June 30, 2008 and 2007.

	<u>2008</u> <u>Governmental</u> <u>Activities</u>	<u>2007</u> <u>Governmental</u> <u>Activities</u>
<b>Revenues</b>		
Program revenues:		
Charges for services	\$ 888,803	\$ 1,178,433
Operating grants and contributions	1,361,690	1,394,477
Capital grants and contributions	703,532	-
General revenues:		
Town sales taxes	2,314,337	2,586,474
Franchise taxes	237,227	219,502
State shared revenue	3,154,857	2,919,698
Investment earnings	220,900	313,860
Miscellaneous	64,610	8,242
<b>Total revenues</b>	<u>8,945,956</u>	<u>8,620,686</u>
<b>Expenses</b>		
General government	2,110,980	2,239,261
Public safety	2,463,833	2,310,866
Public works and streets	1,185,801	1,692,038
Health and welfare	77,523	10,000
Culture and recreation	1,334,525	1,265,748
Economic and community development	552,987	460,395
Interest on long-term debt	88,421	89,413
<b>Total expenses</b>	<u>7,814,070</u>	<u>8,067,721</u>
<b>Increase in net assets</b>	<u>\$ 1,131,886</u>	<u>\$ 552,965</u>

**TOWN OF CAMP VERDE, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2008**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

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

	Total Expenses	Net (Expense)/ Revenue
<b>Governmental Activities</b>		
General government	\$ 2,110,980	\$ (1,694,948)
Public safety	2,463,833	(2,183,151)
Public works and streets	1,185,801	(94,206)
Health and welfare	77,523	(77,523)
Culture and recreation	1,334,525	(981,340)
Economic and community development	552,987	259,544
Interest on long-term debt	88,421	(88,421)
<b>Total</b>	<b>\$ 7,814,070</b>	<b>\$ (4,860,045)</b>

- The cost of all governmental activities this year was \$7.8 million.
- Federal, state, and county governments and charges for services subsidized certain governmental programs with grants and contributions and other local revenues of \$3.0 million.
- The net cost of governmental activities of \$4.9 million was financed by general revenues, which are made up of primarily taxes and state shared revenue.

**FINANCIAL ANALYSIS OF THE TOWN'S FUNDS**

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

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

**TOWN OF CAMP VERDE, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2008**

**FINANCIAL ANALYSIS OF THE TOWN'S FUNDS (CONTINUED)**

The financial performance of the Town as a whole is reflected in its governmental funds. As the Town completed the year, its governmental funds reported combined ending fund balances of \$5.3 million, a decrease of \$2.0 million due primarily to the purchase of 119 acres of park land. Approximately 77.0 percent of this total amount (\$4.1 million) constitutes *unreserved, undesignated fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is reserved or designated to indicate that it is not available for new spending because it has already been committed to library services (\$215,983), animal shelter services (\$5,600), the K-9 unit (\$1,936), police services (\$1,000), debt service (\$124,350), long-term receivables (\$832,000), and parks and recreation youth programs (\$37,436).

The General Fund is the principal operating fund of the Town. At the end of the current fiscal year, the total fund balance of the General Fund was \$3.6 million. As a measure of the General Fund's liquidity, it may be useful to compare fund balance to fund expenditures. Fund balance represents 58.8 percent of total General Fund expenditures.

The fund balance of the Town's General Fund increased by \$46,198 during the fiscal year. The HURF Fund showed an increase in fund balance of \$586,220 as of June 30, 2008 due primarily to an operating transfer from the Capital Improvements Fund to cover additional projects and funding shortfalls. Many of these projects will be completed in fiscal year 2008-09. The fund balance of the Parks Fund decreased by \$2.4 million as a result of a purchase of 119 acres of park land. The fund balance of the Capital Improvements Fund decreased by \$507,160 due primarily to a \$722,000 transfer made to the HURF Fund to eliminate a deficit fund balance and offset projected revenue shortfalls.

**Proprietary funds.** The Internal Service Fund was closed March 2008.

**BUDGETARY HIGHLIGHTS**

Schedules showing the budget amounts compared to the Town's actual financial activity for the General Fund, HURF Fund, Parks Fund, and CDBG Fund are provided in this report as required supplementary information. The significant variances between budget and actual are as follows:

- Town sales taxes in the General Fund exceeded the budget amount by \$534,337. The budget as adopted reflected net sales tax revenues for the General Fund, while the actual amounts reported are gross sales taxes with transfers to the Parks Fund and Capital Improvements Fund for their allocated share of sales taxes.
- General Fund expenditures were less than budgeted by \$670,796. This was the result of conservative spending efforts to minimize the impact of forecasted future revenue shortfalls.

**TOWN OF CAMP VERDE, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2008**

**BUDGETARY HIGHLIGHTS (CONTINUED)**

- The capital outlay expenditures in the Parks Fund exceeded budgeted amounts by \$409,464. The purchase of park land was budgeted at \$1.9 million; however, the final actual purchase amount was \$2.4 million.
- The expenditures of the CDBG Fund exceeded budgeted amounts by \$338,280. An oversight was made in the preparation of the budget, and a project estimated at \$323,033 was inadvertently excluded.

**CAPITAL ASSETS**

As of June 30, 2008, the Town had invested \$10.0 million in capital assets including land, buildings, facilities, vehicles, computers, equipment, and infrastructure assets. Total depreciation expense for the year was \$301,047.

The following schedule presents capital asset balances and accumulated depreciation for the fiscal years ended June 30, 2008 and 2007.

	<u>As of June 30, 2008</u>	<u>As of June 30, 2007</u>
Land	\$ 4,409,541	\$ 2,004,616
Buildings and improvements	3,490,773	3,185,779
Improvements other than buildings	848,661	820,980
Infrastructure	1,598,050	1,107,918
Machinery and equipment	1,610,980	1,518,894
Construction in progress	95,944	-
Accumulated depreciation	<u>(2,053,185)</u>	<u>(1,752,138)</u>
Total	<u>\$ 10,000,764</u>	<u>\$ 6,886,049</u>

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

- The Town acquired approximately 119 acres of land that has been designated for a future park at a cost of \$2.4 million.

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

**TOWN OF CAMP VERDE, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2008**

**DEBT ADMINISTRATION**

At year end, the Town had \$2.45 million in governmental long-term debt outstanding with \$418,194 due within one year. The following table presents a summary of the Town's outstanding long-term debt for the fiscal year ended June 30, 2008 and 2007.

	<u>As of June 30, 2008</u>	<u>As of June 30, 2007</u>
Compensated absences payable	\$ 358,507	\$ 331,365
Capital leases payable	30,862	38,367
Revenue bonds payable	1,925,000	2,005,000
Revenue bonds premium	115,491	122,671
Note payable	<u>20,490</u>	<u>23,437</u>
 Total	 <u>\$ 2,450,350</u>	 <u>\$ 2,520,840</u>

Additional information on the Town's long-term debt can be found in Notes 7 - 10 of this report.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

As with the rest of the country, the Town of Camp Verde is experiencing reductions in revenues. The Town of Camp Verde is a sales tax based community and has no property tax to rely on in times of economic hardship. Due to these factors, management has been keeping a sharp eye on the performance of our local economy and other revenue sources to ensure that expenditures are kept in line with revenues received. On November 19, 2008, management recommended and Council approved a list of budget reductions for the FY2008-2009 due to the continued downturn in the performance of the economy. These reductions, totaling eight percent (8%) of the General Fund budgeted appropriations, were crafted by management to keep expenditures in line with anticipated revenues. An analysis of financial data received for the period ending December 31, 2008 indicates that management's forecasts are holding steady thus far. Management will continue to monitor the budget and make additional reductions if necessary to ensure that expenditures are met with revenues received.

**CONTACTING THE TOWN'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Town's finances and to demonstrate the Town's accountability for the resources it receives. If you have questions about this report or need additional information, contact the Town of Camp Verde, Finance Department, 395 South Main Street, Camp Verde, AZ 86322.

# **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**TOWN OF CAMP VERDE, ARIZONA  
STATEMENT OF NET ASSETS  
JUNE 30, 2008**

	Governmental Activities
<b><u>ASSETS</u></b>	
Current assets:	
Cash and cash equivalents	\$ 4,875,368
Accounts receivable (net)	1,410,953
Interest receivable	9,587
Due from governmental entities	868,983
Prepaid items	115,632
Total current assets	7,280,523
Non-current assets:	
Investments held by trustee - restricted	124,350
Capital assets, not being depreciated	4,505,485
Capital assets, being depreciated, net	5,495,279
Deferred bond issuance costs	24,764
Loans receivable - housing and redevelopment	198,843
Total non-current assets	10,348,721
<b>Total assets</b>	<b>17,629,244</b>
<b><u>LIABILITIES</u></b>	
Current liabilities:	
Accounts payable	539,497
Accrued payroll and employee benefits	150,487
Due to other governments	800,903
Accrued interest	36,958
Court bonds payable	15,421
Deferred revenue	570,765
Current portion of long-term obligations	418,194
Total current liabilities	2,532,225
Non-current liabilities:	
Non-current portion of long-term obligations	2,032,156
Total non-current liabilities	2,032,156
<b>Total liabilities</b>	<b>4,564,381</b>
<b><u>NET ASSETS</u></b>	
Invested in capital assets, net of related debt	7,929,411
Restricted for:	
Debt service	124,350
Animal shelter	5,600
K-9 unit	1,936
Police services	1,000
Redevelopment and housing	405,979
Library services	215,983
Highways and streets	463,892
Transportation	988
Unrestricted	3,915,724
Total net assets	<b>\$ 13,064,863</b>

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

**TOWN OF CAMP VERDE, ARIZONA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2008**

<b>Functions/Programs</b>	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental activities:</b>					
General government	\$ 2,110,980	\$ 399,952	\$ 16,080	\$ -	\$ (1,694,948)
Public safety	2,463,833	139,246	130,234	11,202	(2,183,151)
Public works and streets	1,185,801	-	1,022,368	69,227	(94,206)
Health and welfare	77,523	-	-	-	(77,523)
Culture and recreation	1,334,525	160,177	193,008	-	(981,340)
Economic and community development	552,987	189,428	-	623,103	259,544
Interest on long-term debt	88,421	-	-	-	(88,421)
Total governmental activities	7,814,070	888,803	1,361,690	703,532	(4,860,045)
<b>General revenues:</b>					
Taxes:					
Town sales taxes for general purposes					2,314,337
Franchise taxes					237,227
State shared revenues					3,154,857
Investment earnings					220,900
Miscellaneous					64,610
Total general revenues					5,991,931
<b>Changes in net assets</b>					1,131,886
<b>Net assets, beginning of year</b>					11,932,977
<b>Net assets, end of year</b>					\$ 13,064,863

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

**This Page Left Blank Intentionally**

## **FUND FINANCIAL STATEMENTS**

**TOWN OF CAMP VERDE, ARIZONA**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2008**

	<u>General Fund</u>	<u>HURF Fund</u>	<u>Parks Fund</u>
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 2,431,947	\$ 466,922	\$ 90,451
Investments held by trustee - restricted	-	-	-
Accounts receivable (net)	1,373,488	-	-
Interest receivable	4,939	423	-
Due from other funds	55,629	-	-
Loans receivable	-	-	-
Due from other governments	405,981	80,037	-
Prepaid items	48,155	-	-
Advances to other funds	832,000	-	-
	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 5,152,139</u>	<u>\$ 547,382</u>	<u>\$ 90,451</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>			
Accounts payable	\$ 154,437	\$ 71,829	\$ 2,528
Accrued payroll and employee benefits	135,124	11,661	-
Due to other funds	-	-	-
Due to other governments	800,903	-	-
Accrued interest	-	-	-
Court bonds payable	15,421	-	-
Deferred revenue	481,680	-	-
Advances from other funds	-	-	832,000
	<hr/>	<hr/>	<hr/>
Total liabilities	<u>1,587,565</u>	<u>83,490</u>	<u>834,528</u>
Fund balances (deficits):			
Reserved for library endowment	-	-	-
Reserved for animal shelter	-	-	-
Reserved for K-9 unit	-	-	-
Reserved for police services	-	-	-
Reserved for library services	-	-	-
Reserved for debt service	-	-	-
Reserved for long-term receivables	832,000	-	-
Unreserved:			
Undesignated	2,732,574	463,892	(744,077)
Designated for parks and recreation youth programs	-	-	-
Unreserved reported in:			
Special revenue funds	-	-	-
	<hr/>	<hr/>	<hr/>
Total fund balances	<u>3,564,574</u>	<u>463,892</u>	<u>(744,077)</u>
	<hr/>	<hr/>	<hr/>
Total liabilities and fund balances	<u>\$ 5,152,139</u>	<u>\$ 547,382</u>	<u>\$ 90,451</u>

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

<u>CDBG Fund</u>	<u>Capital Improvements Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ 1,212,826	\$ 673,222	\$ 4,875,368
-	-	124,350	124,350
-	-	37,465	1,410,953
-	-	4,225	9,587
-	-	-	55,629
-	-	198,843	198,843
331,809	-	51,156	868,983
-	-	67,477	115,632
-	-	-	832,000
<u>\$ 331,809</u>	<u>\$ 1,212,826</u>	<u>\$ 1,156,738</u>	<u>\$ 8,491,345</u>
\$ 306,699	\$ 808	\$ 3,196	\$ 539,497
-	-	3,702	150,487
25,110	-	30,519	55,629
-	-	-	800,903
-	-	36,958	36,958
-	-	-	15,421
-	-	287,928	769,608
-	-	-	832,000
<u>331,809</u>	<u>808</u>	<u>362,303</u>	<u>3,200,503</u>
-	-	214,556	214,556
-	-	5,600	5,600
-	-	1,936	1,936
-	-	1,000	1,000
-	-	1,427	1,427
-	-	124,350	124,350
-	-	-	832,000
-	1,212,018	-	3,664,407
-	-	37,436	37,436
-	-	408,130	408,130
<u>-</u>	<u>1,212,018</u>	<u>794,435</u>	<u>5,290,842</u>
<u>\$ 331,809</u>	<u>\$ 1,212,826</u>	<u>\$ 1,156,738</u>	<u>\$ 8,491,345</u>

**TOWN OF CAMP VERDE, ARIZONA  
RECONCILIATION OF THE BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS - GOVERNMENTAL FUNDS  
JUNE 30, 2008**

**Total governmental fund balances** \$ 5,290,842

Amounts reported for *governmental activities* in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Governmental capital assets	\$ 12,053,949	
Less accumulated depreciation	<u>(2,053,185)</u>	10,000,764

Some receivables are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.		198,843
---	--	---------

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.		24,764
---	--	--------

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

Compensated absences payable	(358,507)	
Capital leases payable	(30,862)	
Revenue bonds payable	(1,925,000)	
Revenue bonds premium	(115,491)	
Note payable	<u>(20,490)</u>	<u>(2,450,350)</u>

**Net assets of governmental activities** \$ 13,064,863

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

**This Page Left Blank Intentionally**

**TOWN OF CAMP VERDE, ARIZONA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-**  
**GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	<u>General Fund</u>	<u>HURF Fund</u>	<u>Parks Fund</u>
<b>Revenues:</b>			
Taxes	\$ 2,551,564	\$ -	\$ -
Licenses and permits	150,852	-	-
Fines and forfeits	313,746	-	-
Intergovernmental	3,361,857	1,066,606	-
Charges for services	147,963	-	-
Investment earnings	203,323	2,995	-
Rents and royalties	43,424	-	-
Contributions and donations	41,072	7,000	-
Other	59,055	-	-
<b>Total revenues</b>	<u>6,872,856</u>	<u>1,076,601</u>	<u>-</u>
<b>Expenditures:</b>			
Current -			
General government	2,002,709	-	-
Public safety	2,200,083	-	-
Public works and streets	141,119	914,506	-
Health and welfare	10,000	-	-
Culture and recreation	1,113,446	-	-
Economic and community development	531,984	-	-
Capital outlay	48,442	301,639	2,461,964
Debt service -			
Principal retirement	7,505	-	2,947
Interest and fiscal charges	2,567	-	2,211
<b>Total expenditures</b>	<u>6,057,855</u>	<u>1,216,145</u>	<u>2,467,122</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>815,001</u>	<u>(139,544)</u>	<u>(2,467,122)</u>
<b>Other financing sources (uses):</b>			
Transfers in	249,542	725,764	62,787
Transfers out	(1,018,345)	-	-
<b>Total other financing sources (uses)</b>	<u>(768,803)</u>	<u>725,764</u>	<u>62,787</u>
<b>Changes in fund balances</b>	<u>46,198</u>	<u>586,220</u>	<u>(2,404,335)</u>
<b>Fund balances (deficits), beginning of year</b>	<u>3,518,376</u>	<u>(122,328)</u>	<u>1,660,258</u>
<b>Fund balances (deficits), end of year</b>	<u>\$ 3,564,574</u>	<u>\$ 463,892</u>	<u>\$ (744,077)</u>

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

CDBG Fund	Capital Improvements Fund	Non-Major Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ 2,551,564
-	-	-	150,852
-	-	28,403	342,149
627,003	-	214,897	5,270,363
-	-	79,093	227,056
-	-	14,582	220,900
-	-	-	43,424
-	-	26,966	75,038
-	-	14,151	73,206
<u>627,003</u>	<u>-</u>	<u>378,092</u>	<u>8,954,552</u>
22,926	-	49,401	2,075,036
-	-	122,698	2,322,781
-	-	17,155	1,072,780
-	-	67,523	77,523
-	-	27,821	1,141,267
-	-	-	531,984
613,549	145,560	17,067	3,588,221
-	-	80,000	90,452
-	-	89,283	94,061
<u>636,475</u>	<u>145,560</u>	<u>470,948</u>	<u>10,994,105</u>
<u>(9,472)</u>	<u>(145,560)</u>	<u>(92,856)</u>	<u>(2,039,553)</u>
9,472	562,900	364,155	1,974,620
-	(924,500)	-	(1,942,845)
<u>9,472</u>	<u>(361,600)</u>	<u>364,155</u>	<u>31,775</u>
-	(507,160)	271,299	(2,007,778)
-	1,719,178	523,136	7,298,620
<u>\$ -</u>	<u>\$ 1,212,018</u>	<u>\$ 794,435</u>	<u>\$ 5,290,842</u>

**TOWN OF CAMP VERDE, 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, 2008**

**Net changes in fund balances - total governmental funds** \$ (2,007,778)

Amounts reported for *governmental activities* in the Statement of Activities are different because:

Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense.

Expenditures for capitalized assets (net of \$172,459 expenditures below capitalization threshold)	\$ 3,415,762	
Less current year depreciation	<u>(301,047)</u>	3,114,715

Collections of revenues reported in the governmental funds exceeded revenues reported in the Statement of Activities because of the different revenue recognition methods required under the reporting standards. (8,596)

The issuance of long-term debt (e.g., bonds, leases, loans, notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. 96,092

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 the governmental funds. (27,142)

Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities in the Statement of Activities. (35,405)

**Change in net assets in governmental activities** \$ 1,131,886

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

**PROPRIETARY FUND FINANCIAL STATEMENTS**

**TOWN OF CAMP VERDE, ARIZONA  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2008**

	Governmental Activities - Internal Service Fund
<b><u>ASSETS</u></b>	
Current assets:	
Cash and cash equivalents	\$ -
<b>Total assets</b>	-
 <b><u>NET ASSETS</u></b>	
Unrestricted	-
<b>Total net assets</b>	\$ -

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

**TOWN OF CAMP VERDE, ARIZONA**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2008**

	Governmental Activities: Internal Service Fund
<b>Operating expenses:</b>	
Costs of sales and services	3,630
Total operating expenses	3,630
<b>Operating loss</b>	(3,630)
<b>Transfers out</b>	(31,775)
<b>Changes in net assets</b>	(35,405)
<b>Total net assets, beginning of year</b>	35,405
<b>Total net assets, end of year</b>	\$ -

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

**TOWN OF CAMP VERDE, ARIZONA  
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2008**

	<u>Internal Service Fund</u>
<b><u>Decrease in Cash and Cash Equivalents</u></b>	
Cash flows from operating activities:	
Cash payments to suppliers for goods and services	\$ (3,630)
<b>Net cash provided by (used for) operating activities</b>	<u>(3,630)</u>
Cash flows from noncapital financing activities:	
Transfers to other funds	<u>(31,775)</u>
<b>Net cash provided by (used for) noncapital financing activities</b>	<u>(31,775)</u>
<b>Net decrease in cash and cash equivalents</b>	(35,405)
<b>Cash and cash equivalents, beginning of year</b>	<u>35,405</u>
<b>Cash and cash equivalents, end of year</b>	<u><u>\$ -</u></u>
 <b>Reconciliation of Operating Loss to Net Cash Provided by (used for) Operating Activities:</b>	
Operating loss	\$ (3,630)
Adjustments to reconcile operating loss to net cash provided (used for) operating activities:	
None	<u>-</u>
<b>Total adjustments</b>	<u>-</u>
<b>Net cash provided by (used for) operating activities</b>	<u><u>\$ (3,630)</u></u>

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

**FIDUCIARY FUND FINANCIAL STATEMENTS**

**TOWN OF CAMP VERDE, ARIZONA  
STATEMENT OF FIDUCIARY FUND NET ASSETS  
JUNE 30, 2008**

	<u>Agency</u>
<b><u>ASSETS</u></b>	
Cash and cash equivalents	\$ 6,998
<b>Total assets</b>	<u>\$ 6,998</u>
<b><u>LIABILITIES</u></b>	
Deposits held for others	\$ 6,998
<b>Total liabilities</b>	<u>\$ 6,998</u>

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

**TOWN OF CAMP VERDE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

**NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Town of Camp Verde, Arizona (Town) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

For the year ended June 30, 2008, the County implemented the provisions of GASB Statement Nos. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*; and 50, *Pension Disclosure (an amendment of GASB Statements No. 25 and No. 27)*. GASB Statement No. 48 establishes note disclosure requirements for governments that pledge future revenues as security for debt. GASB Statement No. 50 amends GASB Statement Nos. 25 and 27 to require governmental employers to present certain additional pension disclosures in the notes and additional required supplementary information.

The more significant of the Town's accounting policies are described below.

**A. Reporting Entity**

The Town is a municipal entity governed by an elected Mayor and six-member council. The accompanying financial statements present the Town and its component units, entities for which the Town is considered to be financially accountable. The financial reporting entity consists of a primary government and its component units. The Town is a primary government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. Blended component units, although legally separate entities, are, in substance, part of the Town's operations. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the Town. The Town has no component units.

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Town. The Town has only governmental activities, which are normally supported by taxes and intergovernmental revenues.

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**TOWN OF CAMP VERDE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

**NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met.

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

Sales taxes, franchise taxes, licenses and permits, charges for services, and investment income 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. Miscellaneous revenue is not susceptible to accrual because generally they are not measurable until received in cash. Deferred revenues also arise when resources are received by the Town before it has legal claim to them, as when grant monies are received prior to meeting all eligibility requirements imposed by the provider. Receivables that will not be collected within the available period have been reported as deferred revenue on the governmental fund financial statements.

The Town reports the following major governmental funds.

The *General 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.

The *HURF Fund* accounts for the revenue received from the State for public works and streets.

The *Parks Fund* accounts for the all financial resources related to the maintenance of the Town's parks.

The *CDBG Fund* accounts for the activity related to the Town's Community Development Block Grant.

The *Capital Improvements Fund* accounts for all financial resources of the Town related to purchasing assets that meet the appropriate threshold for capitalization that take more than one year to make ready for use by the Town.

**TOWN OF CAMP VERDE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

**NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

Additionally, the Town reports the following fund types.

The *Internal Service Fund* accounts for the activity of the Town's Employee Benefit Fund. The Employee Benefit Fund accounted for the City's partially self-funded employee self-insurance program and was closed March 2008.

The *Agency Funds* are used to account for assets held by the Town as an agent for other parties such as a local swim team and certain employee assistance funds.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

As a general rule the effect of internal activity has been eliminated from the government-wide financial statements. However, charges for interfund services provided and used are not eliminated if the prices approximate their external exchange value.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for these funds include the cost of sales and services. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

**D. Cash, Cash Equivalents, and Investments**

For purposes of the Statement of Cash Flows, the Town considers cash on hand, demand deposits, cash and investments held by the State Treasurer, and highly liquid investments with maturities of three months or from the date of acquisition to be cash equivalents.

Cash and investments are generally pooled except for funds required to be held by fiscal agents or restricted under provisions of bond indentures. A.R.S. authorize the Town to invest public monies in the State Treasurer's Local Government Investment Pool, interest-bearing savings accounts, certificates of deposit, and repurchase agreements in eligible depositories; bonds or other obligations of the U.S. government that are guaranteed as to principal and interest by the U.S. government; and bonds of the State of Arizona or any of its counties, cities, towns, school districts, and special districts as specified by statute.

The State Board of Deposit provides oversight for the State Treasurer's pool, and the Local Government Investment Pool Advisory Committee provides consultation and advice to the Treasurer. The fair value of a participant's position in the pool approximates the value of that participant's pool shares.

Money market investments are stated at amortized cost. All other investments are stated at cost, which approximates fair value.

**TOWN OF CAMP VERDE, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

**NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. Receivables and Payables**

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

**F. Restricted Assets**

Certain proceeds of the Town's bonds, as well as certain resources set aside for their repayment, are classified as restricted cash and investments on the balance sheet because their use is limited by applicable bond covenants.

**G. 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.

**H. Capital Assets**

Capital assets, which include land, buildings, improvements other than buildings, machinery, equipment, construction in progress, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of \$5,000 or more and an estimated useful life of more than one year. Such assets are recorded at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

<u>Assets</u>	<u>Years</u>
Infrastructure	20
Buildings and improvements	10-50
Improvements other than buildings	20-50
Machinery and equipment	5-20

**I. Compensated Absences**

Compensated absences consist of vacation leave, compensatory time, and a calculated amount of sick leave earned by employees based on services already rendered.

Employees may accumulate up to 320 hours of vacation depending on years of service, but any vacation hours in excess of the maximum amount that are unused each January 1 are forfeited.

**TOWN OF CAMP VERDE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

**NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**I. Compensated Absences (Continued)**

Upon termination of employment, all unused and unforfeited vacation benefits are paid to employees.

Employees may accumulate up to 480 hours of sick leave hours. Any sick leave hours in excess of the maximum must be converted at a rate of 50% to vacation time or cash value each December 15. Upon termination of employment, unused sick leave benefits are paid to employees at rates of 10 to 50 percent depending upon years of service.

The current and long-term liabilities for accrued vacation leave, compensatory time, and sick leave are reported in the government-wide financial statements. A liability for these amounts is reported in the governmental funds' financial statements only if they have matured, for example, as a result of employee resignations and retirements by fiscal year end.

**J. Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

**K. Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for expenditures or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**L. Interfund Activity**

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

**TOWN OF CAMP VERDE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

**NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**M. Estimates**

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

**N. Budgets**

The Town publishes and adopts an annual budget in accordance with applicable state statutes. No annual budget is required for proprietary funds.

**O. Impairment of Long-Lived Assets**

The Town reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows, expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets, exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. Management does not believe that there were any long-lived asset impairments for the year ended June 30, 2008.

**NOTE 2- CASH, CASH EQUIVALENTS, AND INVESTMENTS**

*Custodial Credit Risk – Deposits.* Custodial credit risk is the risk that in the event of bank failure the Town's deposits may not be returned to the Town. The Town does not have a policy for custodial credit risk. At June 30, 2008, the carrying amount of the Town deposits was \$650,320, and the bank balance was \$793,674. At June 30, 2008, the Town's deposits were entirely covered by Federal depository insurance or by collateral held by the pledging financial institution.

The Town's investments at June 30, 2008, were as follows:

	<u>Fair Value</u>	<u>Investment Maturities (in Years) Less than 1</u>
Money market mutual fund	\$ 124,350	\$ 124,350
Repurchase agreements	1,198,890	1,198,890
State Treasurer's investment pool	<u>2,977,575</u>	<u>2,977,575</u>
Total	<u>\$ 4,300,815</u>	<u>\$ 4,300,815</u>

*Interest Rate Risk.* The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**TOWN OF CAMP VERDE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

**NOTE 2- CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)**

*Credit Risk.* The Town has no investment policy that would further limit its investment choices. As of June 30, 2008, the Town's investment in the State Treasurer's investment pool did not receive a credit quality rating from a national rating agency.

*Custodial Credit Risk - Investments.* For an investment, custodial credit risk is the risk that, in the event of the counterparty's failure, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At June 30, 2008, the Town had \$124,350 of money market funds that were uninsured and held by the counterparty's trust department or agent not in the Town's name and \$1,198,890 of repurchase agreements collateralized with securities held by the counterparty. The Town's investment in the State Treasurer's investment pool represents a proportionate interest in the pool's portfolio; however, the Town's portion is not identified with specific investments and is not subject to custodial credit risk.

*Concentration of Credit Risk.* The Town places no limit on the amount the Town may invest in any one issuer. As of June 30, 2008, the Town's investments include 2.9 percent invested in money market funds, 27.9 percent invested in repurchase agreements, and 69.2 percent invested in the State Treasurer's investment pool.

A reconciliation of cash, deposits, and investments to amounts shown on the Statements of Net Assets follows:

Cash, deposits, and investments:	
Cash on hand	\$ 55,581
Amount of deposits	650,320
Amount of investments	<u>4,300,815</u>
Total	<u>\$ 5,006,716</u>

	Governmental Activities	Agency Fund	Total
Statement of Net Assets:			
Cash and cash equivalents	\$ 4,875,368	\$ 6,998	\$ 4,882,366
Restricted cash and cash equivalents	<u>124,350</u>	<u>-</u>	<u>124,350</u>
Total	<u>\$ 4,999,718</u>	<u>\$ 6,998</u>	<u>\$ 5,006,716</u>

**NOTE 3- ACCOUNTS RECEIVABLES**

As of June 30, 2008, the Town's net receivables for individual major governmental funds and non-major governmental funds in the aggregate, consisted of \$1,356,213 in municipal court fines, which not all are available within one year, \$382,965 in grants, \$434,647 in State distributions, and \$115,698 in other miscellaneous fees. Management has an aggressive collection policy and deems uncollectible amounts to be immaterial to the financial statements.

**TOWN OF CAMP VERDE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

**NOTE 3- ACCOUNTS RECEIVABLES (CONTINUED)**

In connection with receivables, governmental funds reported deferred revenue for amounts not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the deferred revenue consisted of fines receivable of \$516,529, loans receivable of \$198,843, and unexpended grant funds of \$54,236.

**NOTE 4- LOANS RECEIVABLE**

The Town has outstanding loans due from homeowners. The loans were originally issued to homeowners within the Town to assist in redevelopment and housing. The loans were funded by a Community Development Block Grant, and any income from the loan is considered program income of the grant. The governmental funds report deferred revenue in connection with the receivables for revenues that are not considered to be available to liquidate liabilities of the current period. However, the government-wide financial statements recognized the revenue when the receivable was recognized. Therefore, the deferred revenue represents a reconciling item between the government-wide and fund financial statement. At June 30, 2008, \$198,843 of the deferred loan receivable recorded in the Housing Grant Fund represents funds that were unavailable.

The Town considers the receivables to be 100 percent collectible; therefore no allowance for doubtful accounts was reported.

**NOTE 5- CAPITAL ASSETS**

A summary of capital asset activity for the fiscal year ended June 30, 2008 follows:

<b>Governmental Activities</b>	Beginning Balance	Additions	Ending Balance
Capital assets, not being depreciated:			
Land	\$ 2,004,616	\$ 2,404,925	\$ 4,409,541
Construction in progress	-	95,944	95,944
Total capital assets, not being depreciated	<u>2,004,616</u>	<u>2,500,869</u>	<u>4,505,485</u>
Capital assets, being depreciated:			
Infrastructure	1,107,918	490,132	1,598,050
Buildings and improvements	3,185,779	304,994	3,490,773
Improvements other than buildings	820,980	27,681	848,661
Machinery and equipment	1,518,894	92,086	1,610,980
Total capital assets being depreciated	<u>6,633,571</u>	<u>914,893</u>	<u>7,548,464</u>
Less accumulated depreciation for:			
Infrastructure	(155,641)	(56,156)	(211,797)
Buildings and improvements	(389,762)	(72,561)	(462,323)
Improvements other than buildings	(261,809)	(29,511)	(291,320)
Machinery and equipment	(944,926)	(142,819)	(1,087,745)
Total accumulated depreciation	<u>(1,752,138)</u>	<u>(301,047)</u>	<u>(2,053,185)</u>
Total capital assets, being depreciated, net	<u>4,881,433</u>	<u>613,846</u>	<u>5,495,279</u>
Governmental activities capital assets, net	<u>\$ 6,886,049</u>	<u>\$ 3,114,715</u>	<u>\$ 10,000,764</u>

**TOWN OF CAMP VERDE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

**NOTE 5- CAPITAL ASSETS (CONTINUED)**

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 29,538
Public safety	105,581
Public works and streets	99,730
Culture and recreation	61,415
Community development	<u>4,783</u>
Total depreciation expense	<u>\$ 301,047</u>

**NOTE 6- PREPAID EXPENSES**

Prepaid expenses at year end consisted of payment of the liability insurance premium of \$48,155 and the July payment of \$67,477 on the Camp Verde Sanitary District Agreement.

**NOTE 7- OBLIGATIONS UNDER CAPITAL LEASES**

The Town has entered into lease agreements as lessee for financing the acquisition of copier equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

	Governmental Activities
Machinery and Equipment	\$ 42,123
Less: Accumulated Depreciation	<u>(11,343)</u>
Carrying Value	<u>\$ 30,780</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2008 were as follows:

		Governmental Activities
Year Ending June 30:		
	2009	\$ 10,073
	2010	10,073
	2011	10,073
	2012	<u>4,857</u>
Total minimum lease payments		35,076
Less: amount representing interest		<u>(4,214)</u>
Present value of minimum lease payments		<u>\$ 30,862</u>
Due within one year		<u>\$ 8,076</u>

**TOWN OF CAMP VERDE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

**NOTE 8- REVENUE BONDS PAYABLE**

Revenue bonds payable at June 30, 2008 consisted of the outstanding revenue bonds presented below. The bonds are generally callable with interest payable semiannually.

In February 2005, the Town issued bonds totaling \$2,040,000 to finance the acquisition of land and construction of new Town Marshal facilities. The principal and interest on the bonds are payable solely from and are secured by a pledge of the Town's unrestricted excise taxes and state shared revenues.

Revenue bonds outstanding at year end are as follows:

Description	Interest Rate	Maturity	Outstanding Principal June 30, 2008
Governmental activities:			
Greater Arizona Development Authority (GADA) Infrastructure Series 2005 Revenue Bonds	2.75-5.00%	8/1/2008-24	\$1,925,000

Revenue bond debt service requirements to maturity are as follows:

Year ending June 30:	Principal	Interest
2009	\$ 80,000	\$ 87,600
2010	80,000	85,250
2011	85,000	82,725
2012	85,000	79,325
2013	90,000	74,950
2014-18	525,000	300,375
2019-23	665,000	155,750
2024-25	315,000	14,075
<b>Total</b>	<b>\$ 1,925,000</b>	<b>\$ 880,050</b>

**NOTE 9- NOTE PAYABLE**

In July 1998, the Town entered into a mortgage note agreement for the purchase of Butler Park. The original principal amount was \$40,000 with monthly payments of \$430 at 10% interest per annum. The debt service requirements to maturity are as follows:

Year ending June 30:	Principal	Interest
2009	\$ 3,256	\$ 1,902
2010	3,596	1,562
2011	3,973	1,185
2012	4,389	769
2013	4,850	309
2014	426	4
<b>Total</b>	<b>\$ 20,490</b>	<b>\$ 5,731</b>

**TOWN OF CAMP VERDE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

**NOTE 10- CHANGES IN LONG-TERM LIABILITIES**

Long-term liability activity for the year ended June 30, 2008 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities:</b>					
Compensated absences	\$ 331,365	\$ 320,411	\$ 293,269	\$ 358,507	\$ 319,681
Capital leases payable	38,367	-	7,505	30,862	8,076
Revenue bonds payable	2,005,000	-	80,000	1,925,000	80,000
Revenue bonds premium	122,671	-	7,180	115,491	7,181
Note payable	23,437	-	2,947	20,490	3,256
Governmental activities long-term liabilities	<u>\$ 2,520,840</u>	<u>\$ 320,411</u>	<u>\$ 390,901</u>	<u>\$ 2,450,350</u>	<u>\$ 418,194</u>

**NOTE 11- OPERATING LEASE**

The Town leases an animal control facility under the provisions of a long-term lease agreement classified as an operating lease for accounting purposes. Rental expenditures under the terms of the operating lease totaled \$17,441 for the fiscal year ended June 30, 2008.

The future minimum lease payments were as follows:

Year Ending June 30:	Amount
2009	\$ 19,568
2010	4,927
Total	<u>\$ 24,495</u>

**NOTE 12- PLEDGED REVENUES**

The Town has pledged, as security for a lease-purchase agreement entered into by the Camp Verde Sanitary District, a portion of the Town's sales tax. The lease-purchase agreement, executed by the Sanitary District in 2007 in the amount of \$1.9 million to provide financing for construction of a new wastewater treatment plant, outfall, and collector sewer lines. The Town has committed to appropriate \$135,000 each year for 25 years, from sales tax revenues and state shared revenues, to cover the principal and interest requirements on the Sanitary District's debt. The agreement called for a public note to be held in November 2008 regarding the Town taking over District assets and operations.

The Sanitary District has pledged, as the sole security for the lease-purchase agreement, the annual appropriations from the Town. Total principal and interest remaining on the District's debt is \$3.2 million with annual requirements ranging from \$135,013 in 2010 to \$657,708 in the final year. Sales taxes and state shared revenues, from which the appropriations will be made, have averaged \$3.4 million per year over the last ten years. For the current year, principal and interest paid by the Sanitary District and the total sales tax revenue and state shared revenues recognized by the Town were \$67,523 and \$4.9 million, respectively.

**TOWN OF CAMP VERDE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

**NOTE 13- INTERFUND BALANCES AND ACTIVITY**

At June 30, 2008, interfund balances and activity were as follows:

**Advances to/from other funds:**

Fund	Advances Receivable	Advances Payable
General	\$ 832,000	\$ -
Parks	-	832,000
<b>Total</b>	<b><u>\$ 832,000</u></b>	<b><u>\$ 832,000</u></b>

During March 2008, the Town Council approved an agreement to loan \$832,000 to the Parks Fund from General Fund monies. Effective October 1, 2008, quarterly payments of \$50,000 will be made until the full amount borrowed has been repaid.

**Due to/from other funds:**

Fund	Due From Other Funds	Due To Other Funds
General	\$ 55,629	\$ -
CDBG	-	25,110
Non-Major Governmental	-	30,519
<b>Total</b>	<b><u>\$ 55,629</u></b>	<b><u>\$ 55,629</u></b>

At June 30, 2008, two funds had negative cash balances in the pooled cash account. Negative pooled cash was reduced by interfund borrowing with other funds.

**Interfund transfers:**

Fund	Transfers In	Transfers Out
General	\$ 249,542	\$1,018,345
HURF	725,764	-
Parks	62,787	-
CDBG	9,472	-
Capital Improvements	562,900	924,500
Non-Major Governmental	364,155	-
Internal Service	-	31,775
<b>Total</b>	<b><u>\$1,974,620</u></b>	<b><u>\$1,974,620</u></b>

Transfers between funds are used (1) to move revenues from the fund with collection authorization to the Debt Service Fund, Parks Fund, and Capital Improvements Fund, (2) to cover shared expenses, and (3) to close out the Internal Service Fund.

**TOWN OF CAMP VERDE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

**NOTE 14- CONTINGENT LIABILITIES**

**Federal and State grants and loans** – The Town has received a number of grants from both the Federal and State governments. Amounts received or receivable from grantor agencies are subject to audit and adjustment; however, the Town expects no material disallowance of expenditures.

**Lawsuits** – The Town is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Town's legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the Town.

**NOTE 15- STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**Individual Deficit Fund Balances/Net Assets** – At June 30, 2008, the Parks Fund reported a deficit in fund balance of \$744,077. The deficit arose because of operations during the year. Additional revenues received in future fiscal years are expected to eliminate the deficit.

**NOTE 16- 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; but was unable to obtain insurance at a cost it considered to be economically justifiable. Therefore, the Town joined the Arizona Municipal Risk Retention Pool (AMRRP), together with other cities and towns in the State. AMRRP is a public entity risk pool currently operating as a common risk management and insurance program for 70 member cities and towns. The Town pays an annual premium to AMRRP for its general insurance coverage. The agreement provides that AMRRP will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$600,000 for general liability claims and \$400,000 for property claims for each insured event. Member premiums are based on an actuarial review that will provide adequate reserves to allow the pool to meet its expected financial obligations. The pool has the authority to assess its members additional premiums should reserves and annual premiums be insufficient to meet the pool's obligations. The limit for basic coverage is for \$1,000,000 per occurrence on a claims made basis. Excess coverage is for an additional \$5,000,000 per occurrence on a follow form, claims made basis. No significant reduction in insurance coverage occurred during the year and no settlements exceeded insurance coverage during any of the past three fiscal years.

The Town provides health benefits to its employees and their dependents through the Verde Valley Employee Benefit Pool (Pool), currently composed of nine member governmental entities. The Pool provides the benefits through a self-funding agreement with its participants and administers the program. The Town is responsible for paying the premium and requires its employees to contribute the premium for dependent coverage only. If it withdraws from the Pool, the Town is responsible for any claims run-out costs, including claims reported but not settled, claims incurred but not reported, and administrative costs. If the Pool were to terminate, the Town would be responsible for its proportional share of any pool deficit.

The Town continues to carry commercial insurance for workers' compensation. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**TOWN OF CAMP VERDE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

**NOTE 17- RETIREMENT PLANS**

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

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

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

Each plan issues a publicly available financial report that includes its financial statements and required supplementary information. A report may be obtained by writing or calling the applicable plan.

**ASRS**

3300 North Central Avenue  
P.O. Box 33910  
Phoenix, Arizona 85067-3910  
(602) 240-2200 or (800) 621-3778

**PSPRS**

3010 East Camelback Road, Suite 200  
Phoenix, Arizona 85016-4416  
(602) 255-5575

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

*Cost-sharing plan* – For the year ended June 30, 2008, active ASRS members were required by statute to contribute at the actuarially determined rate of 9.6 percent (9.1 percent for retirement and 0.5 percent long-term disability) of the members' annual covered payroll, and the Town was required by statute to contribute at the actuarially determined rate of 9.6 percent (8.05 percent for retirement, 1.05 percent for health insurance premium, and 0.5 percent for long-term disability) of the members' annual covered period. There were 64 participants in the ASRS as of June 30, 2008.

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

	Retirement Fund	Health Benefit Supplement Fund	Long-Term Disability Fund
Year ending June 30:			
2008	\$ 210,644	\$ 27,475	\$ 13,083
2007	182,348	25,360	12,076
2006	129,203	23,190	11,043

**TOWN OF CAMP VERDE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

**NOTE 17- RETIREMENT PLANS (CONTINUED)**

*Agent plan* – For the year ended June 30, 2008, active PSPRS members were required by statute to contribute 7.65 percent of the members' annual covered payroll to the Plan, and the Town was required to contribute at the actuarially determined rate of 9.33 percent. There were 19 participants in the PSPRS as of June 30, 2008.

**Actuarial Methods and Assumptions** – The contribution requirements for the year ended June 30, 2008 were established by the June 30, 2006 actuarial valuations, and those actuarial valuations were based on the following actuarial methods and assumptions. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future.

	PSPRS
Actuarial valuation date	June 30, 2008
Actuarial cost method	Projected unit credit
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period	28 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	Smoothed market value
Actuarial assumptions:	
Investment rate of return	8.5%
Projected salary increases	5.5-8.5%
Inflation rate	5.0%

**Trend Information** – Information for the agent plan as of the most recent actuarial valuations follows:

**Camp Verde Marshal's Plan (Retirement and Health Insurance):**

Year Ended June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2006	\$ 65,511	100.0%	\$ 0
2007	72,328	100.0%	0
2008	86,484	100.0%	0

**Funded Status** – The funded status of the plans, as of the most recent valuation date, June 30, 2008 follow. Additionally, the required schedule of funding progress, presented in the required supplementary information section following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**TOWN OF CAMP VERDE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

**NOTE 17- RETIREMENT PLANS (CONTINUED)**

**Camp Verde Marshals Plan (Retirement and Health Insurance):**

Valuation Date June 30,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Funding (Liability) Excess (a-b)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded AAL as a Percent of Covered Payroll ((a-b)/c)
Pension 2008	1,968,768	2,568,446	(599,678)	76.7%	932,555	(64.3%)
Health Insurance 2008	-	100,364	(100,364)	0%	932,555	(10.76%)

**NOTE 18- CONSTRUCTION COMMITMENTS**

As of June 30, 2008, the Town was involved in two construction projects. The outstanding commitments for these construction projects was \$115,008.

**NOTE 19- SUBSEQUENT EVENTS**

**New Accounting Standards**

The Governmental Accounting Standards Board (GASB) issued Statement No. 45 *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This statement requires the Town to recognize the cost of these benefits in periods when the related services are received by the Town. In addition, the statement also requires additional disclosures about the actuarial accrued liabilities for promised benefits associated with past services in notes to the financial statements. The Town is required to implement GASB Statement No. 45 for fiscal year ending 2009. Management is in the process of evaluation the effect of this statement on the Town's financial statements.

**Sanitary District Intergovernmental Agreement (IGA)**

In July 2008, the Town council voted to waive the requirement for the Camp Verde Sanitary District to hold a November 2008 election regarding dissolution of the District and transfer of assets and operation responsibilities to the Town. Accordingly, no election was held by the District.

**REQUIRED SUPPLEMENTARY INFORMATION**

**TOWN OF CAMP VERDE, ARIZONA  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES- BUDGET AND ACTUAL- GENERAL FUND  
YEAR ENDED JUNE 30, 2008**

	Budgeted Amounts Original & Final	Non-GAAP Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>			
Taxes	\$ 2,024,200	\$ 2,551,564	\$ 527,364
Licenses and permits	272,100	150,852	(121,248)
Fines and forfeitures	498,000	313,746	(184,254)
Intergovernmental	3,507,983	3,361,857	(146,126)
Charges for services	298,400	147,963	(150,437)
Investment earnings	150,000	203,323	53,323
Rents and royalties	44,000	43,424	(576)
Contributions and donations	62,200	41,072	(21,128)
Other	9,000	59,055	50,055
<b>Total revenues</b>	<b>6,865,883</b>	<b>6,872,856</b>	<b>6,973</b>
<b>Expenditures:</b>			
Current -			
General government	2,100,740	2,018,288	82,452
Public safety	2,359,469	2,200,083	159,386
Public works and streets	215,791	141,119	74,672
Health and welfare	10,000	10,000	-
Culture and recreation	1,233,354	1,113,446	119,908
Economic and community development	746,076	531,984	214,092
Capital outlay	64,800	48,442	16,358
Debt service -			
Interest and fiscal charges	3,568	2,567	1,001
Principal retirement	10,432	7,505	2,927
<b>Total expenditures</b>	<b>6,744,230</b>	<b>6,073,434</b>	<b>670,796</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>121,653</b>	<b>799,422</b>	<b>677,769</b>
<b>Other financing sources (uses):</b>			
Transfers in	-	249,542	249,542
Transfers out	-	(1,018,345)	(1,018,345)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>(768,803)</b>	<b>(768,803)</b>
<b>Change in fund balances</b>	<b>121,653</b>	<b>30,619</b>	<b>(91,034)</b>
<b>Fund balances, July 1, 2007</b>	<b>1,860,360</b>	<b>3,518,376</b>	<b>1,658,016</b>
<b>Fund balances, June 30, 2008</b>	<b>\$ 1,982,013</b>	<b>\$ 3,548,995</b>	<b>\$ 1,566,982</b>

**TOWN OF CAMP VERDE, ARIZONA  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES- BUDGET AND ACTUAL- HURF FUND  
YEAR ENDED JUNE 30, 2008**

	Budgeted Amounts Original & Final	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>			
Intergovernmental	\$ 1,074,229	\$ 1,066,606	\$ (7,623)
Investment earnings	55,000	2,995	(52,005)
Contributions and donations	-	7,000	7,000
Other	16,000	-	(16,000)
<b>Total revenues</b>	<u>1,145,229</u>	<u>1,076,601</u>	<u>(68,628)</u>
<b>Expenditures:</b>			
Current -			
Public works and streets	1,023,204	914,506	108,698
Capital outlay	121,401	301,639	(180,238)
<b>Total expenditures</b>	<u>1,144,605</u>	<u>1,216,145</u>	<u>(71,540)</u>
<b>Excess (deficiency) of revenues over expenditures</b>	624	(139,544)	(140,168)
<b>Other financing sources (uses):</b>			
Transfers in	-	725,764	725,764
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>725,764</u>	<u>725,764</u>
<b>Change in fund balances</b>	624	586,220	585,596
<b>Fund balances (deficits), July 1, 2007</b>	<u>(43,018)</u>	<u>(122,328)</u>	<u>(79,310)</u>
<b>Fund balances (deficits), June 30, 2008</b>	<u>\$ (42,394)</u>	<u>\$ 463,892</u>	<u>\$ 506,286</u>

**TOWN OF CAMP VERDE, ARIZONA  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES- BUDGET AND ACTUAL- PARKS FUND  
YEAR ENDED JUNE 30, 2008**

	Budgeted Amounts Original & Final	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>			
Taxes	\$ 470,000	\$ -	\$ (470,000)
<b>Total revenues</b>	<u>470,000</u>	<u>-</u>	<u>(470,000)</u>
<b>Expenditures:</b>			
Capital outlay	2,052,500	2,461,964	(409,464)
Debt service -			
Principal retirement	3,142	2,947	195
Interest and fiscal charges	2,358	2,211	147
<b>Total expenditures</b>	<u>2,058,000</u>	<u>2,467,122</u>	<u>(409,122)</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(1,588,000)</u>	<u>(2,467,122)</u>	<u>(879,122)</u>
<b>Other financing sources (uses):</b>			
Transfers in	-	62,787	62,787
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>62,787</u>	<u>62,787</u>
<b>Change in fund balances</b>	(1,588,000)	(2,404,335)	(816,335)
<b>Fund balances, July 1, 2007</b>	<u>583,844</u>	<u>1,660,258</u>	<u>1,076,414</u>
<b>Fund balances (deficits), June 30, 2008</b>	<u>\$ (1,004,156)</u>	<u>\$ (744,077)</u>	<u>\$ 260,079</u>

**TOWN OF CAMP VERDE, ARIZONA  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES- BUDGET AND ACTUAL- CDBG FUND  
YEAR ENDED JUNE 30, 2008**

	Budgeted Amounts Original & Final	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>			
Intergovernmental	\$ 680,003	\$ 627,003	\$ (53,000)
<b>Total revenues</b>	<u>680,003</u>	<u>627,003</u>	<u>(53,000)</u>
<b>Expenditures:</b>			
Current -			
General government	48,195	22,926	25,269
Capital outlay	250,000	613,549	(363,549)
<b>Total expenditures</b>	<u>298,195</u>	<u>636,475</u>	<u>(338,280)</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>381,808</u>	<u>(9,472)</u>	<u>(391,280)</u>
<b>Other financing sources (uses):</b>			
Transfers in	-	9,472	9,472
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>9,472</u>	<u>9,472</u>
<b>Change in fund balances</b>	381,808	-	(381,808)
<b>Fund balances, July 1, 2007</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balances, June 30, 2008</b>	<u>\$ 381,808</u>	<u>\$ -</u>	<u>\$ (381,808)</u>

**TOWN OF CAMP VERDE, ARIZONA**  
**NOTES TO BUDGETARY COMPARISON SCHEDULES**  
**JUNE 30, 2008**

**NOTE 1- BUDGETARY BASIS OF ACCOUNTING**

The Town's budget is prepared on a basis consistent with generally accepted accounting principles, except for the following: in accordance with Arizona Revised Statutes, payments made from encumbered monies within sixty days immediately after the end of the fiscal year are accrued for budgetary purposes. 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:

	<u>General Fund</u>
Excess (deficiency) of revenues over expenditures from the Statement of Revenues, Expenditures, and Changes in Fund Balances	\$ 815,001
Payments made from encumbered monies	<u>(15,579)</u>
Excess (deficiency) of revenues over expenditures from the budgetary comparison schedules	<u>\$ 799,422</u>

**NOTE 2 - EXPENDITURES IN EXCESS OF APPROPRIATIONS**

At June 30, 2008, the Town had expenditures in funds that exceeded the budget; however, this does not constitute a violation of any legal provisions.

**TOWN OF CAMP VERDE, ARIZONA  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF AGENT RETIREMENT PLAN'S FUNDING PROGRESS  
 JUNE 30, 2008**

**Camp Verde Marshal's Plan (Retirement and Health Insurance):**

Valuation Date June 30,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Funding (Liability) Excess (a-b)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded AAL as a Percent of Covered Payroll ((a-b)/c)
Pension 2008	1,968,768	2,568,446	(599,678)	76.7%	932,555	(64.3%)
Health Insurance 2008	-	100,364	(100,364)	0%	932,555	(10.76%)
Combined 2007	1,747,570	2,573,118	(825,548)	70.5%	879,009	(83.2%)
Combined 2008	1,637,141	1,891,294	(254,153)	89.0%	739,848	(27.3%)

**OTHER SUPPLEMENTARY INFORMATION**

**TOWN OF CAMP VERDE, ARIZONA**  
**COMBINING BALANCE SHEET- ALL NON-MAJOR GOVERNMENTAL FUNDS**  
**BY FUND TYPE**  
**YEAR ENDED JUNE 30, 2008**

	Special Revenue	GADA Loan Debt Service Fund	Total Non-Major Governmental Funds
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 673,222	\$ -	\$ 673,222
Investments held by trustee - restricted	-	124,350	124,350
Accounts receivable (net)	37,465	-	37,465
Interest receivable	4,225	-	4,225
Loans receivable	198,843	-	198,843
Due from governments	51,156	-	51,156
Prepaid items	-	67,477	67,477
	<hr/>	<hr/>	<hr/>
<b>Total assets</b>	<b>\$ 964,911</b>	<b>\$ 191,827</b>	<b>\$ 1,156,738</b>
	<hr/>	<hr/>	<hr/>
<b><u>LIABILITIES AND FUND BALANCES</u></b>			
Liabilities:			
Accounts payable	\$ 3,196	\$ -	\$ 3,196
Accrued payroll and employee benefits	3,702	-	3,702
Due to other funds	-	30,519	30,519
Accrued interest	-	36,958	36,958
Deferred revenue	287,928	-	287,928
	<hr/>	<hr/>	<hr/>
<b>Total liabilities</b>	<b>294,826</b>	<b>67,477</b>	<b>362,303</b>
	<hr/>	<hr/>	<hr/>
Fund balances:			
Reserved for library endowment	214,556	-	214,556
Reserved for animal shelter	5,600	-	5,600
Reserved for K-9 unit	1,936	-	1,936
Reserved for police services	1,000	-	1,000
Reserved for library services	1,427	-	1,427
Reserved for debt service	-	124,350	124,350
Unreserved:			
Undesignated	408,130	-	408,130
Designated for parks and recreation youth youth programs	37,436	-	37,436
	<hr/>	<hr/>	<hr/>
<b>Total fund balances</b>	<b>670,085</b>	<b>124,350</b>	<b>794,435</b>
	<hr/>	<hr/>	<hr/>
<b>Total liabilities and fund balances</b>	<b>\$ 964,911</b>	<b>\$ 191,827</b>	<b>\$ 1,156,738</b>
	<hr/>	<hr/>	<hr/>

**TOWN OF CAMP VERDE, ARIZONA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-**  
**ALL NON-MAJOR GOVERNMENTAL FUNDS- BY FUND TYPE**  
**YEAR ENDED JUNE 30, 2008**

	Special Revenue	GADA Loan Debt Service Fund	Total Non-Major Governmental Funds
<b>Revenues:</b>			
Fines and forfeitures	\$ 28,403	\$ -	\$ 28,403
Intergovernmental	214,897	-	214,897
Charges for services	79,093	-	79,093
Investment earnings	14,320	262	14,582
Contributions and donations	26,966	-	26,966
Other	14,151	-	14,151
<b>Total revenues</b>	<b>377,830</b>	<b>262</b>	<b>378,092</b>
<b>Expenditures:</b>			
Current -			
General government	49,401	-	49,401
Public safety	122,698	-	122,698
Public works and streets	17,155	-	17,155
Health and welfare	-	67,523	67,523
Culture and recreation	27,821	-	27,821
Capital outlay	17,067	-	17,067
Debt service -			
Principal retirement	-	80,000	80,000
Interest and fiscal charges	-	89,283	89,283
<b>Total expenditures</b>	<b>234,142</b>	<b>236,806</b>	<b>470,948</b>
<b>Excess (deficiency) of revenues over</b>	<b>143,688</b>	<b>(236,544)</b>	<b>(92,856)</b>
<b>Other financing sources (uses):</b>			
Transfers in	3,358	360,797	364,155
<b>Total other financing sources (uses)</b>	<b>3,358</b>	<b>360,797</b>	<b>364,155</b>
<b>Change in fund balances</b>	<b>147,046</b>	<b>124,253</b>	<b>271,299</b>
<b>Fund balances, beginning of year</b>	<b>523,039</b>	<b>97</b>	<b>523,136</b>
<b>Fund balances, end of year</b>	<b>\$ 670,085</b>	<b>\$ 124,350</b>	<b>\$ 794,435</b>

**This Page Left Blank Intentionally**

**TOWN OF CAMP VERDE, ARIZONA**  
**COMBINING BALANCE SHEET - NON-MAJOR SPECIAL REVENUE FUNDS**  
**JUNE 30, 2008**

	Court Special Revenue Fund	Nonfederal Grant Fund	Yavapai- Apache Gaming Compact	9-1-1 Fund
<b><u>ASSETS</u></b>				
Cash and cash equivalents	\$ 56,136	\$ 11,114	\$ 63,158	\$ 1,784
Accounts receivable (net)	37,465	-	-	-
Interest receivable	-	-	-	-
Loans receivable	-	-	-	-
Due from other governments	1,645	49,511	-	-
<b>Total assets</b>	<b><u>\$ 95,246</u></b>	<b><u>\$ 60,625</u></b>	<b><u>\$ 63,158</u></b>	<b><u>\$ 1,784</u></b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>				
Liabilities:				
Accounts payable	\$ 306	\$ 2,890	\$ -	\$ -
Accrued payroll and employee benefits	1,191	2,511	-	-
Deferred revenue	34,849	54,236	-	-
<b>Total liabilities</b>	<b><u>36,346</u></b>	<b><u>59,637</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
Fund balances:				
Reserved for library endowment	-	-	-	-
Reserved for animal shelter	-	-	-	-
Reserved for K-9 unit	-	-	-	-
Reserved for police services	-	-	-	-
Reserved for library services	-	-	-	-
Unreserved:				
Undesignated	58,900	988	25,722	1,784
Designated for parks and recreation youth programs	-	-	37,436	-
<b>Total fund balances</b>	<b><u>58,900</u></b>	<b><u>988</u></b>	<b><u>63,158</u></b>	<b><u>1,784</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$ 95,246</u></b>	<b><u>\$ 60,625</u></b>	<b><u>\$ 63,158</u></b>	<b><u>\$ 1,784</u></b>

Library Endowment Fund	Impact Fee Fund	Housing Grant Fund	Donations Fund	Totals
\$ 210,331	\$ 113,600	\$ 207,136	\$ 9,963	\$ 673,222
-	-	-	-	37,465
4,225	-	-	-	4,225
-	-	198,843	-	198,843
-	-	-	-	51,156
<u>\$ 214,556</u>	<u>\$ 113,600</u>	<u>\$ 405,979</u>	<u>\$ 9,963</u>	<u>\$ 964,911</u>
\$ -	\$ -	\$ -	\$ -	\$ 3,196
-	-	-	-	3,702
-	-	198,843	-	287,928
-	-	198,843	-	294,826
214,556	-	-	-	214,556
-	-	-	5,600	5,600
-	-	-	1,936	1,936
-	-	-	1,000	1,000
-	-	-	1,427	1,427
-	113,600	207,136	-	408,130
-	-	-	-	37,436
<u>214,556</u>	<u>113,600</u>	<u>207,136</u>	<u>9,963</u>	<u>670,085</u>
<u>\$ 214,556</u>	<u>\$ 113,600</u>	<u>\$ 405,979</u>	<u>\$ 9,963</u>	<u>\$ 964,911</u>

**TOWN OF CAMP VERDE, ARIZONA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES- NON-MAJOR SPECIAL REVENUE FUNDS**  
**YEAR ENDED JUNE 30, 2008**

	<u>Court Special Revenue Fund</u>	<u>Nonfederal Grant Fund</u>	<u>Yavapai-Apache Gaming Compact Fund</u>
<b>Revenues:</b>			
Fines and forfeits	\$ 28,403	\$ -	\$ -
Intergovernmental	7,521	155,748	46,369
Charges for services	-	-	-
Investment earnings	-	-	-
Contributions and donations	-	-	-
Other	-	-	-
	<hr/>	<hr/>	<hr/>
<b>Total revenues</b>	<u>35,924</u>	<u>155,748</u>	<u>46,369</u>
<b>Expenditures:</b>			
Current -			
General government	39,172	-	-
Public safety	-	122,698	-
Public works and streets	-	17,155	-
Culture and recreation	-	-	27,821
Capital outlay	-	17,067	-
	<hr/>	<hr/>	<hr/>
<b>Total expenditures</b>	<u>39,172</u>	<u>156,920</u>	<u>27,821</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(3,248)</u>	<u>(1,172)</u>	<u>18,548</u>
<b>Other financing sources (uses):</b>			
Transfers in	-	2,160	-
	<hr/>	<hr/>	<hr/>
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>2,160</u>	<u>-</u>
<b>Change in fund balances</b>	<u>(3,248)</u>	<u>988</u>	<u>18,548</u>
<b>Fund balances, beginning of year</b>	<u>62,148</u>	<u>-</u>	<u>44,610</u>
<b>Fund balances, end of year</b>	<u><u>\$ 58,900</u></u>	<u><u>\$ 988</u></u>	<u><u>\$ 63,158</u></u>

<u>9-1-1 Fund</u>	<u>Library Endowment Fund</u>	<u>Impact Fee Fund</u>	<u>Housing Grant Fund</u>	<u>Donations Fund</u>	<u>Totals</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 28,403
600	-	-	4,659	-	214,897
-	-	79,093	-	-	79,093
-	9,915	435	3,970	-	14,320
-	18,201	-	-	8,765	26,966
-	-	-	14,151	-	14,151
<u>600</u>	<u>28,116</u>	<u>79,528</u>	<u>22,780</u>	<u>8,765</u>	<u>377,830</u>
-	-	-	10,229	-	49,401
-	-	-	-	-	122,698
-	-	-	-	-	17,155
-	-	-	-	-	27,821
-	-	-	-	-	17,067
<u>-</u>	<u>-</u>	<u>-</u>	<u>10,229</u>	<u>-</u>	<u>234,142</u>
<u>600</u>	<u>28,116</u>	<u>79,528</u>	<u>12,551</u>	<u>8,765</u>	<u>143,688</u>
-	-	-	-	1,198	3,358
-	-	-	-	1,198	3,358
<u>600</u>	<u>28,116</u>	<u>79,528</u>	<u>12,551</u>	<u>9,963</u>	<u>147,046</u>
<u>1,184</u>	<u>186,440</u>	<u>34,072</u>	<u>194,585</u>	<u>-</u>	<u>523,039</u>
<u>\$ 1,784</u>	<u>\$ 214,556</u>	<u>\$ 113,600</u>	<u>\$ 207,136</u>	<u>\$ 9,963</u>	<u>\$ 670,085</u>

**TOWN OF CAMP VERDE, ARIZONA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2008**

<u>Federal Grantor / Pass-Through / Program Title</u>	<u>Federal CFDA Number</u>	<u>Entity Identifying Number</u>	<u>Federal Expenditures</u>
<b>U.S. Department of Housing and Urban Development</b>			
Passed through Arizona Governors Office of Housing Development:			
Community Development Block Grant	14.228	N/A	\$ 198,843
* Community Development Block Grant	14.228	107-07	323,033
* Community Development Block Grant	14.228	137.06	267,869
Community Development Block Grant	14.228	108-07	<u>36,100</u>
<b>Total U.S. Department of Housing and Urban Development</b>			<u>825,845</u>
<b>U.S. Department of Transportation</b>			
<u>U.S. Department of Transportation - Federal Highway Administration</u>			
Passed through Arizona Department of Transportation:			
Highway Planning and Construction	20.205	KR06-0134TRN	56,297
Highway Planning and Construction	20.205	TEA-CMV-0(201)A	<u>54,000</u>
<b>Total U.S. Department of Transportation - Federal Highway Administration</b>			<u>110,297</u>
<u>U.S. Department of Transportation - National Highway Traffic Safety Administration</u>			
Passed through Arizona Governor's Office of Highway Safety:			
State and Community Highway Safety	20.600	2007-AL-009	10,800
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601	2007-K8-026	<u>402</u>
<b>Total U.S. Department of Transportation - National Highway Traffic Safety Administration</b>			<u>11,202</u>
<b>Total U.S. Department of Transportation</b>			<u>121,499</u>
<b>U.S. Department of Homeland Security</b>			
Passed through Arizona Division of Emergency Management			
Disaster Grants - Public Assistance	97.036	1581-DR-AZ	<u>14,730</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u><u>\$ 962,074</u></u>

\* Denotes a major program

See following notes to Schedule of Expenditures of Federal Awards

**TOWN OF CAMP VERDE, ARIZONA  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2008**

**NOTE 1- BASIS OF PRESENTATION**

The Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the Town of Camp Verde, Arizona and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

**NOTE 2- CATALOG OF FEDERAL DOMESTIC ASSISTANCE (CFDA) NUMBERS**

The program titles and CFDA numbers were obtained from the federal or pass-through grantor or the 2008 *Catalog of Federal Domestic Assistance*.

**NOTE 3- REVOLVING LOAN PROGRAM**

The Town has certain revolving loan funds, which were originally financed with federal awards through the Community Development Block Grant Program. The revolving loan program is sustained after the original money is distributed in loans by using principal payments for subsequent loans to qualified borrowers. The interest received is considered to be program income and is used to pay administrative costs associated with the program as well as for subsequent loans. The Town had loan balances outstanding at June 30, 2008 of \$198,843 which is reported in the SEFA.

**This Page Left Blank Intentionally**

**SINGLE AUDIT SECTION**



Lisa B. Lumbard, C.P.A., C.G.F.M.  
Neil Broadstock, C.P.A.  
Richard Ruller  
Rosendo L. Portillo  
A. Jake Litwiller  
Miranda Penrod  
Jessica M. Castro  
Stephanie M. Canez

American Institute of  
Certified Public  
Accountants  
Government Finance  
Officers Association  
Arizona Finance  
Officers Association  
Arizona Society of  
Certified Public  
Accountants  
Association of  
Government  
Accountants

**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**

To the Honorable Mayor and Members of the Council  
of the Town of Camp Verde, Arizona

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Camp Verde, Arizona ("the Town") as of and for the year ended June 30, 2008, which collectively comprise the Town of Camp Verde, Arizona's basic financial statements and have issued our report thereon dated February 11, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A *control deficiency* 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 misstatements on a timely basis.

To the Honorable Mayor and Members of the Council  
of the Town of Camp Verde, Arizona

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Town's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Town's financial statements that is more than inconsequential will not be prevented or detected by the Town's internal control. We consider the deficiencies described in Finding 08-01 to be a significant deficiency in internal control over financial reporting.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Town's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We consider item Finding 08-01 to be a material weakness.

#### **Compliance and other matters**

As part of obtaining reasonable assurance about whether the Town's financial statements are free of 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 determination of financial statement amounts. 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 that are required to be reported under *Government Auditing Standards*.

We noted other matters that we reported to management of the Town in a separate letter dated February 11, 2009.

This report is intended solely for the information and use of the management, the Town Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Lumbard & Associate, PLLC*

Phoenix, Arizona  
February 11, 2009



Lisa B. Lumbard, C.P.A., C.G.F.M.  
Neil Broadstock, C.P.A.  
Richard Ruller  
Rosendo L. Portillo  
A. Jake Litwiller  
Miranda Penrod  
Jessica M. Castro  
Stephanie M. Canez

American Institute of  
Certified Public  
Accountants  
  
Government Finance  
Officers Association  
  
Arizona Finance  
Officers Association  
  
Arizona Society of  
Certified Public  
Accountants  
  
Association of  
Government  
Accountants

**REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Honorable Mayor and Members of the Council  
of the Town of Camp Verde, Arizona

**Compliance**

We have audited the compliance of the Town of Camp Verde, Arizona, ("the Town") with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The Town's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Town's management. Our responsibility is to express an opinion on the Town's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Town's compliance with those requirements.

In our opinion, the Town complied, in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

To the Honorable Mayor and Members of the Council  
of the Town of Camp Verde, Arizona

### **Internal Control Over Compliance**

The management of the Town is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Town's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that non-compliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Town council, others within the entity, and federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Sumbarol & Associate, PLLC*

Phoenix, Arizona  
February 11, 2009

**TOWN OF CAMP VERDE, ARIZONA**  
**Summary of Auditor's Results**  
**as of June 30, 2008**

**Financial Statements**

Type of auditor's report issued:	Unqualified opinion
<b>Internal control over financial reporting:</b>	
Material weakness identified?	Yes – Finding #1
Significant deficiencies identified that are not considered to be material weaknesses?	Yes – See Management Letter
Material noncompliance to financial statements noted?	No

**Federal Awards**

Type of auditor's report issued on compliance for major programs:	Unqualified opinion
<b>Internal control over major programs:</b>	
Material weakness identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	No
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	No
Identification of major program:	CFDA# 14.228 Community Development Block Grant
Dollar threshold distinguishing between Type A and Type B programs:	\$300,000
Auditee qualified as a low risk auditee?	The auditee did not qualify as a low-risk auditee under §.530 because it was their first Single Audit within the last two years.

**TOWN OF CAMP VERDE, ARIZONA**  
**Schedule of Findings**  
**June 30, 2008**

**Finding No. 08-1**

**Condition- Weakness in controls over bank accounts**

A bank account had been opened in 2006 by an employee without documented Town Council knowledge or authorization. The bank account had only one signer - the former employee.

**Criteria**

The Town's accounting policies and sound internal controls practices require that the Town Council authorize new bank accounts and that all bank accounts have multiple signers.

**Effect**

The Town's assets were vulnerable to misappropriation and the Town was not in compliance with its own internal control policies and procedures.

**Cause**

Inadequate segregation of duties, circumvention of the system by a long-time employee, and inadequate monitoring for compliance with the Town's policies and procedures.

**Recommendations**

The Town subsequently had the account activity investigated by a third party and the bank account closed.

Segregation of duties should be implemented for person(s) responsible for authorizing, recording, and reconciling transactions, and maintaining custody of assets. This will reduce the opportunity for any one employee to conceal errors or perpetrate fraud in the normal course of his or her duties. Management might consider reviewing the bank reconciliations and other transactions to help alleviate some segregation of duties issues or consider contracting with a qualified outside CPA Firm to perform month end reconciliations and reviews.

**Questioned costs:**

N/A



# TOWN OF CAMP VERDE

395 S Main Street Camp Verde, AZ 86322  
Finance 928-567-6631 Fax 928-567-6702  
Parks & Recreation 928-567-0535 Fax 928-567-1540  
Public Works Department 928-567-0534 Fax 928-567-1540  
www.cvaz.org

February 25, 2008

Lisa Lumbard  
Lumbard & Associates, P.L.L.C.  
4143 N. 12<sup>th</sup> Street, Suite 100  
Phoenix, AZ 85014

Re: Response to Finding No. 08-1 as set forth in the Audited Financial Statements for the period ending June 30, 2008 for the Town of Camp Verde.

Dear Ms. Lumbard:

After reviewing your audited financial statements and more specifically Finding No. 08-1, I have the following responses:

1. The Town conducted an extensive review of all accounts held by the Town of Camp Verde including requesting all accounts held by the Town of Camp Verde dating back to 2003 from the banking institutions and tracking of all funds transferred between accounts to ensure all funds were maintained by the Town of Camp Verde and to determine their proper designation.
2. As stated in the Finding Recommendations, the account in reference was closed on May 20, 2008.
3. The Town adopted Resolution 2008-744 on March 19, 2008 declaring the Mayor, Vice-Mayor, Finance Director and Town Clerk as the authorized bank account signers for all bank accounts held by the Town of Camp Verde.
4. The Financial Operations Guide is being amended to state that all bank accounts, bank transfers, etc. must be approved by Council prior to initiation to ensure proper authorization and knowledge of the placement of Town funds.
5. The month end bank reconciliations are reviewed by Heinfeld, Meech & Co., a CPA firm.

I am confident that the steps taken on behalf of the Town of Camp Verde will improve the integrity of our accounting system as well as the quality of our internal controls. We take your comments to heart and you can rest assured that we will do all that we can to achieve success in this most important initiative.

Thank you for your assistance to the Town of Camp Verde. We look forward to continuing our working relationship.

If you have any questions, comments or concerns regarding this matter, please feel free to contact me via the information below.

Respectfully,

Michael K. Scannell, Town Manager/Interim Finance Director  
(928) 567-6631 ext 102  
mscannell@cvaz.org

cc: Mayor and Town Council  
Lisa Elliott, Senior Accountant  
Debbie Barber, Town Clerk

Handicap Relay: Voice: 1-800-842-4681 • TDD: 1-800-367-8939

**TOWN OF CAMP VERDE, ARIZONA**  
**Summary Schedule of Prior Year Audit Findings and Questioned Costs**  
**as of June 30, 2008**

There was one audit finding reported for the year ended June 30, 2007 with seven items.

**Finding 07-1 – Weakness in Controls over Disbursements**

- # 1 – Cleared - No exceptions noted in 2008
- # 2 -- Cleared - No exceptions noted in 2008
- # 3 Improvement was noted. See 2008 significant deficiency # 1
- # 4 Improvement was noted. See 2008 significant deficiency # 1
- # 5 & # 6 No exceptions noted in 2008
- # 7 Improvement was noted. See 2008 significant deficiency # 1

 **LUMBAR & ASSOCIATE, P.L.L.C.**  
*A Certified Public Accounting Firm*

Lisa B. Lumbard, C.P.A., C.G.F.M.

Neil Broadstock, C.P.A.

Richard Ruller

Rosendo L. Portillo

A. Jake Litwiller

Miranda Penrod

Jessica M. Castro

Stephanie M. Canez

American Institute of  
Certified Public  
Accountants

Government Finance  
Officers Association

Arizona Finance  
Officers Association

Arizona Society of  
Certified Public  
Accountants

Association of  
Government  
Accountants

February 11, 2009

To the Honorable Mayor, Members of the Council, and Management  
of the Town of Camp Verde, Arizona  
395 S. Main Street Suite 314  
Camp Verde, Arizona 86322

In planning and performing our audit of the financial statements of the Town of Camp Verde, Arizona for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Town's internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control.

However, during our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency that are enumerated below. This letter does not affect our report dated February 11, 2009 on the financial statements of the Town of Camp Verde, Arizona.

If engaged, we will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various Town personnel, and we will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized as follows:

**Condition 1- Weakness in controls over accounting**

1. The Town has forty five credit cards with eleven credit institutions. Credit lines ranged up to \$15,000 for Northern Tool and Equipment, and there was no credit limit for another vendor.
2. There is a lack of segregation of duties in that the Accounts Payable Clerk can receive and open bank statements, as well as write checks to vendors.
3. The Accountant serves as backup to the Accounts Payable Clerk. However, there is nobody qualified to backup the Accountant.
4. The bank reconciliations were three months behind.
5. The trial balance from the Town initially provided for the audit was missing one account -accumulated depreciation. A corrected trial balance was subsequently provided.
6. During test of controls over disbursements, the following were noted for the twenty-eight disbursements tested:
  - a. 7 general invoices and 4 HURF related invoices were not stamped paid
  - b. 4 disbursements did not have the prior Town Manager's approval on the purchase orders as required under the Town's policy at the time. This policy was subsequently changed.

**Condition 1- Weakness in controls over accounting (Continued)**

- c. For 2 disbursements, the Finance Department could not locate proper support documentation, invoices or purchase orders, for the amounts of \$3,577 and \$ 2,566.
- d. Some checks were posted on the general ledger out of numbering sequence. For example for the one day, June 30, 2008, the checks 99480, 99830 and 10052 were posted. (This is a repeat weakness from the prior year).
- e. Bank reconciliations were not being consistently initialed and dated by the preparer and the reviewer.

**Recommendation**

- 1. The Town should evaluate the credit cards and maintain a manageable number of cards and should evaluate the credit limits to minimize the risk of misuse.
- 2. The bank statements should be opened by another member of management for proper segregation of duties. However, a compensating control in place is that the cancelled checks are available in electronic format which is not accessible by the Accounts Payable Clerk.
- 3. The accounting department should have adequate backup during periods of absence by a staff member.
- 4. The bank accounts should be reconciled monthly in a timely manner as banks may not honor disputed claims after a certain period of time.
- 5. The trial balance should be completed and reviewed prior to being provided to the auditors.
- 6. All the invoices should be stamped paid to prevent double payment or misuse by unauthorized persons; proper support should be retained for all the disbursements; checks should be posted sequentially for audit trail purposes; and the bank reconciliations should be initialed and dated by the preparer and the reviewer.

**Condition 2- Stale dated checks**

During our review of the bank reconciliations we noticed that there were approximately 45 checks, totaling \$15,818, that were greater than six months old. The oldest outstanding check was from September 4, 2002. (This is a repeat weakness from the prior year).

**Recommendation**

All aged outstanding checks should be investigated and resolved timely.

**Condition 3- Weakness on journal entries preparation**

During the test of controls over preparation of journal entries, the following items were noted for the nine journal entries tested:

- a. Two journal entries had insufficient support documentation.
- b. Two journal entries had been posted on the general ledger without prior approval. They were approved several months after posting.
- c. One journal entry was prepared and approved by the outside accounting consultant. No other member of Town's management verified or approved the journal entry.

## **Recommendation**

Journal entries are used to record adjustments to general ledger accounts. Journal entries can be used to disguise fraudulent activities. Therefore, for proper adherence to internal controls and segregation of duties, they should be reviewed and approved by a person other than the preparer, and they should have sufficient support documentation.

The following items are recommendations **only** and are presented solely as best practice recommendations and opportunities for strengthening controls.

### **Item 1 – Payroll forms documentation**

One out of six employees tested did not have the personnel action form showing the hiring and termination dates. All required personnel forms should be completed in their entirety and retained for future verification.

### **Item 2- Reporting of federal program expenditures**

The Town reported the expenses of two different federal programs on its Schedule of Expenditures of Federal Awards (SEFA) in one lump sum. The amount should have been segregated for reporting purposes. The Town's Accountant should coordinate with the staff in charge of managing the federal programs to verify amounts to be reported as federal expenditures.

### **Item 3 – Reporting Allowance for Doubtful Accounts**

Accounting standards require that accounts receivable be reported net of allowance for doubtful accounts. The Town has an aggressive collection policy on court fines and did not report any allowance for potentially uncollectible accounts. It is recommended that the Town perform an analysis of the aged outstanding receivables at year end and prepare a documented estimate of the oldest accounts that are not likely to be collected. It was management's estimation that the unreported, uncollectible accounts at June 30, 2008 were not material to the financial statements.

### **Item 4 -- Whistle Blower Policy**

We recommend that the Town establish and document a whistle-blower policy and procedures, and provide training to all personnel and management on the new policy and procedures. The procedures could include establishing a fraud hot line and designating multiple parties to whom suspicious activities and transactions could be reported. The policy must prohibit retaliatory actions against employees who report fraud or suspected fraud.

The audit staff has reviewed these conditions and recommendations with management and would be pleased to discuss them in further detail or to assist you in implementing the recommendations.

We commend the current Town management and governing board for their prompt attention to the internal control weaknesses reported during the audit. We also extend our thanks to the staff and management for their very courteous cooperation during the audit.

This communication is intended solely for the information and use of management, the governing board, others within the Town, grantor and lender agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Lumbard & Associate, PLLC*

Lumbard & Associate, P.L.L.C.  
Phoenix, Arizona