

TOWN OF CAMP VERDE, ARIZONA

ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2005

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TOWN OF CAMP VERDE, ARIZONA  
ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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# CRONSTROM, TRBOVICH & OSUCH

CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and the Town 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 (Town), as of and for the year ended June 30, 2005, 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 opinions 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. 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 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 opinions.

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, Arizona, as of June 30, 2005, and the respective changes in financial position thereof and the respective budgetary comparison for the General Fund, HURF Fund and Parks Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 3 - 10 and the Public Safety Personnel Retirement System Schedule of Funding Progress on page 38 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. 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.

*Cronstrom, Trbovich & Osuch, P.C.*

Cronstrom, Trbovich & Osuch, P.C.

April 7, 2006

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## Management's Discussion and Analysis

We (the Town of Camp Verde, Arizona (Town)) are pleased to provide an overview of our financial activities for the fiscal year ended June 30, 2005. The intended purpose of Management's Discussion and Analysis (MD&A) is to provide an introduction to the basic financial statements and notes, that provides an objective and easy to read analysis of our financial activities based on currently known facts, decisions, and conditions, by providing an easily readable summary of operating results and reasons for changes, which will help to determine if our financial position improved or deteriorated over the past year. This report addresses current operational activities, the sources, uses, and changes in resources, adherence to budget, service levels, limitations, significant economic factors, and the status of infrastructure and its impacts on our debt and operation.

### Financial Highlights

- ◆ The assets of the Town of Camp Verde, Arizona exceeded its liabilities at the close of the most recent fiscal year by \$9,337,933 (net assets). Of this amount \$2,313,587 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- ◆ As of the close of the current fiscal year, the Town of Camp Verde, Arizona's governmental funds reported combined ending fund balances of \$6,394,391, an increase of \$2,011,723 in comparison with the prior year.
- ◆ At the end of the current fiscal year, unreserved fund balance for the general fund was \$2,475,296 or 54 percent of total general fund expenditures.
- ◆ General fund revenues (on a budgetary basis) exceeded budgeted revenues by \$349,144 for the fiscal year.
- ◆ General Fund revenues exceeded expenditures by \$103,104; a positive variance of \$68,172 from the original budget.

The financial section of the Annual Financial Report (AFR) for the Town of Camp Verde, Arizona consists of this discussion and analysis, the basic financial statements and the required supplementary schedules presented after the basic financial statements. The basic financial statements include the government-wide financial statements, fund financial statements, including the budgetary statements for the general fund and major special revenue funds, and notes to the basic financial statements.

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

The statement of net assets presents information on all of the Town of Camp Verde, Arizona'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 useful indicators of whether the financial position of the Town of Camp Verde, Arizona is improving or deteriorating.

The statement of activities presents information showing how the government'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 vacation leave).

The government-wide financial statements present functions of the Town of Camp Verde, Arizona that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the Town of Camp Verde, Arizona include general government, public safety, highways and street, culture and recreation, and redevelopment and housing.

The government-wide financial statements can be found on pages 12 - 13 of this report.

**Fund financial statements.** Also presented are the traditional fund financial statements for governmental funds. The fund financial statements now focus on major funds of the Town, rather than fund type used in the old model. 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 of Camp Verde, Arizona, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Since the governmental fund financial statements focus on near-term spendable resources, while the governmental activities on the government-wide financial statements have a longer term focus, a reconciliation of the differences between the two is provided with the fund financial statements.

The basic governmental fund financial statements can be found on pages 14 - 21 of this report.

**Notes to the basic financial statements.** The notes to the basic financial statements (pages 23 - 36) provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements and should be read with the basic financial statements.

**Required supplementary information other than MD&A.** Governments have an option of including the budgetary comparison statements for the general fund and major special revenue funds as either part of the fund financial statements within the basic financial statements, or as required supplementary information after the footnotes. The Town has chosen to present these budgetary statements as part of the basic financial statements. Additionally, governments are required to disclose certain information about employee pension funds. The Town has disclosed this information in Note 4 to the basic financial statements.

## Government-wide Financial Analysis

Net assets may serve over time as a useful indicator of a government's financial position. The following table reflects the condensed Statement of Net Assets of the Town for June 30, 2005 and 2004 showing that assets exceeded liabilities by \$9,337,933.

Town of Camp Verde, Arizona  
Condensed Statement of Net Assets  
June 30, 2005 and 2004

	Governmental Activities		
	2005	2004	% Change
<b>ASSETS</b>			
Current and other assets	\$ 6,841,312	\$ 4,836,305	41.5 %
Capital assets			
Non-depreciable	1,753,127	831,582	110.8
Depreciable (net)	<u>3,340,244</u>	<u>2,945,425</u>	13.4
Total assets	<u>11,934,683</u>	<u>8,613,312</u>	38.6
<b>LIABILITIES</b>			
Other liabilities	177,895	139,782	27.3
Non-current liabilities			
Due within one year	169,429	166,510	1.8
Due in more than one year	<u>2,249,426</u>	<u>48,510</u>	4,537.0
Total liabilities	<u>2,596,750</u>	<u>354,802</u>	631.9
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	2,887,878	3,746,929	(22.9)
Restricted	4,136,468	2,311,098	79.0
Unrestricted	<u>2,313,587</u>	<u>2,200,483</u>	5.1
Total net assets	<u>\$ 9,337,933</u>	<u>\$ 8,258,510</u>	13.1

The Town does not currently have any proprietary or enterprise funds that would otherwise be classified as business-type activities. All of the Town's funds are considered governmental activities.

Net assets consists of three components. The largest portion of the Town of Camp Verde, Arizona's net assets (31%) reflects its investment in capital assets (e.g., land, buildings and improvements, furniture, equipment and vehicles), less any related debt used to acquire those assets that is still outstanding. The Town of Camp Verde, Arizona uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. The net assets invested in capital assets, net of related debt, decreased significantly due to the issuance of long-term debt.

An additional portion of the Town of Camp Verde, Arizona's net assets (44%) represents resources that are subject to external restrictions on how they may be used. The restricted net assets increased largely due to the use of sales tax revenues restricted for construction and capital acquisitions being utilized during the fiscal year. The remaining balance of unrestricted net assets (\$2,313,587) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Town of Camp Verde, Arizona is able to report positive balances in all three categories of net assets for the government as a whole.

Town of Camp Verde, Arizona  
Changes in Net Assets  
Fiscal Years Ended June 30, 2005 and 2004

	Governmental Activities		
	2005	2004	% Change
Revenues			
Program revenues			
Fees, fines and charges for services	\$ 1,059,926	\$ 897,895	18.0 %
Operating grants and contributions	1,278,279	1,307,672	(2.2)
Capital grants and contributions	83,156	749,025	(88.9)
General revenues			
Local taxes	2,002,429	1,800,201	11.2
State shared revenues	2,378,270	2,244,308	6.0
Investment earnings	66,880	41,969	59.4
Total revenues	<u>6,868,940</u>	<u>7,041,070</u>	(2.4)
Expenses			
General government	2,965,425	2,121,209	39.8
Public safety	1,073,301	1,752,643	(38.8)
Highways and streets	1,000,494	770,194	29.9
Culture and recreation	708,377	961,374	(26.3)
Redevelopment and housing	5,166	28,658	(82.0)
Interest on long-term debt	36,754	3,372	990.0
Total expenses	<u>5,789,517</u>	<u>5,637,450</u>	2.7
Change in net assets	1,079,423	1,403,620	(23.1)
Net assets, beginning of year	<u>8,258,510</u>	<u>6,854,890</u>	20.5
Net assets, end of year	<u>\$ 9,337,933</u>	<u>\$ 8,258,510</u>	13.1

Program revenues made up of fees, fines and charges for services, and operating grants and contributions decreased from the prior year by \$533,231. The following factors contributed to the decrease:

Fees, fines and charges for services increased by \$162,031. The more significant factors contributing to the increase include the growth from new housing developments resulting in an increase in building permits and other development associated revenues.

Capital grants and contributions decreased by \$665,869. The main factor contributing to the decrease is that in the prior year, the Town received \$733,790 in capital contributions for the Main Street Beautification project. As the project was completed in the prior year, no further capital contributions were received.

Operating grants did not significantly decrease.

General revenues increased \$361,101 largely due to local taxes increasing by \$202,228 which can be directly attributed to the increase in population that the Town experienced during the year.

The Town's expenses increased by 2.7% mainly due to the addition of new employees to compensate for the new growth and the additional costs associated with a growing population.

### Financial Analysis of the Town's Funds

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

As of the end of the current fiscal year the Town's governmental funds reported combined ending fund balances of \$6,394,391, an increase of \$2,011,723 in comparison with the prior year. Approximately 39% of this total amount (\$2,475,296) constitutes general fund balance, which is available for contribution to the designated, undesignated and reserved fund balance. At fiscal year-end June 30, 2005 fund balances were as follows:

Fund	Balance	Increase From 2003-04
General Fund	\$ 2,475,296	\$ 89,871
HURF Fund	100,538	85,614
Parks Fund	972,176	293,975
Yavapai-Apache Gaming Compact Fund	-	-
CDBG Loan Fund	145,635	84,778
Capital Improvements Fund	2,413,063	1,332,185
Nonmajor Governmental Funds	287,683	125,300

The General Fund is the chief operating fund of the Town of Camp Verde, Arizona. At the end of the current fiscal year, the fund balance of the general fund was \$2,475,296, while total fund balance reached \$6,394,391. As a measure of the general fund's liquidity, it may be useful to compare both general fund balance and total fund balance to total fund expenditures. General Fund balance represents 54 percent of total general fund expenditures, while total fund balance represents 90 percent of that same amount.

The fund balance of the Town of Camp Verde, Arizona's General Fund increased by \$89,871 during the current fiscal year. This increase was mainly due to the Town receiving much more revenues than anticipated, especially due to the higher amount of building permits and licensing.

The fund balance of the Town of Camp Verde, Arizona's HURF Fund increased by \$85,614 during the current fiscal year. This increase was due to the Town receiving highway user taxes relatively equal to the prior year, but spending less on street projects in the current year.

The fund balance of the Town of Camp Verde, Arizona's Parks Fund increased by \$293,975 during the current fiscal year. Revenues in this fund are derived from sales taxes and are set aside for parks improvement projects and maintenance. As the Town did not have any major improvement projects attributable to the parks, the fund balance in this fund significantly increased.

The fund balance of the Town of Camp Verde, Arizona's Yavapai-Apache Gaming Compact Fund did not change.

The fund balance of the Town of Camp Verde, Arizona's CDBG Loan Fund increased by \$84,778 during the current fiscal year. The increase was mainly due to the Town spending far less for housing maintenance than in the previous year and receiving significantly more CDBG funds compared to the prior year due to anticipated future maintenance projects.

The fund balance of the Town of Camp Verde, Arizona's Capital Improvements Fund increased by \$1,332,185 during the current fiscal year. The increase was mainly due the proceeds from the Greater Arizona Department Authority (GADA) excise tax bond issuance during the fiscal year that was issued to finance additional infrastructure projects.

All nonmajor governmental funds of the Town are combined into one column on the governmental fund statements. These funds increased by \$125,300 mainly due to receiving much more donations than in the prior year and an increase in sales tax revenues. Additionally, expenditures were much lower during the current fiscal year in comparison to the prior fiscal year due to necessary reductions as prior fiscal year expenditures exceeded budgeted amounts.

### **Budgetary Highlights**

The Town's annual budget is the legally adopted expenditure control document of the Town. Budgetary comparison statements are required for the General Fund and all major special revenue funds and may be found on pages 18 - 21. These statements compare the original adopted budget, the budget if amended throughout the fiscal year, and the actual expenditures prepared on a budgetary basis. The Town did not amend the budget during the fiscal year.

General Fund revenues of \$4,724,144, on a budgetary basis, exceeded budgeted revenues of \$4,375,000 by \$349,144 while budgetary basis expenditures of \$4,621,040 exceeded budgeted expenditures by \$280,972. The excess of revenues over budgeted revenues is primarily due to significantly higher building permit revenues due to the construction of a new Town subdivision. Expenditures exceeded budgeted expenditures mainly because of an increase in nondepartmental capital projects.

## Capital Asset and Debt Administration

The Town's capital assets for its governmental activities as of June 30, 2005 amount to \$5,093,371 (net of accumulated depreciation), a net increase of 34.9%. For government-wide financial statement presentation, all depreciable capital assets were depreciated from acquisition date to the end of the current fiscal year. Fund financial statements record capital asset purchases as expenditures. See Note 3.A.3. in the Notes to the Basic Financial Statements for further information regarding capital assets.

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

- ◆ Purchase of separate plots of land for the Verde Cliff's Subdivision, Marshal's office, and Rio Verde Plaza.
- ◆ Purchase of buildings for the Marshal's office and Rio Verde Plaza.
- ◆ Addition of numerous vehicles for the Marshal's office.

The following table provides a breakdown of the capital assets of the Town at June 30, 2005 and 2004.

Capital Assets at June 30, 2005 and 2004  
(Net of depreciation)

	Governmental Activities	
	2005	2004
Land	\$ 1,753,127	\$ 831,582
Buildings and improvements	1,485,903	995,561
Improvements other than buildings	90,653	93,087
Infrastructure	963,709	1,014,589
Furniture, equipment and vehicles	<u>799,979</u>	<u>842,188</u>
	<u>\$ 5,093,371</u>	<u>\$ 3,777,007</u>

## Long-term Debt

At the end of the current fiscal year, the Town of Camp Verde, Arizona had total long-term obligations outstanding of \$2,418,855. Of the outstanding debt, \$2,177,748 is revenue bonds secured by the excise tax revenues of the Town. All other outstanding debt is secured by pledges of specific revenue sources of the Town.

The following schedule shows the outstanding obligations of the Town (both current and long-term) as of June 30, 2005 and 2004. Further detail on the Town's outstanding debt may be found in Note 3.D. on page 33.

Outstanding Debt at June 30, 2005 and 2004

	Governmental Activities	
	2005	2004
Revenue bonds	\$ 2,177,748	\$ -
Notes payable	27,745	30,078
Compensated absences	213,362	184,942
	\$ 2,418,855	\$ 215,020

**Economic Factors and Next Year's Budgets and Rates**

- ◆ Revenue estimates provided by the Arizona State Treasurer's office.
- ◆ Analysis of the prior years' budget.
- ◆ Analysis of prior fiscal year revenue trends.
- ◆ Analysis of retail business culture in the Town concerning sales tax revenue.
- ◆ Analysis of fuel cost increases.

**Financial contact**

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

Town of Camp Verde, Arizona  
 Accounting Department  
 P.O. Box 710  
 395 S. Main Street Suite 314  
 Camp Verde, AZ 86322  
 928-567-6631

Or visit our website at:

[www.cvaz.org](http://www.cvaz.org)

**Basic Financial Statements**

TOWN OF CAMP VERDE, ARIZONA  
STATEMENT OF NET ASSETS  
JUNE 30, 2005

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 6,140,838
Receivables	
Intergovernmental receivable	431,448
Loans receivable	239,489
Deferred charges	29,537
Capital assets	
Non-depreciable	1,753,127
Depreciable (net)	3,340,244
Total assets	11,934,683
<b>Liabilities</b>	
Accounts Payable	5,570
Accrued wages and benefits	82,545
Interest payable	36,128
Unearned revenue	53,652
Noncurrent liabilities	
Due within one year	169,429
Due in more than one year	2,249,426
Total liabilities	2,596,750
<b>Net assets</b>	
Invested in capital assets, net of related debt	2,887,878
Restricted for	
Highways and streets	100,538
Culture and recreation	972,176
Redevelopment and housing	385,124
Capital outlay	2,642,398
Other	36,232
Unrestricted	2,313,587
Total net assets	\$ 9,337,933

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

TOWN OF CAMP VERDE, ARIZONA  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets
	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
				Governmental Activities
<b>Functions/Programs</b>				
Governmental activities				
General government	\$ 2,965,425	\$ 912,135	\$ 23,176	\$ (2,030,114)
Public safety	1,073,301	87,837	81,540	(903,924)
Highways and streets	1,000,494	-	956,103	(44,391)
Culture and recreation	708,377	59,954	201,882	(363,385)
Redevelopment and housing	5,166	-	15,578	10,412
Interest on long-term debt	<u>36,754</u>	-	-	<u>(36,754)</u>
<b>Totals</b>	<u>\$ 5,789,517</u>	<u>\$ 1,059,926</u>	<u>\$ 1,278,279</u>	<u>\$ 83,156</u>
General revenues				
Taxes				
Sales taxes				1,828,357
Franchise taxes				174,072
State revenue sharing				868,908
State sales tax revenue sharing				875,544
Auto lieu tax revenue sharing				633,818
Investment earnings				<u>66,880</u>
Total general revenues				<u>4,447,579</u>
Change in net assets				1,079,423
Net assets, beginning of year				<u>8,258,510</u>
Net assets, end of year				<u>\$ 9,337,933</u>

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

TOWN OF CAMP VERDE, ARIZONA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2005

	General	HURF	Parks	Yavapai- Apache Gaming Compact	CDBG Loan	Capital Improvements	Nonmajor Governmental Funds	Totals
<b>Assets</b>								
Cash and cash equivalents	\$ 2,314,759	\$ 19,052	\$ 931,737	\$ 53,652	\$ 145,635	\$ 2,388,532	\$ 287,471	\$ 6,140,838
Receivables								
Intergovernmental receivable	240,268	88,429	40,439	-	-	60,659	1,653	431,448
Loans receivable	-	-	-	-	239,489	-	-	239,489
Total assets	<u>\$ 2,555,027</u>	<u>\$ 107,481</u>	<u>\$ 972,176</u>	<u>\$ 53,652</u>	<u>\$ 385,124</u>	<u>\$ 2,449,191</u>	<u>\$ 289,124</u>	<u>\$ 6,811,775</u>
<b>Liabilities and Fund Balances</b>								
<b>Liabilities</b>								
Accounts Payable	\$ 5,570	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,570
Accrued wages and benefits	74,161	6,943	-	-	-	-	1,441	82,545
Interest payable	-	-	-	-	-	36,128	-	36,128
Deferred revenue	-	-	-	-	239,489	-	-	239,489
Unearned revenue	-	-	-	53,652	-	-	-	53,652
Total liabilities	<u>79,731</u>	<u>6,943</u>	<u>-</u>	<u>53,652</u>	<u>239,489</u>	<u>36,128</u>	<u>1,441</u>	<u>417,384</u>
<b>Fund balances</b>								
Unreserved	2,475,296	100,538	972,176	-	145,635	2,413,063	-	6,106,708
Unreserved, reported in nonmajor Special revenue funds	-	-	-	-	-	-	287,683	287,683
Total fund balances	<u>2,475,296</u>	<u>100,538</u>	<u>972,176</u>	<u>-</u>	<u>145,635</u>	<u>2,413,063</u>	<u>287,683</u>	<u>6,394,391</u>
Total liabilities and fund balances	<u>\$ 2,555,027</u>	<u>\$ 107,481</u>	<u>\$ 972,176</u>	<u>\$ 53,652</u>	<u>\$ 385,124</u>	<u>\$ 2,449,191</u>	<u>\$ 289,124</u>	<u>\$ 6,811,775</u>

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

TOWN OF CAMP VERDE, ARIZONA  
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS  
GOVERNMENTAL FUNDS  
JUNE 30, 2005

Fund balances - total governmental funds		\$ 6,394,391
Amounts reported for governmental activities in the statement of net assets are different because:		
CDBG loans recognized as revenues in previous years, but deferred in the governmental funds.		239,489
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Governmental capital assets		6,503,755
Less accumulated depreciation		<u>(1,410,384)</u>
Capital assets used in governmental activities		<u>5,093,371</u>
Other long-term assets are not available to pay for current-period expenditures:		
Deferred charges		29,537
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds.		
Revenue bonds		(2,040,000)
Premium on revenue bonds		(137,748)
Compensated absences		(213,362)
Long-term liabilities not due and payable in the current period		<u>(27,745)</u>
Net assets of governmental activities		<u>\$ 9,337,933</u>

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

TOWN OF CAMP VERDE, ARIZONA  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	General	HURF	Parks	Yavapai- Apache Gaming Compact	CDBG Loan	Capital Improvements	Nonmajor Governmental Funds	Totals
<b>Revenues</b>								
<b>Taxes</b>								
Sales taxes	\$ 972,784	\$ -	\$ 332,547	\$ -	\$ -	\$ 498,819	\$ 24,207	\$ 1,828,357
Franchise taxes	174,072	-	-	-	-	-	-	174,072
Intergovernmental	2,446,336	956,103	-	15,599	89,944	-	126,871	3,634,853
Fines and forfeitures	368,221	-	-	-	-	-	41,843	410,064
Licenses and permits	319,639	-	-	-	-	-	-	319,639
Charges for services	156,001	26,461	-	-	-	-	-	182,462
Rents and royalties	18,784	-	-	-	-	-	-	18,784
Contributions and donations	96,062	-	-	-	-	-	83,156	179,218
Investment earnings	43,268	23,612	-	-	-	-	-	66,880
Other	128,977	-	-	-	-	-	-	128,977
<b>Total Revenues</b>	<b><u>4,724,144</u></b>	<b><u>1,006,176</u></b>	<b><u>332,547</u></b>	<b><u>15,599</u></b>	<b><u>89,944</u></b>	<b><u>498,819</u></b>	<b><u>276,077</u></b>	<b><u>6,943,306</u></b>
<b>Expenditures</b>								
<b>Current</b>								
General government	2,076,073	-	-	15,599	-	1,280,506	23,618	3,395,796
Public safety	1,578,253	-	-	-	-	-	79,528	1,657,781
Highways and streets	-	920,562	-	-	-	-	3,360	923,922
Culture and recreation	966,714	-	33,336	-	-	-	57,504	1,057,554
Redevelopment and housing	-	-	-	-	5,166	-	-	5,166
<b>Debt Service</b>								
Principal retirement	-	-	2,333	-	-	-	-	2,333
Interest on long-term debt	-	-	2,903	-	-	36,128	-	39,031
Issuance costs	-	-	-	-	-	30,025	-	30,025
<b>Total Expenditures</b>	<b><u>4,621,040</u></b>	<b><u>920,562</u></b>	<b><u>38,572</u></b>	<b><u>15,599</u></b>	<b><u>5,166</u></b>	<b><u>1,346,659</u></b>	<b><u>164,010</u></b>	<b><u>7,111,608</u></b>
Excess (deficiency) of revenues over expenditures	<u>103,104</u>	<u>85,614</u>	<u>293,975</u>	<u>-</u>	<u>84,778</u>	<u>(847,840)</u>	<u>112,067</u>	<u>(168,302)</u>
<b>Other financing sources (uses)</b>								
Transfers in	-	-	-	-	-	-	13,233	13,233
Transfers out	(13,233)	-	-	-	-	-	-	(13,233)
Proceeds of long-term debt issuance	-	-	-	-	-	2,040,000	-	2,040,000
Proceeds from premium on long-term debt issuance	-	-	-	-	-	140,025	-	140,025
<b>Total other financing sources (uses)</b>	<b><u>(13,233)</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>2,180,025</u></b>	<b><u>13,233</u></b>	<b><u>2,180,025</u></b>
Net change in fund balances	89,871	85,614	293,975	-	84,778	1,332,185	125,300	2,011,723
Fund balances, beginning of year	<u>2,385,425</u>	<u>14,924</u>	<u>678,201</u>	<u>-</u>	<u>60,857</u>	<u>1,080,878</u>	<u>162,383</u>	<u>4,382,668</u>
Fund balances, end of year	<u>\$ 2,475,296</u>	<u>\$ 100,538</u>	<u>\$ 972,176</u>	<u>\$ -</u>	<u>\$ 145,635</u>	<u>\$ 2,413,063</u>	<u>\$ 287,683</u>	<u>\$ 6,394,391</u>

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

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  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

Net change in fund balances - total governmental funds	\$ 2,011,723
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Expenditures for capital assets	1,579,586
Less current year depreciation	<u>(256,022)</u>
Excess capital expenditures over depreciation	<u>1,323,564</u>
The statement of activities reports losses arising from the disposal of existing capital assets. Conversely, governmental funds do not report any gain or loss on disposals of capital assets.	
	(7,200)
Some revenues reported in the statement of activities do not provide current financial resources and therefore are not reported as revenues in governmental funds.	
CDBG loan	(74,366)
The issuance of long-term debt (e.g. bonds, leases) 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. The issuance of long-term debt increases long-term liabilities on the statement of net assets and the repayment of principal on long-term debt reduces long-term debt on the statement of net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when the debt is first issued, whereas these items are deferred and amortized over the term of the long-term debt in the statement of activities.	
Principal payments on long-term debt	2,333
Proceeds of long-term debt issuance	(2,180,025)
Issuance costs	30,025
Amortization of issue premium	2,277
Amortization of issuance costs	(488)
Some 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.	
Net increase in compensated absences	<u>(28,420)</u>
Change in net assets of governmental activities	<u>\$ 1,079,423</u>

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

TOWN OF CAMP VERDE, ARIZONA  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCES - BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Original and Final Budget	Actual	Variance with Final Budget
<b>Revenues</b>			
Taxes	\$ 1,214,000	\$ 1,146,856	\$ (67,144)
Intergovernmental	2,363,000	2,446,336	83,336
Fines and forfeitures	332,000	368,221	36,221
Licenses and permits	184,800	319,639	134,839
Charges for services	124,200	156,001	31,801
Rents and royalties	4,000	18,784	14,784
Contributions and donations	29,000	96,062	67,062
Investment earnings	30,000	43,268	13,268
Other	94,000	128,977	34,977
Total Revenues	<u>4,375,000</u>	<u>4,724,144</u>	<u>349,144</u>
<b>Expenditures</b>			
<b>Current</b>			
<b>General government</b>			
Mayor and council	18,300	19,820	(1,520)
Grants	-	20,934	(20,934)
Building department	125,162	96,452	28,710
Planning and zoning	161,994	195,646	(33,652)
Town manager	130,120	166,933	(36,813)
Town clerk	138,544	132,774	5,770
Finance	188,523	192,802	(4,279)
Community development	152,097	107,785	44,312
Nondepartmental	294,101	464,783	(170,682)
Legal department	185,724	178,844	6,880
Personnel	16,430	5,369	11,061
Town hall	28,000	30,609	(2,609)
Maintenance division	54,126	92,655	(38,529)
Janitorial services	33,985	36,811	(2,826)
Magistrate	331,303	333,856	(2,553)
Total general government	<u>1,858,409</u>	<u>2,076,073</u>	<u>(217,664)</u>
<b>Public safety</b>			
Police administration	165,062	171,487	(6,425)
Police/patrol	1,073,819	975,660	98,159
Animal control	81,271	79,484	1,787
Dispatch	330,487	326,296	4,191
Marshal complex	22,761	25,326	(2,565)
Total public safety	<u>1,673,400</u>	<u>1,578,253</u>	<u>95,147</u>
<b>Culture and recreation</b>			
Community center	40,300	59,848	(19,548)
Community pool	80,010	81,698	(1,688)
Parks	426,884	552,123	(125,239)
Library	261,065	273,045	(11,980)
Total culture and recreation	<u>808,259</u>	<u>966,714</u>	<u>(158,455)</u>
Total Expenditures	<u>4,340,068</u>	<u>4,621,040</u>	<u>(280,972)</u>
Excess (deficiency) of revenues over expenditures	<u>34,932</u>	<u>103,104</u>	<u>68,172</u>

*(Continued)*

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

TOWN OF CAMP VERDE, ARIZONA  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCES - BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<i>(Concluded)</i>			
Other financing sources (uses)			
Transfers out	-	(13,233)	(13,233)
Total other financing sources (uses)	<u>-</u>	<u>(13,233)</u>	<u>(13,233)</u>
Net change in fund balances	34,932	89,871	54,939
Fund balances, beginning of year	<u>2,304,700</u>	<u>2,385,425</u>	<u>80,725</u>
Fund balances, end of year	<u>\$ 2,339,632</u>	<u>\$ 2,475,296</u>	<u>\$ 135,664</u>

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

TOWN OF CAMP VERDE, ARIZONA  
HURF FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCES - BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Original and Final Budget	Actual	Variance with Final Budget
<b>Revenues</b>			
Intergovernmental	\$ 930,298	\$ 956,103	\$ 25,805
Charges for services	10,000	26,461	16,461
Investment earnings	15,000	23,612	8,612
Other	<u>100</u>	<u>-</u>	<u>(100)</u>
Total Revenues	<u>955,398</u>	<u>1,006,176</u>	<u>50,778</u>
<b>Expenditures</b>			
Current			
Highways and streets	<u>949,459</u>	<u>920,562</u>	<u>28,897</u>
Total Expenditures	<u>949,459</u>	<u>920,562</u>	<u>28,897</u>
Excess (deficiency) of revenues over expenditures	5,939	85,614	79,675
Fund balances, beginning of year	<u>(5,939)</u>	<u>14,924</u>	<u>20,863</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ 100,538</u>	<u>\$ 100,538</u>

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

TOWN OF CAMP VERDE, ARIZONA  
PARKS FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCES - BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Original and Final Budget	Actual	Variance with Final Budget
Revenues			
Taxes	\$ 255,000	\$ 332,547	\$ 77,547
Total Revenues	<u>255,000</u>	<u>332,547</u>	<u>77,547</u>
Expenditures			
Current			
Culture and recreation	85,000	33,336	51,664
Debt Service			
Principal retirement	-	2,333	(2,333)
Interest on long-term debt	-	2,903	(2,903)
Total Expenditures	<u>85,000</u>	<u>38,572</u>	<u>46,428</u>
Excess (deficiency) of revenues over expenditures	170,000	293,975	123,975
Fund balances, beginning of year	(170,000)	678,201	848,201
Fund balances, end of year	<u>\$ -</u>	<u>\$ 972,176</u>	<u>\$ 972,176</u>

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

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TOWN OF CAMP VERDE, ARIZONA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
FISCAL YEAR ENDED JUNE 30, 2005

*NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*

The accompanying financial statements of the Town of Camp Verde, Arizona (Town) have been prepared in conformity with U.S. generally accepted accounting principles applicable to governmental units adopted by the Governmental Accounting Standards Board (GASB). A summary of the Town's more significant accounting policies follows.

**A. Reporting entity**

The Town is a municipal government that is governed by a separately elected governing body. It is legally separate from and fiscally independent of other state and local governments. The accompanying financial statements present the Town and its component units, entities for which the Town is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the Town's operations. The Town did not have any 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 primary government and its component units. The effect of interfund activity has been removed from these statements. The Town only has *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 and other items not properly included among program revenues are reported instead as *general revenues*.

**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*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

TOWN OF CAMP VERDE, ARIZONA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
FISCAL YEAR ENDED JUNE 30, 2005

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

Intergovernmental grants and aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Town reports the following major governmental funds:

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

The *HURF Fund* is the Town's highways and streets fund. It accounts for all financial resources of the Town related to the construction and/or maintenance of the Town's streets.

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

The *Yavapai-Apache Gaming Compact Fund* is the Town's fund which accounts for the revenue sharing proceeds received from the Yavapai-Apache Nation.

The *CDBG Loan Fund* is the Town's fund which accounts for all of the CDBG promissory notes that the Town issues to individuals for the purchase of homes under the guidelines of the CDBG program.

The *Capital Improvement Fund* is the Town's construction-in-progress fund. It 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.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

TOWN OF CAMP VERDE, ARIZONA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
FISCAL YEAR ENDED JUNE 30, 2005

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

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

**D. Assets, liabilities, and net assets or equity**

**1. Deposits and investments**

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

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

**2. Capital assets**

Capital assets, which include land, buildings and improvements, improvements other than buildings, infrastructure and furniture, equipment and vehicles, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year.

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

TOWN OF CAMP VERDE, ARIZONA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
FISCAL YEAR ENDED JUNE 30, 2005

Depreciation on all assets is provided on a straight-line basis over the following estimated useful lives:

Buildings and improvements	10-50 years
Improvements other than buildings	50 years
Infrastructure	20 years
Furniture, equipment and vehicles	5-20 years

**3. Compensated absences**

The liability for compensated absences reported in the government-wide statements consists of unpaid, accumulated leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

**4. Long-term obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

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.

**5. Net assets**

In the government-wide financial statements, net assets are reported in three categories: net assets invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. Net assets invested in capital assets, net of related debt is separately reported because the Town reports all Town assets which make up a significant portion of total net assets. Restricted net assets account for the portion of net assets restricted by parties outside the Town. Unrestricted net assets are the remaining net assets not included in the previous two categories.

TOWN OF CAMP VERDE, ARIZONA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
FISCAL YEAR ENDED JUNE 30, 2005

**6. Fund equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation 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.

*NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY*

**A. Budgetary information**

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

1. In accordance with Arizona Revised Statutes, the Town Manager submits a proposed budget for the fiscal year commencing the following July 1 to the Town Council. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.
2. Public hearings are conducted to obtain taxpayer comment.
3. State law requires that, prior to April 1, the Economic Estimates commission provides the Town with a final expenditure limit for the coming fiscal year. To ensure compliance with the expenditure limitation, a uniform expenditure report must be filed with the State each year. This report, issued under a separate cover, reconciles total Town expenditures from the audited basic financial statements to total expenditures for reporting in accordance with the State's uniform expenditure reporting system (A.R.S. §41-1279.07).
4. Expenditures may not legally exceed the expenditure limitation described below of all fund types as a whole. For management purposes, the Town adopts a budget by department for the General Fund and in total by fund for other funds, except for the CDBG Loan Fund and Yavapai-Apache Gaming Compact Fund which were not budgeted. The Town Manager, subject to Town Council approval, may at any time transfer any unencumbered appropriation balance or portion thereof between a department or activity. The adopted budget cannot be amended in any way without Town Council approval.
5. Formal budgetary integration is employed as a management control device during the year for the General, Special Revenue and Capital Projects Funds on essentially the same modified accrual basis of accounting used to record actual revenues and expenditures.

TOWN OF CAMP VERDE, ARIZONA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
 FISCAL YEAR ENDED JUNE 30, 2005

The Town is subject to the State of Arizona's Spending Limitation Law for Towns and Cities. This law does not permit the Town to spend more than budgeted revenues plus the carryover unrestricted cash balance from the prior fiscal year. The limitation is applied to the total of the combined funds. The Town complied with this law during the year.

No supplementary budgetary appropriations were necessary during the year.

**B. Excess of expenditures over appropriations**

Expenditures exceeded appropriations in the following funds:

	<u>Amount of Overexpenditure</u>
General Fund:	
Mayor and council	\$ 1,520
Grants	20,934
Planning and zoning	33,652
Town manager	36,813
Finance	4,279
Nondepartmental	170,682
Town hall	2,609
Maintenance division	38,529
Janitorial services	2,826
Magistrate	2,553
Police administration	6,425
Marshal complex	2,565
Community center	19,548
Community pool	1,688
Parks	125,239
Library	11,980

TOWN OF CAMP VERDE, ARIZONA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 2005

*NOTE 3 - DETAILED NOTES ON ALL FUNDS*

**A. Assets**

**1. Deposits and investments**

Deposits and investments at June 30, 2005 consist of the following:

Deposits	
Cash on hand	\$ 810
Cash in bank	3,172,971
Investments	
Certificates of Deposit	90,020
State Treasurer's Investment Pool	<u>2,877,037</u>
Total cash and cash equivalents	<u>\$ 6,140,838</u>

**Deposits** - The Town's deposits at June 30, 2005, were entirely covered by federal depository insurance or by collateral held by the Town's custodial bank in the Town's name.

**Investments** - The State Board of Deposit provides oversight for the State Treasurer's pools, and the Local Government Investment Pool Advisory Committee provides consultation and advice to the Treasurer.

*Interest rate risk.* In accordance with the Town's investment policy, the Town manages its exposure to declines in fair values by limiting its investments to U.S. government securities with maturities of six months or less.

*Credit risk.* The Town limits its investments to the State Treasurer's Investment Pool, U.S. Government Securities and Certificates of Deposit.

*Custodial credit risk.* For an investment, this is the risk that, in the event of the failure of the counterparty, 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. The Town currently does not have a policy in regards to custodial credit. However, because the Town's certificates of deposit are secured by the federal depository insurance corporation, the Town is not exposed to custodial credit risk. The fair value of a participant's position in the State Treasurer's Investment Pool approximates the value of that participant's pool shares. The shares are not identified with specific investments and are not subject to custodial credit risk.

TOWN OF CAMP VERDE, ARIZONA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
FISCAL YEAR ENDED JUNE 30, 2005

**2. Receivables**

The Town has outstanding loans due from Town businessowners. The loans were originally issued to businesses 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 available to liquidate liabilities of the current period in the CDBG Fund. 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 statements. At the end of the current year, \$239,489 of the deferred loan receivable recorded in the CDBG Fund represents funds that were unavailable.

TOWN OF CAMP VERDE, ARIZONA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
 FISCAL YEAR ENDED JUNE 30, 2005

**3. Capital assets**

Capital asset activity for the year ended June 30, 2005 was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ <u>831,582</u>	\$ <u>921,545</u>	\$ <u>-</u>	\$ <u>1,753,127</u>
<b>Total capital assets, not being depreciated</b>	<b><u>831,582</u></b>	<b><u>921,545</u></b>	<b><u>-</u></b>	<b><u>1,753,127</u></b>
Capital assets being depreciated:				
Buildings and improvements	1,301,632	528,834	-	1,830,466
Improvements other than buildings	113,644	-	-	113,644
Infrastructure	1,017,590	-	-	1,017,590
Furniture, equipment and vehicles	<u>1,748,552</u>	<u>129,207</u>	<u>(88,831)</u>	<u>1,788,928</u>
<b>Total capital assets being depreciated</b>	<b><u>4,181,418</u></b>	<b><u>658,041</u></b>	<b><u>(88,831)</u></b>	<b><u>4,750,628</u></b>
Less accumulated depreciation for:				
Buildings and improvements	(306,071)	(38,492)	-	(344,563)
Improvements other than buildings	(20,557)	(2,434)	-	(22,991)
Infrastructure	(3,001)	(50,880)	-	(53,881)
Furniture, equipment and vehicles	<u>(906,364)</u>	<u>(164,216)</u>	<u>81,631</u>	<u>(988,949)</u>
<b>Total accumulated depreciation</b>	<b><u>(1,235,993)</u></b>	<b><u>(256,022)</u></b>	<b><u>81,631</u></b>	<b><u>(1,410,384)</u></b>
<b>Total capital assets, being depreciated, net</b>	<b><u>2,945,425</u></b>	<b><u>402,019</u></b>	<b><u>(7,200)</u></b>	<b><u>3,340,244</u></b>
<b>Governmental activities capital assets, net</b>	<b><u>\$ 3,777,007</u></b>	<b><u>\$ 1,323,564</u></b>	<b><u>\$ (7,200)</u></b>	<b><u>\$ 5,093,371</u></b>

TOWN OF CAMP VERDE, ARIZONA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
 FISCAL YEAR ENDED JUNE 30, 2005

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 36,946
Public safety	64,381
Highways and streets	98,872
Culture and recreation	<u>55,823</u>
Total depreciation expense-governmental activities	<u>\$ 256,022</u>

**B. Interfund transfers**

Interfund transfers for the year ended June 30, 2005 consisted of the following:

	<u>Transfers Out</u>
<u>Transfers In</u>	<u>General Fund</u>
Nonmajor Governmental Funds	\$ <u>13,233</u>

Transfers were made to record the Town's matching contributions for various federal and state grants.

**C. Obligations under operating leases**

The Town leases an Animal Control Facility under the provisions of a long-term lease agreement classified as an operating lease. Rental expenditures under the terms of the operating lease totaled \$12,375 for the fiscal year ended June 30, 2005.

The future minimum lease payments for these leases are as follows:

	<u>Amount</u>
Year Ending June 30,	
2006	\$ 16,869
2007	17,370
2008	17,892
2009	18,429
2010	<u>4,641</u>
Total	<u>\$ 75,201</u>

TOWN OF CAMP VERDE, ARIZONA  
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**D. Long-term obligations**

Notes payable at June 30, 2005, included the following:

Butler Park, a fourteen year mortgage note with  
 monthly payments of \$464.34 including  
 10.0% of interest through December 2012 \$ 27,745

The outstanding note is funded by local sales tax revenues and is paid by the Parks Fund.

The City has long-term bonds issued to provide funds for the construction of infrastructure. The debt is being repaid by the governmental type activities.

Description	Maturity	Interest Rate (%)	Amount Outstanding
Governmental Activities:			
GADA Infrastructure Series 1995 revenue bonds; original issue \$2,040,000	8/1/2006-24	2.375-5.000	\$ 2,040,000

The Town has issued debt to provide funds for the acquisition of capital assets.

Changes in long-term obligations for the year ended June 30, 2005 are as follows:

	July 1, 2004	Increases	Decreases	June 30, 2005	Due Within One Year
<b>Governmental Activities:</b>					
Bonds and notes payable:					
Revenue bonds	\$ -	\$ 2,040,000	\$ -	\$ 2,040,000	\$ -
Note payable	<u>30,078</u>	<u>-</u>	<u>(2,333)</u>	<u>27,745</u>	<u>2,577</u>
	30,078	2,040,000	(2,333)	2,067,745	2,577
Less: deferred amount on premium	<u>-</u>	<u>140,025</u>	<u>(2,277)</u>	<u>137,748</u>	<u>6,830</u>
Total bonds and loans payable	<u>30,078</u>	<u>2,180,025</u>	<u>(4,610)</u>	<u>2,205,493</u>	<u>9,407</u>
Other liabilities:					
Compensated absences	<u>184,942</u>	<u>195,889</u>	<u>(167,469)</u>	<u>213,362</u>	<u>160,022</u>
Governmental activities long-term liabilities	<u>\$ 215,020</u>	<u>\$ 2,375,914</u>	<u>\$ (172,079)</u>	<u>\$ 2,418,855</u>	<u>\$ 169,429</u>

TOWN OF CAMP VERDE, ARIZONA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
 FISCAL YEAR ENDED JUNE 30, 2005

Debt service requirements on long-term debt at June 30, 2005 are as follows:

Year Ending June 30,	Notes Payable		Bonds Payable	
	Principal	Interest	Principal	Interest
2006	\$ 2,577	\$ 2,659	\$ -	\$ 132,881
2007	2,847	2,389	35,000	90,600
2008	3,145	2,091	80,000	88,700
2009	3,475	1,761	80,000	86,500
2010	3,839	1,397	80,000	84,000
2011-15	11,862	1,642	455,000	362,250
2016-20	-	-	575,000	231,000
2021-25	-	-	735,000	71,950
	<u>\$ 27,745</u>	<u>\$ 11,939</u>	<u>\$ 2,040,000</u>	<u>\$ 1,147,881</u>

*NOTE 4 - OTHER INFORMATION*

**A. Risk management**

The Town of Camp Verde, Arizona, is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The Town's insurance protection is provided by the Arizona Municipal Risk Retention Pool, of which the Town is a participating member. The 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 Arizona Municipal Risk Retention Pool is structured such that member premiums are based on an actuarial review that will provide adequate reserves to allow the pool to meet its expected financial obligations. The pool has the authority to assess its members additional premiums should reserves and annual premiums be insufficient to meet the pool's obligations.

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

TOWN OF CAMP VERDE, ARIZONA  
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**B. Contingent liabilities**

**Accumulated Sick Leave** - Sick leave benefits provide for ordinary sick pay and are cumulative but do not vest with employees and, therefore, are not accrued. Unvested accumulated sick leave of Town employees at June 30, 2005, totaled \$205,913.

**C. Retirement plans**

**Arizona State Retirement System**

**Plan Description** - The Town contributes to a cost-sharing multiple-employer defined benefit pension plan administered by the Arizona State Retirement System. Benefits are established by state statute and generally provide retirement, death, long-term disability, survivor, and health insurance premium benefits. The system is governed by the Arizona State Retirement System Board according to the provisions of A.R.S. Title 38, Chapter 5, Article 2.

The System issues a comprehensive annual financial report that includes financial statements and required supplementary information. The most recent report may be obtained by writing the System, 3300 North Central Avenue, P.O. Box 33910, Phoenix, AZ 85067-3910 or by calling (602) 240-2000 or (800) 621-3778.

**Funding Policy** - The Arizona State Legislature establishes and may amend active plan members' and the Town's contribution rate. For the year ended June 30, 2005, active plan members and the Town were each required by statute to contribute at the actuarially determined rate of 5.7 percent (5.2 percent retirement and .5 percent long-term disability) of the members' annual covered payroll. The Town's contributions to the System for the years ended June 30, 2005, 2004, and 2003 were \$107,634, \$107,505, and \$77,406, respectively, which were equal to the required contributions for the year.

**Public Safety Personnel Retirement System (PSPRS)**

**Plan Description** - The Town contributes to the Public Safety Personnel Retirement System (PSPRS), an agent multiple-employer, public employee retirement system that acts as a common investment and administrative agent to provide retirement and death and disability benefits for public safety personnel who are regularly assigned hazardous duty in the employ of the State of Arizona or a political subdivision thereof. All benefit provisions and other requirements are established by State statute. The Public Safety Personnel Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for PSPRS. That report may be obtained by writing to Public Safety Personnel, 1020 E. Missouri Ave., Phoenix, AZ 85014 or by calling (602) 255-5575.

TOWN OF CAMP VERDE, ARIZONA  
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**Funding Policy** - Covered employees are required to contribute 7.65 percent of their annual salary to the PSPRS. The Town is required to contribute the remaining amounts necessary to fund the PSPRS, as determined by the actuarial basis specified by statute. The current rate is 10.92 percent of annual covered payroll.

**Annual Pension Cost** - During the year ended June 30, 2005, the Town of Camp Verde, Arizona's annual pension cost of \$52,876 for police was equal to the Town's required and actual contributions.

The required contribution was determined as part of the June 30, 2005 actuarial valuation using an entry age actuarial funding method. Significant actuarial assumptions used in determining the entry age actuarial accrued liability include (a) a rate of return on the investment of present and future assets of 8.50% per year compounded annually, (b) projected salary increases of 6.00% (including inflation at 5.00%) per year compounded annually, and (c) additional projected salary increases of 0.0% to 3.0% per year attributable to seniority/merit.

The actuarial value of the Town of Camp Verde, Arizona's assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a four-year period. The Town of Camp Verde, Arizona's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2005, was 20 years.

The preceding methods comply with the financial reporting standards established by the Governmental Accounting Standards Board.

**Three-Year Trend Information**

**Police**

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>Annual Pension</u> <u>Cost (APC)</u>	<u>Percent</u> <u>Contributed</u>	<u>Net Pension</u> <u>Obligation</u>
2003	\$ 39,661	100.0 %	\$ -
2004	55,798	100.0	-
2005	52,876	100.0	-

Additional historical trend information for the Town's PSPRS is disclosed on page 38.

Historical trend information is presented in order for a reader to assess the progress made in accumulating sufficient assets to pay pension benefits as they become payable.

**Required Supplementary Information**

TOWN OF CAMP VERDE, ARIZONA  
**REQUIRED SUPPLEMENTARY INFORMATION**  
 PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM  
 SCHEDULE OF FUNDING PROGRESS

**Schedule of Funding Progress**  
**Police**

Valuation Date June 30,	Actuarial Value of Assets	Entry Age Actuarial Accrued Liability (AAL)	Percent Funded	Over (Under) funded AAL	Annual Covered Payroll	Over (Under) funded AAL as a Percentage of Covered Payroll
1996	\$ 590,242	\$ 542,032	108.9 %	\$ 48,210	\$ 393,671	12.2 %
1997	759,081	632,992	119.9	126,089	445,805	28.3
1998	826,446	647,501	127.6	178,945	395,006	45.3
1999	983,019	804,659	122.2	178,360	443,967	40.2
2000	1,149,099	968,773	118.6	180,326	455,321	39.6
2001	1,243,433	938,207	132.5	305,226	525,880	58.0
2002	1,330,238	1,140,723	116.6	189,515	609,110	31.1
2003	1,422,828	1,294,744	109.9	128,084	607,257	21.1
2004	1,501,555	1,451,834	103.4	49,721	618,541	8.0
2005	1,620,472	1,746,176	92.8	(125,704)	702,255	(17.9)