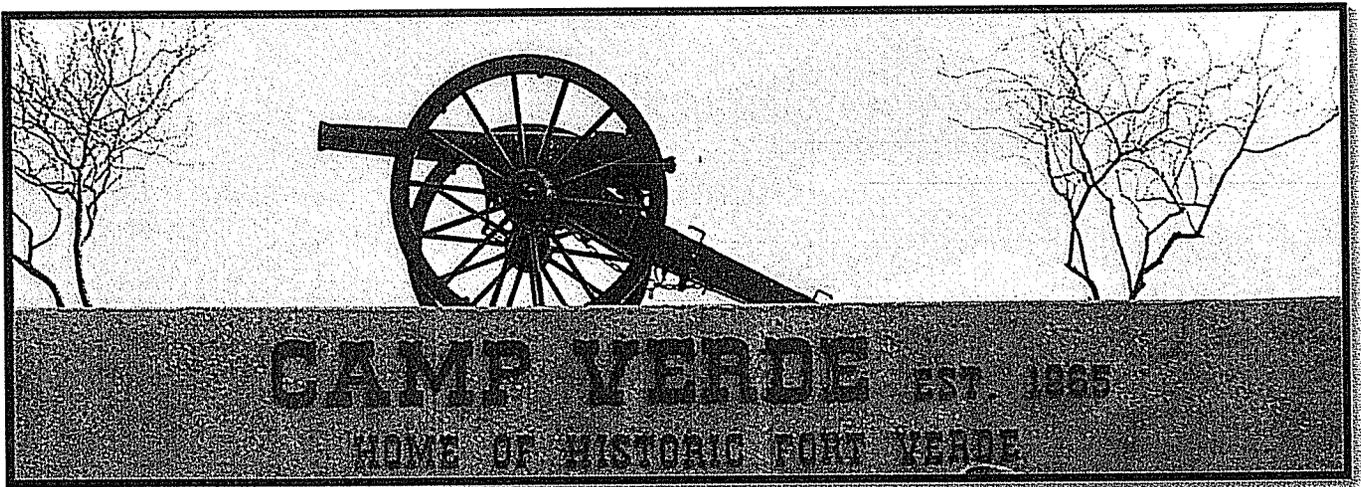


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The Town of Camp Verde, Arizona

**Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2010**



“Where the past meets the present.”

Issued by: Town of Camp Verde Finance Department

**TOWN OF CAMP VERDE, ARIZONA
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JUNE 30, 2010**

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INTRODUCTORY SECTION



TOWN OF CAMP VERDE

◆ 473 S. Main Street ◆ Camp Verde, Arizona 86322 ◆ (928) 567-6631 FAX 567-9061

www.cvaz.org

towncouncil@cvaz.org

December 6, 2010

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

State law requires that all general-purpose local governments publish a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the Town of Camp Verde (Town) for the fiscal year ended June 30, 2010.

This report consists of management's representations concerning the finances of the Town. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the Town has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the Town's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the Town's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free of material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The Town's financial statements have been prepared by Lumbar & Associates, PLLC, a firm of licensed certified public accountants and audited by Colby & Powell, PLC, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Town, for the fiscal year ended June 30, 2010, are free of material misstatement: The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the Town's financial statements for the fiscal year ended June 30, 2010, are fairly presented in all material aspects, in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The Town's MD&A can be found immediately following the report of the independent auditors.



demand for service, with revenue based comprised primarily of sales tax revenues and which is subject to the fluctuations in the economy. Successfully addressing this most difficult challenge will necessitate diversifying our local economy and its revenue sources so that the Town can smooth out the swings that it has experienced in the past with respect to the revenue base.

Long-Term Financial Planning: The Town is dedicated to enhancing the quality of life for its citizens and to provide municipal services in the most effective and efficient manner while exercising fiscal responsibility. The Town is moving toward implementing a process whereby it can complete long range financial forecasts. The Town has instituted a five year capital planning process which details the capital needs for the next five year period and makes provision for funding those needs. In addition, the Town is examining its options with respect to pay as you go financing. The Town completed its first ever cost allocation plan in the fiscal year ending June 30, 2009. The plans were adopted and are being utilized in our budgeting process.

The Town has been unable to complete several major capital projects due to a slow economy but maintains plans for projects which will be funded through a variety of funding mechanisms in the coming years as funding becomes available. Those projects include, but are not limited to the following: infrastructure improvements including streets, sidewalks, curbs, gutters, and drainage systems; computer/network upgrades; and remodel design for one of the Town owned buildings.

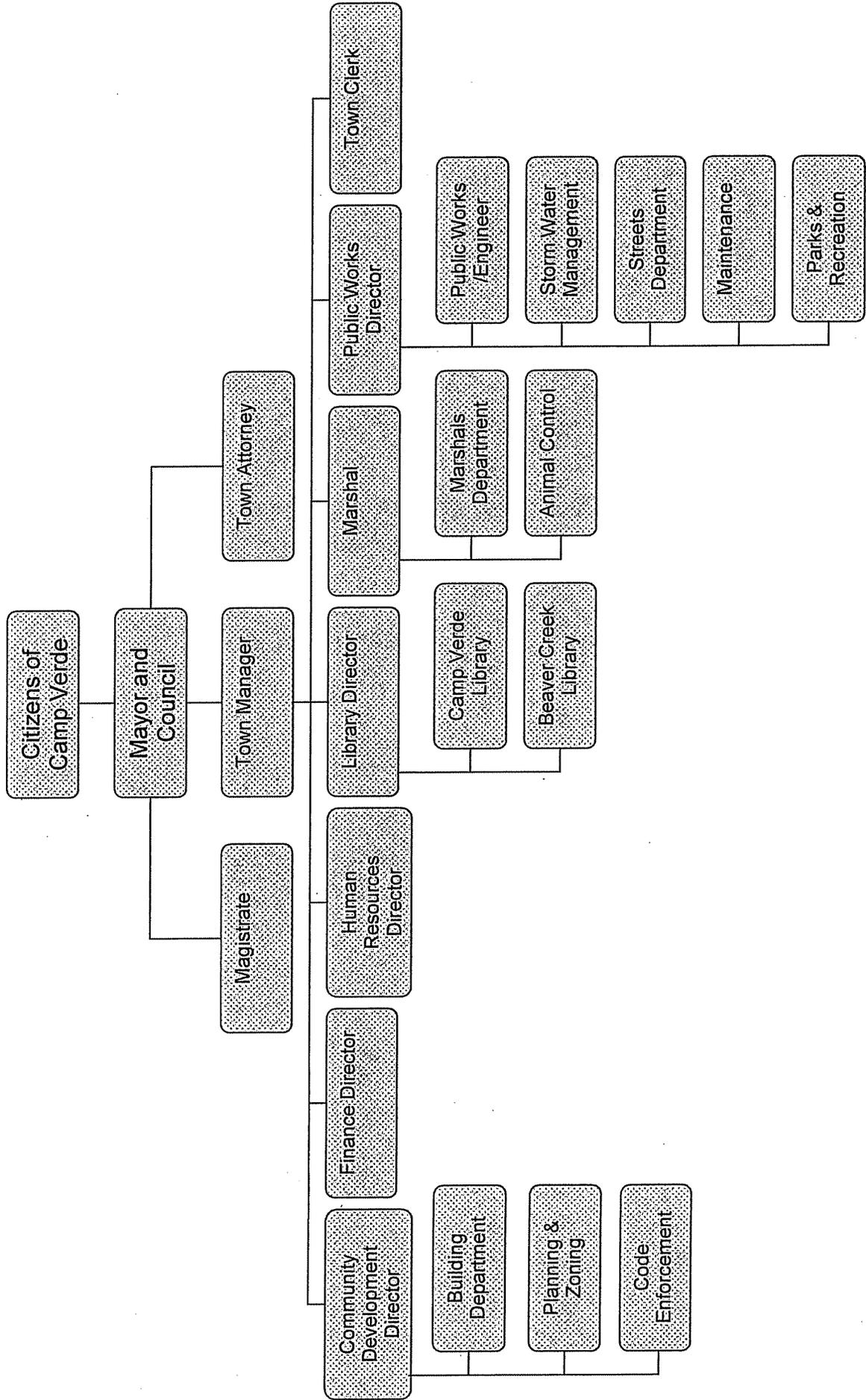
Cash Management Policies and Practices: The Town adopted its Investment Policy on July 15, 2009. The objective is to maintain a disciplined approach with respect to the investment of the Town's funds. The hallmarks of the investment practices are safety, liquidity, optimal yield, and collateralization. The Town presently maintains a pooled cash account for all Town funds. Cash temporarily idle during the fiscal year is invested in the Local Government Investment Pool (LGIP) established pursuant to Arizona Revised Statutes, Section 35-326, and operated by the Arizona State Treasurer. Idle cash balances are transferred, as needed, to and from the LGIP. All monies are deposited daily and all accounts are balanced monthly to the general ledger.

Risk Management: The Town is responsible for protecting its assets. Various risk management techniques are used to protect, reduce, minimize, and/or eliminate the potential of risk. The Town has purchased insurance from Southwest Risk Services, Inc. for the past 23 years. Coverage provided includes property, boiler and machinery, errors and omissions, excess liability, crime, general liability, automobile liability, physical damage, law enforcement liability, employment practices liability, and employee benefits liability. Workers' compensation insurance is also carried through the Arizona Municipal Risk Retention Pool. Employees' medical needs are met through a health and medical benefits program offered by the Town.

Pension Benefits: The Town contributes to the Public Safety Personnel Retirement System (PSPRS) on behalf of its Police employees. PSPRS is an agent multiple-employer defined benefit pension plan that was created by the State of Arizona on July 1, 1968 "to provide a uniform, consistent and equitable statewide program for public safety personnel who are regularly assigned hazardous duty in the employ of the State of Arizona or a political subdivision thereof."

The Town also provides pension benefits for its non-public safety employees. 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.

Town of Camp Verde Organization Chart



Town of Camp Verde

Town Council Members

Robert Burnside, Mayor
Robert Kovacovich, Vice Mayor
Jackie Baker
Norma Garrison
Carol German
Pete Roulette
Robin Whatley

Town Manager

Russell Martin

Town Attorney

Moyes Sellers and Sims

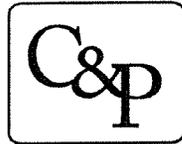
Magistrate

Harry Cipriano

Department Heads

Community Development Director	Michael Jenkins, Acting
Finance Director	Vacant
Human Resources Director	David Smith
Library Director	Gerard Laurito
Marshal	David Smith
Public Works Director	Ronald Long
Town Clerk	Deborah Barber

FINANCIAL SECTION



COLBY &
POWELL, PLC

CERTIFIED PUBLIC ACCOUNTANTS

1535 W. Harvard Avenue, Suite 101 · Gilbert, Arizona 85233

Tel: (480) 635-3200 · Fax: (480) 635-3201

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 aggregate remaining fund information of the Town of Camp Verde, Arizona as of and for the year ended June 30, 2010, 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 of Camp Verde, Arizona'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 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 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 the 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, 2010, and the respective changes in financial position 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2010, on our consideration of the Town of Camp Verde, Arizona's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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

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

**TOWN OF CAMP VERDE, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FISCAL YEAR ENDED JUNE 30, 2010**

OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)

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 forfeits 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 two categories: governmental 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)
FISCAL YEAR ENDED JUNE 30, 2010**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

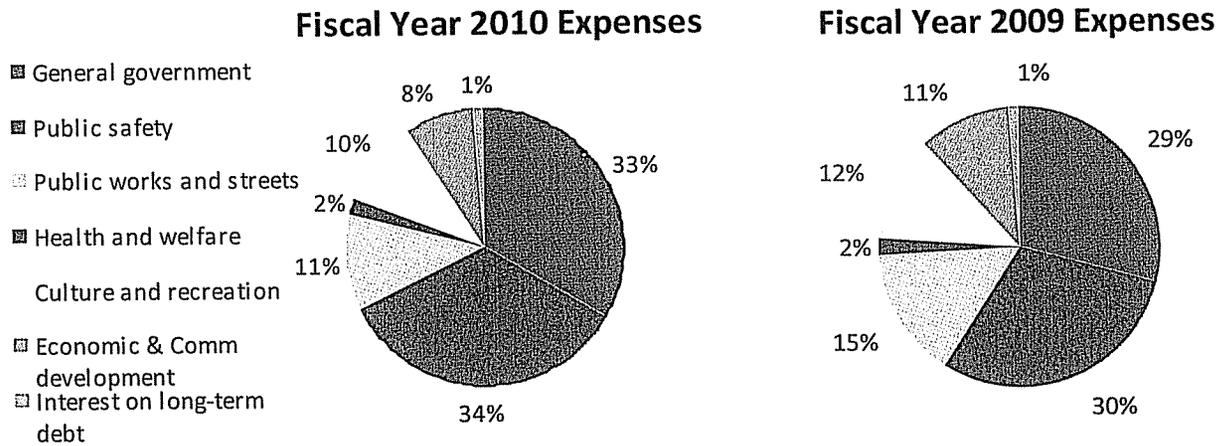
The Town's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets.

The following tables present a summary of the Town's net assets for the fiscal years ended June 30, 2010 and 2009.

	2010 Governmental Activities	2009 Governmental Activities, as restated
	<u> </u>	<u> </u>
Current assets	\$ 6,035,423	\$ 5,880,132
Capital assets, net	9,911,461	9,964,116
Other non-current assets	<u>414,113</u>	<u>426,239</u>
Total assets	<u>16,360,997</u>	<u>16,270,487</u>
Current and other liabilities	1,054,553	1,137,240
Long-term liabilities	<u>1,877,837</u>	<u>1,957,826</u>
Total liabilities	<u>2,932,390</u>	<u>3,095,066</u>
Net assets:		
Invested in capital assets, net of related debt	7,963,191	7,953,980
Restricted	1,838,636	1,375,836
Unrestricted	<u>3,626,780</u>	<u>3,845,605</u>
Total net assets	<u>\$ 13,428,607</u>	<u>\$ 13,175,421</u>

**TOWN OF CAMP VERDE, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FISCAL YEAR ENDED JUNE 30, 2010**

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's and Town's taxpayers by each of these functions.

	Year Ended June 30, 2010		Year Ended June 30, 2009, as restated	
	Total Expenses	Net (Expense)/ Revenue	Total Expenses	Net (Expense)/ Revenue
Governmental activities				
General government	\$ 2,242,817	\$(1,933,323)	\$ 2,306,812	\$(1,972,061)
Public safety	2,250,649	(1,952,587)	2,439,899	(2,229,560)
Public works and streets	765,392	132,368	1,197,351	(249,926)
Health and welfare	107,603	(107,603)	145,237	(145,237)
Culture and recreation	695,151	(363,692)	995,711	(684,978)
Economic and community development	551,747	(439,919)	845,225	(252,831)
Interest on long-term debt	83,429	(83,429)	86,544	(86,544)
Total	\$ 6,696,788	\$(4,748,185)	\$ 8,016,779	\$(5,621,137)

**TOWN OF CAMP VERDE, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FISCAL YEAR ENDED JUNE 30, 2010**

BUDGETARY HIGHLIGHTS

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

- Intergovernmental revenues in the General Fund were \$393,421 less than budgeted due to the slowing economy and lower reimbursements from Yavapai County because expenditures on the flood control project were less than anticipated.
- General Fund expenditures were less than budgeted by \$768,531. This was the result of conservative spending efforts to minimize the impact of forecasted future revenue shortfalls as well as reduction of Yavapai County flood control project expenditures.
- General Fund original and final budgets only varied in budgeted expenditures and transfers in/out. Total budgeted expenditures were reduced by \$10,000 for reduction in the Marshal's Department expected overtime. Transfers in/out were both reduced by \$200,000. Both were to/from the Parks Fund and therefore had a net effect of \$0.
- HURF Fund expenditures were less than budgeted by \$650,168. This was primarily the result of the cancellation of a large portion of budgeted street maintenance projects.

CAPITAL ASSETS

As of June 30, 2010, the Town had invested \$9.9 million in capital assets including land, buildings, facilities, vehicles, computers, equipment, and infrastructure assets. Total depreciation expense for the year was \$333,227.

The following schedule presents capital asset balances and accumulated depreciation for the fiscal years ended June 30, 2010 and 2009.

	As of June 30, 2010	As of June 30, 2009, as restated
Land	\$ 4,409,541	\$ 4,409,541
Construction in progress	218,634	199,490
Infrastructure	1,720,671	1,598,050
Buildings and improvements	3,505,380	3,505,380
Improvements other than buildings	840,150	840,150
Machinery and equipment	1,876,232	1,737,425
Accumulated depreciation	<u>(2,659,147)</u>	<u>(2,325,920)</u>
 Total	 <u>\$ 9,911,461</u>	 <u>\$ 9,964,116</u>

**TOWN OF CAMP VERDE, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FISCAL YEAR ENDED JUNE 30, 2010**

On October 30, 2009, the Town of Camp Verde was notified that funding from the Urban Revenue Sharing program with the State of Arizona would experience a reduction totaling \$340,783 in the 2010-2011 fiscal year. This equates to a 24.6 percent reduction in funding from this particular revenue source from the 2009-2010 fiscal year. For the 2011-2012 fiscal year, the Town has been notified that an estimated 8.0 percent in additional reductions in the Urban Revenue Sharing program will be experienced. In addition, the Town's sales tax and State shared revenues continue to decline. The challenges face by the Town of Camp Verde in continuing to provide the service delivery system that its citizens desire while experiencing large declines in funding are substantial. The Town Council included a proposed one percent (1%) Town Sales Tax on the November 2010 ballot to try to mitigate the shortfalls that have been and are expected to be experienced. This initiative was defeated by voters with a three (3) to one (1) margin. At this point, it is anticipated that capital projects will be postponed, and additional program cuts will be made including possible department closures. Staffing cuts and wage and/or hour reductions are also options that must be examined in order to operate under a balanced budget without depleting the Town's financial resources.

As a result of the thoughtful leadership of the Town Council and the managerial acumen of the Town's management team, we believe we are poised to manage the financial affairs of the Town of Camp Verde with a high degree of vigilance and discipline. We are confident that we can address and manage the challenges we face.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, 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, Arizona 86322.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

**TOWN OF CAMP VERDE, ARIZONA
STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2010**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
General government	\$ 2,242,817	\$ 303,797	\$ 5,697	\$ -	\$ (1,933,323)
Public safety	2,250,649	91,651	206,411	-	(1,952,587)
Public works and streets	765,392	55,132	842,628	-	132,368
Health and welfare	107,603	-	-	-	(107,603)
Culture and recreation	695,151	88,751	242,708	-	(363,692)
Economic and community development	551,747	105,337	-	6,491	(439,919)
Interest on long-term debt	83,429	-	-	-	(83,429)
Total governmental activities	6,696,788	644,668	1,297,444	6,491	(4,748,185)
General revenues:					
Taxes:					
					1,961,610
					239,946
					2,755,897
					19,964
					23,954
					<u>5,001,371</u>
					253,186
					<u>13,175,421</u>
					<u>\$ 13,428,607</u>

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

FUND FINANCIAL STATEMENTS

<u>Parks Fund</u>	<u>Housing Grant Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 292,839	\$ 77,166	\$ 1,468,117	\$ 5,151,387
-	-	127,000	127,000
-	-	58,179	392,986
-	-	26,415	439,792
-	-	-	51,258
-	-	-	24,105
-	-	-	632,000
-	265,428	-	265,428
<u>\$ 292,839</u>	<u>\$ 342,594</u>	<u>\$ 1,679,711</u>	<u>\$ 7,083,956</u>

\$ -	\$ -	\$ 20,586	\$ 183,689
-	-	754	39,008
-	-	-	100
-	-	35,000	35,000
-	-	-	5,648
-	265,428	130,958	683,993
-	-	24,105	24,105
632,000	-	-	632,000
<u>632,000</u>	<u>265,428</u>	<u>211,403</u>	<u>1,603,543</u>

-	-	479,720	479,720
-	-	92,000	92,000
(339,161)	77,166	-	3,015,219
-	-	417,014	417,014
-	-	294,374	294,374
-	-	-	632,000
-	-	-	350,524
-	-	-	14,362
-	-	185,200	185,200
<u>(339,161)</u>	<u>77,166</u>	<u>1,468,308</u>	<u>5,480,413</u>
<u>\$ 292,839</u>	<u>\$ 342,594</u>	<u>\$ 1,679,711</u>	<u>\$ 7,083,956</u>

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Parks Fund	Housing Grant Fund	Non-Major Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ 2,201,557
-	-	-	106,006
-	-	26,518	297,058
-	-	370,042	4,158,619
-	-	37,900	110,892
-	5,149	1,452	19,964
-	-	-	5,048
-	-	18,267	26,009
-	14,307	-	23,784
-	19,456	454,179	6,948,937
-	90	30,482	2,081,749
-	-	207,735	2,283,648
-	-	20,646	625,582
-	-	95,103	107,603
-	-	4,047	637,130
-	-	2,976	469,503
6,830	-	263,113	396,478
-	-	105,582	117,470
-	-	86,684	89,070
6,830	90	816,368	6,808,233
(6,830)	19,366	(362,189)	140,704
-	-	62,784	62,784
-	-	474,807	499,244
(5,398)	-	(24,437)	(499,244)
(5,398)	-	513,154	62,784
(12,228)	19,366	150,965	203,488
(326,933)	57,800	1,317,343	5,276,925
\$ (339,161)	\$ 77,166	\$ 1,468,308	\$ 5,480,413

FIDUCIARY FUND FINANCIAL STATEMENTS

**TOWN OF CAMP VERDE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

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.

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 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.

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 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.

**TOWN OF CAMP VERDE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

The Town reported General revenues, consisting of Town sales taxes, franchise taxes, State shared revenues, investment earnings, and miscellaneous, all of which are unrestricted.

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 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. Arizona Revised Statutes (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. Certain resources set aside for the repayments of debt are classified as investments held by trustee – restricted on the statement of net assets/balance sheet. A trust account, recorded in the Debt Service Fund, a non-major fund, is used to segregate resources accumulated for future debt service payments.

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."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

**TOWN OF CAMP VERDE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Compensated Absences (continued)

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. Resources from the General Fund are generally used to liquidate the governmental funds liabilities for compensated absences.

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.

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.

**TOWN OF CAMP VERDE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

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

Concentration of Credit Risk. The Town limits the investment in debt issued by a single entity to 5%. As of June 30, 2010 the Town's investments include 3 percent invested in money market funds and 97 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	\$ 48,718
Amount of deposits	191,199
Amount of investments	<u>5,044,222</u>
Total	<u><u>\$ 5,284,139</u></u>

	Governmental Activities	Agency Funds	Total
Statement of Net Assets:			
Cash and cash equivalents	\$ 5,151,387	\$ 5,752	\$ 5,157,139
Investments held by trustee - restricted	<u>127,000</u>	<u>-</u>	<u>127,000</u>
	<u><u>\$ 5,278,387</u></u>	<u><u>\$ 5,752</u></u>	<u><u>\$ 5,284,139</u></u>

The Town participates in an external investment pool, the State of Arizona Treasury Local Government Investment Pool (LGIP). The State Treasurer's Office operates a LGIP to provide professional short-term investment services for a wide array of public entities. By investing in the LGIP, participants are able to benefit from the substantial aggregate buying power of the state portfolio as well as a pool of monies from other participants. Participants enjoy safety of principal, daily liquidity, and competitive yields. That portion of the external investment pool which belongs to local government participants is reported in the State's Annual Financial Report. A copy of the report can be obtained from the State's website at www.aztreasury.gov or by writing to Arizona State Treasurer's Office, 1700 W. Washington Street, 1st Floor, Phoenix, AZ 85007.

The Town's position in the LGIP at June 30, 2010, is stated at cost which approximates fair value.

NOTE 3 - ACCOUNTS RECEIVABLE

As of June 30, 2010, the Town's receivables for individual major governmental funds and non-major governmental funds in the aggregate, consisted of \$574,184 in municipal court fines and \$93,802 in other miscellaneous receivables. In anticipation of uncollectible amounts, the Town has an allowance for doubtful accounts of \$275,000.

**TOWN OF CAMP VERDE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 6- CAPITAL ASSETS

A summary of capital asset activity for the fiscal year ended June 30, 2010 follows:

<u>Governmental Activities</u>	Beginning Balance, as restated	Additions	Deletions	Ending Balance
Capital assets, not being depreciated:				
Land	\$4,409,541	\$ -	\$ -	\$ 4,409,541
Construction in progress	199,490	108,282	89,138	218,634
Total capital assets, not being depreciated	<u>4,609,031</u>	<u>108,282</u>	<u>89,138</u>	<u>4,628,175</u>
Capital assets, being depreciated:				
Infrastructure	1,598,050	122,621	-	1,720,671
Buildings and improvements	3,505,380	-	-	3,505,380
Improvements other than buildings	840,150	-	-	840,150
Machinery and equipment	1,737,425	138,807	-	1,876,232
Total capital assets, being depreciated	<u>7,681,005</u>	<u>261,428</u>	<u>-</u>	<u>7,942,433</u>
Less accumulated depreciation for:				
Infrastructure	(291,698)	(84,359)	-	(376,057)
Buildings and improvements	(541,366)	(74,205)	-	(615,571)
Improvements other than buildings	(263,660)	(27,826)	-	(291,486)
Machinery and equipment	(1,229,196)	(146,837)	-	(1,376,033)
Total accumulated depreciation	<u>(2,325,920)</u>	<u>(333,227)</u>	<u>-</u>	<u>(2,659,147)</u>
Total capital assets, being depreciated, net	<u>5,355,085</u>	<u>(71,799)</u>	<u>-</u>	<u>5,283,286</u>
 Governmental activities capital assets, net	 <u>\$9,964,116</u>	 <u>\$ 36,483</u>	 <u>\$ 89,138</u>	 <u>\$ 9,911,461</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 42,383
Public safety	111,905
Public works and streets	119,621
Culture and recreation	55,920
Economic and community development	<u>3,398</u>
 Total depreciation expense	 <u>\$ 333,227</u>

**TOWN OF CAMP VERDE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 9- REVENUE BONDS PAYABLE

Revenue bonds payable at June 30, 2010 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, 2010
Governmental activities:			
Greater Arizona Development Authority (GADA) Infrastructure Series 2005 Revenue Bonds			
	2.75-5.00%	8/1/2008-24	\$ 1,765,000

Revenue bond debt service requirements to maturity are as follows:

Year ending June 30:	Principal	Interest
2011	\$ 85,000	\$ 82,725
2012	85,000	79,325
2013	90,000	74,950
2014	95,000	70,325
2015	100,000	65,450
2016-20	575,000	245,375
2021-25	735,000	89,050
Total	<u>\$ 1,765,000</u>	<u>\$ 707,200</u>

NOTE 10- CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2010 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Compensated absences	\$ 358,809	\$ 269,902	\$ 306,453	\$ 322,258	\$ 268,397
Estimated taxes related to compensated absences	32,708	20,612	25,054	28,266	23,542
Capital leases payable	39,592	62,784	33,874	68,502	32,863
Revenue bonds payable	1,845,000	-	80,000	1,765,000	85,000
Revenue bonds premium	108,310	-	7,181	101,129	7,181
Note payable	17,234	-	3,596	13,638	3,973
Governmental activities long-term liabilities	<u>\$ 2,401,653</u>	<u>\$ 353,298</u>	<u>\$ 456,158</u>	<u>\$ 2,298,793</u>	<u>\$ 420,956</u>

**TOWN OF CAMP VERDE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 13- INTERFUND BALANCES AND ACTIVITY (CONTINUED)

Due to/from other funds:

Fund	Due from other funds	Due to other funds
General	\$ 24,105	\$ -
Non-Major Governmental	-	24,105
Total	<u>\$ 24,105</u>	<u>\$ 24,105</u>

The outstanding balance between funds is the result of the lag between the time reimbursable expenditures occur and payment is received.

Interfund transfers:

Fund	Transfers In	Transfers Out
General	\$ 24,437	\$ 469,409
Parks	-	5,398
Non-Major Governmental	474,807	24,437
Total	<u>\$ 499,244</u>	<u>\$ 499,244</u>

Transfers between funds are used (1) to move revenues from the fund with collection authorization to the Parks Fund and other non-major governmental funds and (2) to cover shared expenses.

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, 2010, the Parks Fund reported a deficit in fund balance of \$339,161. The deficit arose because of operations in prior years. Additional revenues received in future fiscal years are expected to eliminate the deficit.

**TOWN OF CAMP VERDE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 17- RETIREMENT PLANS (CONTINUED)

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

Individual actuarial reports for the Town of Camp Verde for the fiscal year ended June 30, 2010 for both of these plans were unavailable as of the date of this report. Therefore, reporting is provided for fiscal year 2009.

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, 2010, active ASRS members were required by statute to contribute at the actuarially determined rate of 9.40 percent (9.0 percent for retirement and 0.4 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 9.4 percent (9.0 percent for retirement and health insurance premium, and 0.40 percent for long-term disability) of the members' annual covered payroll. There were 55 participants in the ASRS as of June 30, 2009.

The Town's contributions for the three 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:			
2009	\$ 174,581	\$ 20,976	\$ 10,925
2008	210,644	27,475	13,083
2007	182,348	25,360	12,076

Agent plan – For the year ended June 30, 2010, 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 13.96 percent. There were 16 participants in the PSPRS as of June 30, 2010.

Actuarial Methods and Assumptions – The contribution requirements for the year ended June 30, 2009 were established by the June 30, 2007 actuarial valuation, and that actuarial valuation was based on the following actuarial methods and assumptions. Actuarial valuations involve estimation of the value of reported amounts and assumptions about the probability of events in the future. The required schedule of funding programs which follows provides multi-year trend information that shows whether the actuarial value of the plans' assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**TOWN OF CAMP VERDE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 18- CONSTRUCTION COMMITMENTS

As of June 30, 2010, the Town was involved in three construction projects. The outstanding commitments for these construction projects were \$998,006.

NOTE 19- PRIOR PERIOD ADJUSTMENTS

An adjustment was made to the government-wide net assets to correct errors found in the prior year relating to assets not properly capitalized and depreciated totaling \$22,732.

REQUIRED SUPPLEMENTARY INFORMATION

**TOWN OF CAMP VERDE, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - HURF FUND
FISCAL YEAR ENDED JUNE 30, 2010**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Intergovernmental	\$ 821,613	\$ 898,624	\$ 827,165	\$ (71,459)
Investment earnings	500	500	36	(464)
Other	3,000	3,000	335	(2,665)
Total revenues	<u>825,113</u>	<u>902,124</u>	<u>827,536</u>	<u>(74,588)</u>
Expenditures:				
Public Works	<u>1,159,801</u>	<u>1,159,801</u>	<u>509,633</u>	<u>650,168</u>
Total expenditures	<u>1,159,801</u>	<u>1,159,801</u>	<u>509,633</u>	<u>650,168</u>
Change in fund balances	(334,688)	(257,677)	317,903	575,580
Fund balances, July 1, 2009	<u>606,419</u>	<u>606,419</u>	<u>606,419</u>	<u>-</u>
Fund balances, June 30, 2010	<u>\$ 271,731</u>	<u>\$ 348,742</u>	<u>\$ 924,322</u>	<u>\$ 575,580</u>

**TOWN OF CAMP VERDE, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - HOUSING GRANT FUND
YEAR ENDED JUNE 30, 2010**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Investment earnings	\$ 900	\$ 900	\$ 5,149	\$ 4,249
Other	18,201	18,201	14,307	(3,894)
Total revenues	<u>19,101</u>	<u>19,101</u>	<u>19,456</u>	<u>355</u>
Expenditures:				
Community development	62,785	5	90	(85)
Total expenditures	<u>62,785</u>	<u>5</u>	<u>90</u>	<u>(85)</u>
Change in fund balances	(43,684)	19,096	19,366	270
Fund balances, July 1, 2009	<u>57,800</u>	<u>57,800</u>	<u>57,800</u>	<u>-</u>
Fund balances, June 30, 2010	<u>\$ 14,116</u>	<u>\$ 76,896</u>	<u>\$ 77,166</u>	<u>\$ 270</u>

**TOWN OF CAMP VERDE, ARIZONA
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF EMPLOYER CONTRIBUTIONS
 MARSHAL'S RETIREMENT AND HEALTH INSURANCE PLAN
 JUNE 30, 2010**

Camp Verde Marshal's Plan (Retirement):

<u>Calendar Year</u>	<u>Employer Contribution</u>	<u>Annual Required Contribution (ARC)</u>	<u>Percentage Contributed</u>
2003	\$ 39,661	\$ 39,661	100.0 %
2004	55,798	55,798	100.0 %
2005	52,876	52,876	100.0%
2006	65,511	65,511	100.0%
2007	72,328	72,328	100.0%
2008	86,484	86,484	100.0%
2009	141,785	141,785	100.0%
2010	n/a	n/a	n/a

Camp Verde Marshal's Plan (Health Insurance):

<u>Valuation Date June 30,</u>	<u>Fiscal Year Ended June 30,</u>	<u>Normal Cost (a)</u>	<u>Actuarial Accrued Liability (b)</u>	<u>Total (a+b)</u>	<u>Dollar Amount</u>
2006	2008	0.59%	0.33%	0.92%	\$ 8,580
2007	2009	0.78%	0.51%	1.29%	12,030
2008	2010	0.75%	0.52%	1.27%	11,843
2009	2011	0.82%	0.54%	1.36%	13,297
2010	n/a	n/a	n/a	n/a	n/a

**COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS
AND SCHEDULES**

TOWN OF CAMP VERDE, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-
ALL NON-MAJOR GOVERNMENTAL FUNDS- BY FUND TYPE
FISCAL YEAR ENDED JUNE 30, 2010

	Special Revenue	Debt Service Fund	Capital Improvements Fund	Total Non-Major Governmental Funds
Revenues:				
Fines and forfeitures	\$ 26,518	\$ -	\$ -	\$ 26,518
Intergovernmental	370,042	-	-	370,042
Charges for services	37,900	-	-	37,900
Investment earnings	1,435	17	-	1,452
Contributions and donations	18,267	-	-	18,267
Total revenues	454,162	17	-	454,179
Expenditures:				
Current -				
General government	30,482	-	-	30,482
Public safety	207,735	-	-	207,735
Public works and streets	20,646	-	-	20,646
Health and welfare	-	95,103	-	95,103
Culture and recreation	4,047	-	-	4,047
Economic and community development	2,976	-	-	2,976
Capital outlay	-	-	263,113	263,113
Debt service -				
Principal retirement	-	83,597	21,985	105,582
Interest and fiscal charges	-	86,684	-	86,684
Total expenditures	265,886	265,384	285,098	816,368
Excess (deficiency) of revenues over expenditures	188,276	(265,367)	(285,098)	(362,189)
Other financing sources (uses):				
Capital lease agreements	-	-	62,784	62,784
Transfers in	5,303	234,117	235,387	474,807
Transfers out	(24,437)	-	-	(24,437)
Total other financing sources (uses)	(19,134)	234,117	298,171	513,154
Change in fund balances	169,142	(31,250)	13,073	150,965
Fund balances, beginning of year	604,952	123,250	589,141	1,317,343
Fund balances, end of year	\$ 774,094	\$ 92,000	\$ 602,214	\$ 1,468,308

NON-MAJOR SPECIAL REVENUE FUNDS

Special Revenue funds are used to account for proceeds of specific revenues sources that are legally restricted to expenditures for specific purposes (other than major capital projects). The funds are usually required by statute, ordinance, or federal grant regulation to finance specified activities of the Town. The Town maintains the following non-major Special Revenue funds.

Court Special Revenue Fund- accounts for Local JCEF, Fill the Gap and Court Enhancement revenues.

Nonfederal Grants Fund- accounts for all nonfederal grants received by the Town.

Yavapai-Apache Gaming Compact Fund- accounts for the gaming compact revenues received from the Yavapai-Apache Tribe.

Federal Grants Fund- accounts for the activity related to the Town's Community Development Block Grant and other Federal grants.

9-1-1 Fund- accounts for 9-1-1 distributions.

Library Endowment Fund- accounts for endowments to the library.

Impact Fee Fund- accounts for development impact fees.

Donations Fund- accounts for gifts, donations, bequests and private grants made to the Town.

<u>Federal Grants Fund</u>	<u>9-1-1 Fund</u>	<u>Library Endowment Fund</u>	<u>Impact Fee Fund</u>	<u>Donations Fund</u>	<u>Totals</u>
\$ -	\$ 2,829	\$ 237,543	\$ 262,615	\$ 16,800	\$ 851,045
-	-	3,099	2,627	-	58,179
<u>24,947</u>	<u>581</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,415</u>
<u>\$ 24,947</u>	<u>\$ 3,410</u>	<u>\$ 240,642</u>	<u>\$ 265,242</u>	<u>\$ 16,800</u>	<u>\$ 935,639</u>
88	-	-	-	864	5,728
754	-	-	-	-	754
-	-	-	-	-	130,958
<u>24,105</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,105</u>
<u>24,947</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>864</u>	<u>161,545</u>
-	-	240,642	-	15,936	479,720
-	<u>3,410</u>	<u>-</u>	<u>265,242</u>	<u>-</u>	<u>294,374</u>
-	<u>3,410</u>	<u>240,642</u>	<u>265,242</u>	<u>15,936</u>	<u>774,094</u>
<u>\$ 24,947</u>	<u>\$ 3,410</u>	<u>\$ 240,642</u>	<u>\$ 265,242</u>	<u>\$ 16,800</u>	<u>\$ 935,639</u>

Federal Grants Fund	9-1-1 Fund	Library Endowment Fund	Impact Fee Fund	Donations Fund	Total Non-Major Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 26,518
96,985	726	-	-	-	370,042
-	-	-	37,900	-	37,900
-	-	701	734	-	1,435
-	-	12,241	-	6,026	18,267
<u>96,985</u>	<u>726</u>	<u>12,942</u>	<u>38,634</u>	<u>6,026</u>	<u>454,162</u>
6,491	-	-	-	-	30,482
87,449	-	-	-	2,826	207,735
-	-	-	-	-	20,646
88	-	-	-	3,959	4,047
2,976	-	-	-	-	2,976
<u>97,004</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,785</u>	<u>265,886</u>
<u>(19)</u>	<u>726</u>	<u>12,942</u>	<u>38,634</u>	<u>(759)</u>	<u>188,276</u>
19	-	100	-	-	5,303
-	-	-	-	-	(24,437)
<u>19</u>	<u>-</u>	<u>100</u>	<u>-</u>	<u>-</u>	<u>(19,134)</u>
-	726	13,042	38,634	(759)	169,142
-	2,684	227,600	226,608	16,695	604,952
<u>\$ -</u>	<u>\$ 3,410</u>	<u>\$ 240,642</u>	<u>\$ 265,242</u>	<u>\$ 15,936</u>	<u>\$ 774,094</u>

Nonfederal Grant Fund			Yavapai-Apache Gaming Compact Fund		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
92,855	132,922	40,067	14,000	136,688	122,688
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
92,855	132,922	40,067	14,000	136,688	122,688
-	-	-	-	-	-
132,120	117,460	14,660	-	-	-
20,672	20,646	26	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
152,792	138,106	14,686	-	-	-
(59,937)	(5,184)	54,753	14,000	136,688	122,688
-	5,184	5,184	-	-	-
-	-	-	(24,437)	(24,437)	-
-	5,184	5,184	(24,437)	(24,437)	-
(59,937)	-	59,937	(10,437)	112,251	122,688
-	-	-	67,058	67,058	-
\$ (59,937)	\$ -	\$ 59,937	\$ 56,621	\$ 179,309	\$ 122,688

9-1-1 Fund		
Budget	Actual	Variance - Positive (Negative)
\$ -	\$ -	\$ -
500	726	226
-	-	-
-	-	-
-	-	-
500	726	226
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
500	726	226
-	-	-
-	-	-
500	726	226
2,684	2,684	-
\$ 3,184	\$ 3,410	\$ 226

Library Endowment Fund		
Budget	Actual	Variance - Positive (Negative)
\$ -	\$ -	\$ -
-	-	-
-	-	-
1,200	701	(499)
12,000	12,241	241
13,200	12,942	(258)
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
13,200	12,942	(258)
100	100	-
-	-	-
100	100	-
13,300	13,042	(258)
227,600	227,600	-
\$ 240,900	\$ 240,642	\$ (258)

Donations Fund			Totals		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$ -	\$ -	\$ -	\$ 17,250	\$ 26,518	\$ 9,268
-	-	-	261,294	370,042	108,748
-	-	-	25,025	37,900	12,875
-	-	-	2,080	1,435	(645)
5,500	6,026	526	17,500	18,267	767
5,500	6,026	526	323,149	454,162	131,013
-	-	-	34,851	30,482	4,369
14,341	2,826	11,515	233,815	207,735	26,080
-	-	-	20,672	20,646	26
8,677	3,959	4,718	8,677	4,047	4,630
-	-	-	94,127	2,976	91,151
23,018	6,785	16,233	392,142	265,886	126,256
(17,518)	(759)	16,759	(68,993)	188,276	257,269
-	-	-	100	5,303	5,203
-	-	-	(24,437)	(24,437)	-
-	-	-	(24,337)	(19,134)	5,203
(17,518)	(759)	16,759	(93,330)	169,142	262,472
16,695	16,695	-	604,952	604,952	-
\$ (823)	\$ 15,936	\$ 16,759	\$ 511,622	\$ 774,094	\$ 262,472

**TOWN OF CAMP VERDE, ARIZONA
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES- BUDGET AND ACTUAL- NON-MAJOR DEBT SERVICE FUNDS
 FISCAL YEAR ENDED JUNE 30, 2010**

	Debt Service Fund		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Investment earnings	\$ 400	\$ 17	\$ (383)
Total revenues	<u>400</u>	<u>17</u>	<u>(383)</u>
Expenditures:			
Current -			
Health and welfare	94,914	95,103	(189)
Debt Service -			
Principal retirement	90,398	83,597	6,801
Interest and fiscal charges	86,025	86,684	(659)
Total expenditures	<u>271,337</u>	<u>265,384</u>	<u>5,953</u>
Excess (deficiency) of revenues over expenditures	<u>(270,937)</u>	<u>(265,367)</u>	<u>5,570</u>
Other financing sources (uses):			
Transfers in	311,023	234,117	(76,906)
Total other financing sources (uses)	<u>311,023</u>	<u>234,117</u>	<u>(76,906)</u>
Change in fund balances	40,086	(31,250)	(71,336)
Fund balances, July 1, 2009	<u>123,250</u>	<u>123,250</u>	<u>-</u>
Fund balances, June 30, 2010	<u>\$ 163,336</u>	<u>\$ 92,000</u>	<u>\$ (71,336)</u>

**TOWN OF CAMP VERDE, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES- BUDGET AND ACTUAL- NON-MAJOR CAPITAL PROJECTS FUND
FISCAL YEAR ENDED JUNE 30, 2010**

Capital Improvements Fund			
	Budget	Actual	Variance - Positive (Negative)
Expenditures:			
Capital outlay	\$ 567,548	\$ 263,113	\$ 304,435
Debt service - Principal retirement	-	21,985	(21,985)
Total expenditures	567,548	285,098	282,450
 Excess (deficiency) of revenues over expenditures	(567,548)	(285,098)	282,450
 Other financing sources (uses):			
Capital lease agreement	-	62,784	62,784
Transfers in	80,000	235,387	155,387
Total other financing sources (uses)	80,000	298,171	218,171
 Change in fund balances	(487,548)	13,073	500,621
 Fund balances, July 1, 2009	589,141	589,141	-
 Fund balances, June 30, 2010	\$ 101,593	\$ 602,214	\$ 500,621

TOWN OF CAMP VERDE, ARIZONA
COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
ALL AGENCY FUNDS
JUNE 30, 2010

	Employee Assistance Fund	Employee Christmas Party Fund	Sanitary District Fund	Special Olympics Fund	Totals
<u>ASSETS</u>					
Cash and cash equivalents	\$ 5,752	\$ -	\$ -	\$ -	\$ 5,752
Total assets	<u>\$ 5,752</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>5,752</u>
<u>LIABILITIES</u>					
Deposits held for others	\$ 5,752	\$ -	\$ -	\$ -	\$ 5,752
Total liabilities	<u>\$ 5,752</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>5,752</u>

STATISTICAL SECTION

TOWN OF CAMP VERDE, ARIZONA
NET ASSETS BY COMPONENT
LAST SEVEN FISCAL YEARS
(Accrual basis of accounting)

	Fiscal Year Ended June 30						
	2010	2009	2008	2007	2006	2005	2004
Governmental activities:							
Invested in capital assets, net of related debt	\$ 7,963,191	\$ 7,953,980	\$ 7,929,411	\$ 4,720,012	\$ 4,541,070	\$ 2,887,878	\$ 3,746,929
Restricted	1,838,636	1,375,836	1,219,728	3,967,997	3,276,858	4,136,468	2,311,098
Unrestricted	3,626,780	3,845,605	3,915,724	3,244,968	3,091,403	2,313,587	2,200,483
Total governmental activities net assets	\$ 13,428,607	\$ 13,175,421	\$ 13,064,863	\$ 11,932,977	\$ 10,909,331	\$ 9,337,933	\$ 8,258,510

Source: The source of this information is the City's financial records.

Note: The provisions of the Governmental Accounting Standards Board (GASB) Statement No. 34 were adopted in fiscal year 2003-04; therefore only seven years are shown.

TOWN OF CAMP VERDE, ARIZONA
GENERAL REVENUES AND TOTAL CHANGES IN NET ASSETS
LAST SEVEN FISCAL YEARS
 (Accrual basis of accounting)

	Fiscal Year Ended June 30						
	2010	2009	2008	2007	2006	2005	2004
Net Expense	\$(4,748,185)	\$ (5,621,137)	\$ (4,860,045)	\$ (5,494,811)	\$ (4,142,290)	\$ (3,368,156)	\$(2,682,858)
General Revenues:							
Governmental activities:							
Taxes:							
Town sales taxes for general purposes	1,961,610	2,163,948	2,314,337	1,610,895	2,832,105	1,828,357	1,631,609
Town sales taxes, restricted for capital improvements	-	-	-	585,348	-	-	-
Town sales taxes, restricted for parks development	-	-	-	390,231	-	-	-
Franchise taxes	239,946	238,072	237,227	219,502	187,130	174,072	168,592
State shared revenues	2,755,897	3,091,906	3,154,857	2,919,698	2,714,144	2,378,270	2,244,308
Investment earnings	19,964	3,614	220,900	313,860	209,644	66,880	41,969
Miscellaneous	23,954	239,099	64,610	8,242	-	-	-
Total governmental activities	5,001,371	5,736,639	5,991,931	6,047,776	5,943,023	4,447,579	4,086,478
Changes in Net Assets	\$ 253,186	\$ 115,502	\$ 1,131,886	\$ 552,965	\$ 1,800,733	\$ 1,079,423	\$ 1,403,620

Source: The source of this information is the City's financial records.
Note: The provisions of the Governmental Accounting Standards Board (GASB) Statement No. 34 were adopted in fiscal year 2003-04; therefore only seven years are shown.

TOWN OF CAMP VERDE, ARIZONA
GOVERNMENTAL FUNDS REVENUES
LAST SEVEN FISCAL YEARS
(Modified accrual basis of accounting)

	Fiscal Year Ended June 30						
	2010	2009	2008	2007	2006	2005	2004
Taxes	\$ 2,201,557	\$ 2,402,020	\$ 2,551,564	\$ 2,805,976	\$ 3,019,235	\$ 2,002,429	\$ 1,800,201
Licenses and permits	106,006	184,016	150,852	242,345	438,119	319,639	215,631
Fines and forfeits	297,058	257,625	342,149	535,170	549,294	410,064	327,701
Intergovernmental	4,158,619	4,729,287	5,270,363	4,306,962	4,278,710	3,634,853	3,540,971
Charges for services	110,892	248,940	227,056	292,339	259,712	182,462	230,619
Investment earnings	19,964	3,614	220,900	313,860	209,644	66,880	41,969
Rents and royalties	5,048	20,788	43,424	45,692	43,660	18,784	7,507
Contributions and donations	26,009	45,397	75,038	70,100	75,171	179,218	26,244
Other	23,784	126,628	73,206	19,968	170,363	128,977	116,437
Total revenues	\$ 6,948,937	\$ 8,018,315	\$ 8,954,552	\$ 8,632,412	\$ 9,043,908	\$ 6,943,306	\$ 6,307,280

Source: The source of this information is the City's financial records.

TOWN OF CAMP VERDE, ARIZONA
OTHER FINANCING SOURCES AND USES AND NET CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
LAST SEVEN FISCAL YEARS
 (Modified accrual basis of accounting)

	Fiscal Year Ended June 30						
	2010	2009	2008	2007	2006	2005	2004
Excess (deficiency) of revenues over expenditures	\$ 140,704	\$ 103,278	\$ (2,039,553)	\$ 411,687	\$ 166,951	\$ (168,302)	\$ 329,192
Other financing sources (uses):							
Capital lease agreements	62,784	18,459	-	42,123	-	-	-
Transfers in	499,244	1,219,431	1,974,620	71,915	-	13,233	34,730
Transfers out	(499,244)	(1,219,431)	(1,942,845)	(71,915)	-	(13,233)	(34,730)
Proceeds of long-term debt issuance	-	-	-	-	-	2,040,000	-
Proceeds from premium on long-term debt issuance	-	-	-	-	-	140,025	-
Total other financing sources (uses)	<u>62,784</u>	<u>18,459</u>	<u>31,775</u>	<u>42,123</u>	<u>-</u>	<u>2,180,025</u>	<u>-</u>
Changes in fund balances	<u>\$ 203,488</u>	<u>\$ 121,737</u>	<u>\$ (2,007,778)</u>	<u>\$ 453,810</u>	<u>\$ 166,951</u>	<u>\$ 2,011,723</u>	<u>\$ 329,192</u>

Source: The source of this information is the City's financial records.

**TOWN OF CAMP VERDE, ARIZONA
DIRECT AND OVERLAPPING SALES TAX RATES
LAST SEVEN FISCAL YEARS**

Overlapping Rates

Fiscal Year Ended June 30	Town of Camp Verde	Town of Camp Verde Hospitality	Town of Camp Verde Construction	Yavapai County	Arizona State
2010	2.00	4.00	3.00	0.75	6.60
2009	2.00	4.00	3.00	0.75	5.60
2008	2.00	4.00	3.00	0.75	5.60
2007	2.00	4.00	3.00	0.75	5.60
2006	2.00	4.00	3.00	0.75	5.60
2005	2.00	4.00	3.00	0.70	5.60
2004	2.00	4.00	3.00	0.70	5.60

Source: The source of this information is the Arizona Department of Revenue.

**TOWN OF CAMP VERDE, ARIZONA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
JUNE 30, 2010**

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable to Town</u>	<u>Estimated Amount Applicable to Town</u>
Yavapai County Community College District	\$ 47,310,000	0.03 %	\$ 14,193
Camp Verde Unified School District	\$ -	0.92	-
Subtotal, Overlapping Debt			<u>14,193</u>
Direct:			
Town of Camp Verde			<u>-</u>
Total Direct and Overlapping Debt			<u>\$ 14,193</u>

Source: The source of this information is the Town's records and the State and County Abstract of the Arizona Department of Revenue and the applicable governmental unit.

**TOWN OF CAMP VERDE, ARIZONA
PRINCIPAL EMPLOYERS - YAVAPAI COUNTY
PRIOR FISCAL YEAR AND EIGHT YEARS AGO**

<u>Employer</u>	<u>2009</u>		<u>2002</u>	
	<u>Employees</u>	<u>Percentage of Total Employment</u>	<u>Employees</u>	<u>Percentage of Total Employment</u>
Yavapai County	1,505	8.5 %	1,212	8.4 %
Yavapai Regional Medical Center	1,491	8.5	730	5.0
Veteran's Admin Medical Center	823	4.7	550	3.8
Prescott Unified School District	754	4.3	573	3.9
City of Prescott	504	2.9	380	2.6
Wal-Mart	450	2.6	-	0.0
Yavapai College	420	2.4	300	2.1
Embry-Riddle Aeronautical University	398	2.3	300	2.1
Yavapai Gaming Agency	309	1.8	-	0.0
West Yavapai Guidance Clinic	271	1.5	182	1.3
Sturm Ruger & Co	-	0.0	1,176	8.1
State of Arizona	-	0.0	330	2.3
Total	<u>6,925</u>	<u>39.3 %</u>	<u>5,733</u>	<u>39.5 %</u>
Total Employment	<u>17,621</u>		<u>14,509</u>	

Source: Local principal employer information with number of employees was not available. Management has provided County employer information as available from the Arizona Department of Commerce for 2009 and 2002.

Note: Employee figures were not available for the current fiscal period.

**TOWN OF CAMP VERDE, ARIZONA
FULL-TIME-EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM (CONTINUED)
LAST TEN FISCAL YEARS**

	Full-time Equivalent Employees as of June 30				
	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
General Government					
Town Manager's Office	3.00	2.00	1.00	3.00	3.00
Town Clerk's Office	3.00	2.00	2.00	2.00	3.00
Finance	2.90	3.00	3.00	3.00	2.00
Human Resources	-	-	-	-	-
Municipal Court	6.00	6.00	6.00	6.00	6.00
Housing	-	2.00	2.00	2.00	-
Total General Government	<u>14.90</u>	<u>15</u>	<u>14</u>	<u>16</u>	<u>14</u>
Public Safety					
Marshal's Department	28.00	27.00	27.00	29.00	29.00
Animal Control	1.50	1.00	1.00	1.00	1.00
Total Public Safety	<u>29.50</u>	<u>28</u>	<u>28</u>	<u>30</u>	<u>30</u>
Public Works					
Engineering	-	-	1.00	1.00	-
HURF/Streets	8.50	7.90	7.90	7.90	9.90
Maintenance	6.00	5.50	5.00	5.00	5.00
Total Public Works	<u>14.50</u>	<u>13.40</u>	<u>13.90</u>	<u>13.90</u>	<u>14.90</u>
Library	4.88	4.38	4.38	4.38	4.38
Parks and Recreation	4.00	4.00	3.00	3.00	4.00
Community Development	7.00	7.00	8.00	7.00	5.00
Total Support and Administration	<u>15.88</u>	<u>15.38</u>	<u>15.38</u>	<u>14.38</u>	<u>13.38</u>
Total	<u>74.78</u>	<u>71.78</u>	<u>71.28</u>	<u>74.28</u>	<u>72.28</u>

Source: The source of this information is the Town's Annual Budget.

**TOWN OF CAMP VERDE, ARIZONA
OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS**

Function	Fiscal Year Ended June 30									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
General Government										
Business Licenses	597	576	556	544	542	511	463	434	446	N/A
Public Safety										
Total Incidents	8,916	8,348	10,281	9,741	9,821	8,959	8,175	8,062	7,152	6,752
Public Works										
Street Resurfacing (miles)	0.25	-	-	8.30	8.70	11.30	9.20	12.50	N/A	N/A
New Roads (miles)	-	-	-	-	-	-	3.00	-	N/A	N/A
Library										
Circulation	76,813	80,139	69,349	62,855	58,722	53,565	54,581	47,729	40,938	36,886
Community Development										
Commerical Building Permits	47	84	59	43	67	42	49	20	32	31
Valuation (in thousands)	\$ 516	\$ 10,860	\$ 3,010	\$ 11,928	\$ 8,471	\$ 6,031	\$ 2,939	\$ 1,959	\$ 1,840	\$ 3,812
Residential Building Permits	317	44	48	108	281	178	112	121	79	88
Valuation (in thousands)	\$ 3,879	\$ 3,395	\$ 5,649	\$ 12,286	\$ 31,531	\$ 19,060	\$ 9,685	\$ 8,132	\$ 5,286	\$ 6,135

Source: The source of this information is the Town's records.
Note: N/A indicates that the information is not available at this time.

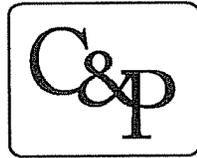
TOWN OF CAMP VERDE, ARIZONA

Annual Expenditure Limitation Report

June 30, 2010

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COLBY &
POWELL, PLC

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

The Auditor General of the State of Arizona and
the Honorable Mayor and Town Council of the
Town of Camp Verde, Arizona

We have audited the accompanying Annual Expenditure Limitation Report of the Town of Camp Verde, Arizona, for the year ended June 30, 2010. This report is the responsibility of the Town's management. Our responsibility is to express an opinion on this report 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 report is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the report. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall report presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying Annual Expenditure Limitation Report was prepared for the purpose of complying with the uniform expenditure reporting system as discussed in Note 1, and is not intended to be a presentation in conformity with U.S. generally accepted accounting principles.

In our opinion, the Annual Expenditure Limitation Report of the Town of Camp Verde, Arizona, for the year ended June 30, 2010, referred to above presents fairly, in all material respects, the information required by the uniform expenditure reporting system on the basis of accounting described in Note 1.

This report is intended solely for the information and use of management, and for filing with the Auditor General of the State of Arizona and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Colby & Powell".

December 6, 2010

TOWN OF CAMP VERDE, ARIZONA
Annual Expenditure Limitation Report - Part I
Year Ended June 30, 2010

1. Economic Estimates Commission expenditure limitation	\$ 11,360,396	
2. Voter-approved alternative expenditure limitation	<u> -</u>	
3. Enter applicable amount from Line 1 or Line 2		\$ 11,360,396
4. Amount subject to the expenditure limitation (total amount from Part II, Line C	5,773,415	
5. Board-authorized expenditures necessitated by a disaster declared by the Governor (Art. IX, Sec. 20[2][a], Arizona Constitution)	-	
6. Board-authorized expenditures necessitated by a disaster not declared by the Governor (Art. IX, Sec. 20[2][b], Arizona Constitution)	-	
7. Prior-year voter-approved expenditures to exceed the expenditure limitation for the reporting fiscal year (Art. IX, Sec. 20[2][c], Arizona Constitution)	<u> -</u>	
8. Subtotal	5,773,415	
9. Board-authorized excess expenditures for the previous fiscal year not declared by the Governor and not approved by the voters (Article IX, Sec.20[2][b], Arizona Constitution)	<u> -</u>	
10. Total adjusted amount subject to the expenditure limitation		<u> 5,773,415</u>
11. Amount under (in excess of) the expenditure limitation (if excess expenditures are reported, provide an explanation)		<u> 5,586,981</u>

I hereby certify, to the best of my knowledge and belief, that the information contained in this report is accurate and in accordance with the requirements of the uniform expenditure reporting system.

Signature of Chief Fiscal Officer: _____

Name and Title: _____

Telephone No.: _____ Date: _____

See accompanying notes to report.

TOWN OF CAMP VERDE, ARIZONA
Annual Expenditure Limitation Report - Part II
Year Ended June 30, 2010

Description	Governmental Funds	Fiduciary Funds	Total
A. Amounts reported on the Reconciliation, Line D	\$6,745,449	\$ -	\$ 6,745,449
B. Less exclusions claimed:			
1. Bond proceeds	-	-	-
Debt service requirements on bonded indebtedness	165,250	-	165,250
Proceeds from other long-term obligations	-	-	-
Debt service requirements on other long-term obligations	41,290	-	41,290
2. Dividends, interest and gains on the sale or redemption of investment securities	19,964	-	19,964
3. Trustee or custodian	-	-	-
4. Grants and aid from the federal government	96,985	-	96,985
5. Grants, aid, contributions or gifts from a private agency, organization, or individual except amounts received in lieu of taxes	6,026	-	6,026
6. Amounts received from the State of Arizona	132,922	-	132,922
7. Quasi-external interfund transactions	-	-	-
8. Amounts accumulated for the purchase of land, and the purchase or construction of buildings or improvements	-	-	-
9. Highway user revenue in excess of those received in fiscal year 1979-1980	509,597	-	509,597
10. Contracts with other political subdivisions	-	-	-
11. Refunds, reimbursements and other recoveries	-	-	-
12. Voter-approved exclusions not identified above (attach resolution)	-	-	-
13. Prior years carryforward	-	-	-
14. Total exclusions claimed	<u>972,034</u>	<u>-</u>	<u>972,034</u>
C. Amount subject to expenditure limitation	<u>\$5,773,415</u>	<u>\$ -</u>	<u>\$ 5,773,415</u>

See accompanying notes to report.

TOWN OF CAMP VERDE, ARIZONA
Annual Expenditure Limitation Report - Reconciliation
Year Ended June 30, 2010

Description	Governmental Funds	Fiduciary Funds	Total
A. Total expenditures/expenses/deductions and applicable other financing uses, special items, and extraordinary items reported within the fund financial statements	\$ 6,808,233	\$ -	\$ 6,808,233
B. Subtractions:			
1. Items not requiring the use of working capital:			
Depreciation and amortization	-	-	-
Loss on disposal of capital assets	-	-	-
Bad debt expense	-	-	-
Landfill closure costs	-	-	-
2. Expenditures of separate legal entities established under Arizona Revised Statutes	-	-	-
3. Present value of net minimum capital lease and installment purchase contract payments recorded as expenditures at inception of the agreements	62,784	-	62,784
4. Charges to other funds in excess of Internal Service Fund expenses	-	-	-
5. Involuntary court judgments	-	-	-
6. Total subtractions	<u>62,784</u>	<u>-</u>	<u>62,784</u>
C. Additions:			
1. Principal payments on long-term debt	-	-	-
2. Acquisition of capital assets	-	-	-
3. Internal Service Fund expenses not charged to other funds	-	-	-
4. Landfill closure and postclosure care costs recorded as expended in previous years	-	-	-
5. Total additions	<u>-</u>	<u>-</u>	<u>-</u>
D. Amounts reported on Part II, Line A	<u>\$ 6,745,449</u>	<u>\$ -</u>	<u>\$ 6,745,449</u>

See accompanying notes to report.

TOWN OF CAMP VERDE, ARIZONA
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Annual Expenditure Limitation Report (AELR) is presented on the basis of accounting prescribed by the *Uniform Expenditure Reporting System (UERS)*, as required by Arizona Revised Statutes Section 41-1279.07, which excludes expenditures, expenses, or deductions of certain revenues specified in the Arizona Constitution, Article IX, Section 20 from the total expenditures, expenses, or deductions reported in the fund-based financial statements.

In accordance with the UERS requirements, a note to the AELR is presented below for any exclusion claimed on Part II and each subtraction or addition in the reconciliation that cannot be traced directly to an amount reported in the fund financial statements. All references to financial statement amounts in the following notes refer to the Statement of Revenues, Expenditures, and Changes in Fund Balances for the Governmental Funds and the Statement of Fiduciary Net Assets and Liabilities for the Fiduciary Funds.

NOTE 2 – DEBT SERVICE REQUIREMENTS ON BONDED INDEBTEDNESS

The exclusion claimed for debt service requirements on bonded indebtedness in the governmental funds consists of:

GADA Revenue Bonds, Series 2005:	
Principal payments	\$ 80,000
Interest payments	85,250
	85,250
Total debt service on bonded indebtedness	\$ 165,250
	165,250

NOTE 3 – DEBT SERVICE REQUIREMENTS ON OTHER LONG-TERM OBLIGATIONS

The exclusion claimed for debt service requirements on other long-term obligations in the governmental funds consists of:

Capital leases payable:	
Principal payments	\$ 37,150
Interest payments	322
Notes payable:	
Principal payments	3,597
Interest payments	221
	3,818
Total debt service on other long-term obligations	\$ 41,290
	41,290

TOWN OF CAMP VERDE, ARIZONA
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2010

NOTE 4 – CONTRIBUTIONS FROM PRIVATE ORGANIZATIONS OR INDIVIDUALS

The exclusion claimed for contributions from private organizations or individuals consists of expenditures of public safety and culture and recreation donations.

NOTE 5 – HIGHWAY USER REVENUE EXCLUSION AND CARRYFORWARD

Highway user revenues received in the current fiscal year.	\$	827,165
Highway user revenues received in the current fiscal year equal to fiscal year 1979-80 revenues received.		-
		-
Revenues available for exclusion in the current fiscal year.	\$	827,165
		827,165
Actual expenditures of highway user revenues in the current fiscal year.	\$	509,597
Amount equal to 1979-80 revenues expended in the current fiscal year.		-
		-
Excludable revenues expended in the current fiscal year.	\$	509,597
		509,597
Revenues available for exclusion in the current fiscal year.	\$	509,597
		509,597
Unspent excludable revenue available as carryforward in future years.	\$	317,568
		317,568

NOTE 6 – EXPENDITURES OF INTERGOVERNMENTAL REVENUES

The following schedule presents revenues from which exclusions have been claimed for federal grants, amounts received from the State of Arizona, and highway user revenues in the Governmental Funds.

Grants and aid from the federal government	\$	96,985
Amounts received from the State of Arizona		132,922
Highway user revenues in excess of those received in fiscal year 1979-80		509,597
Other revenues (non-excludable)		3,101,547
Amount carried forward		317,568
		317,568
Total intergovernmental revenues as reported in the in the fund financial statements	\$	4,158,619
		4,158,619

204

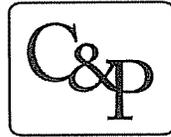
TOWN OF CAMP VERDE, ARIZONA

Report and Schedules Required
by *Governmental Auditing Standards*

June 30, 2010

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COLBY &
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CERTIFIED PUBLIC ACCOUNTANTS

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**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
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 Town of Camp Verde, Arizona, as of and for the year ended June 30, 2010, which collectively comprise the Town of Camp Verde, Arizona's basic financial statements and have issued our report thereon dated December 6, 2010. 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 Town of Camp Verde, Arizona's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Camp Verde's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies in internal control over financial reporting. (See Item #2010-01 thru #2010-03) A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

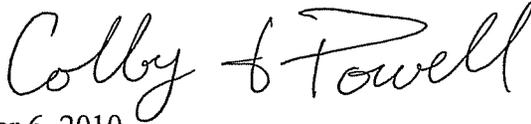
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Camp Verde'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 or other matters that are required to be reported under *Government Auditing Standards*.

Town of Camp Verde, Arizona's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Town's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, 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.

A handwritten signature in cursive script that reads "Colby S. Powell". The signature is written in black ink and is positioned above the date.

December 6, 2010

TOWN OF CAMP VERDE, ARIZONA
Schedule of Findings and Responses
June 30, 2010

Financial Statement Findings

Item: #2010-01

Subject: Capital asset reporting

Criteria/Specific Requirements: All capital assets meeting the capitalization threshold established by the Town, whether acquired by cash or financing should be capitalized and depreciated according to the Town's financial policies.

Condition: The Town has written procedures for recording capital assets. The Town's procedures require that capital assets valued at \$5,000 or more be recorded as capital asset additions and be depreciated on a straight-line basis over an assigned useful life. The Town's procedures facilitate this requirement by the process of coding capital asset additions to an assigned capital asset account code set up in the accounting system. The capital asset account code facilitates the reconciliation of the capital asset additions to the capital asset listing. During the year, the reconciliation of the capital asset account to the capital asset listing was not adequately performed.

Cause and Effect: Current written procedures relating to the reconciliation of the capital asset account and the capital asset listing was not adequately performed which could cause a misstatement in the financial statements.

Recommendation: We recommend that the Town follow the written procedures that are currently in place to accurately track capital assets.

Management's Response: Each year the Finance Department issues a capital asset listing to each of the Town's departments asking them to verify the capital assets held by their department. Department Heads make notations if an asset has been disposed of or if there are assets not recorded on the listing that need to be added. Additional research is then conducted to record the proper information for the relative transaction.

During the review for fiscal year 2009-2010, many assets were discovered that were not listed on the current capital asset listing for various reasons. These assets were added to the capital asset listing as well as adjustments made for accumulated depreciation that should have been expensed in prior years.

In addition to the departmental review, Finance staff reviewed the capital asset account codes as established in the written policy, however failed to review a specific invoice that was assumed to not meet the criteria for capitalization. This failure to review the invoice caused assets to not be included on the initial capital asset listing presented for audit.

In the future, staff will properly review the amounts coded to capital asset account codes as well as establish procedures for physically reviewing capital asset inventories. Capital asset tags have been purchased and will be affixed to qualifying capital assets and recorded on the capital asset listing.

Staff believes that the implementation of the new financial software system will assist in alleviating the problems associated with this finding.

TOWN OF CAMP VERDE, ARIZONA
Schedule of Findings and Responses - *Continued*
June 30, 2010

Item: #2010-02

Subject: Reporting the allowance for doubtful accounts

Criteria/Specific Requirements: Accounting standards require that accounts receivable be reported net of an allowance for doubtful accounts. The Town should estimate the allowance for doubtful accounts on each reporting date.

Condition: The Town pursues collections of outstanding court fines receivable by forwarding delinquent accounts to a collection agency, however, some court fines receivable are not likely to be collected. The Town does not have a policy over estimating an allowance for doubtful accounts and does not have a policy for writing off bad receivables.

Cause and Effect: Current written policies do not address estimates for allowances for doubtful accounts and therefore the allowances are not estimated on an annual basis which could result in a misstatement in the Town's financial statements.

Recommendation: We recommend that the Town implement procedures to estimate allowances for doubtful accounts.

Management's Response: To address this situation, staff will develop policies to address estimates for allowances for doubtful accounts. This policy will address determining an appropriate amount as well as writing off bad receivables to accurately reflect the Town's financial statements.

Item: #2010-03

Subject: Grants and contracts policies and procedures

Criteria/Specific Requirements: The Town should follow written policies relating to grant and contract reporting.

Condition: Town policy requires the department administering the grant be responsible for the submission of reimbursement claims. Reimbursement claims should be generated from the accounting system and a copy of the reimbursement claim should be forwarded to the finance department for recording the grant or contract receivable in order to track the reimbursement. We discovered that departments sometimes do not prepare reimbursement requests from the accounting system, and do not submit copies of the reimbursement claims to the finance department according to the written policy.

Cause and Effect: Current written policy for accounting for grants and contracts were not followed which could result in an incorrect reimbursement claim of grant funds or contracts.

Recommendation: We recommend that the Town implement the written policies relating to grants and contracts.

TOWN OF CAMP VERDE, ARIZONA
Schedule of Findings and Responses - *Continued*
June 30, 2010

Item: #2010-03 - Continued

Management's Response: Finance staff will review the current policy for accounting for grants and contracts to determine whether new procedures could be established to provide better control.

Finance staff will conduct a review of all open grants and contracts creating a comprehensive list. Once this review is complete, Finance staff will issue a memo to all departments reminding them of the written policies relating to grants and contracts as well as stressing the importance of following these procedures. As with other policies, if repeated offences continue to occur, violators will be reported to the Town Manager.

When new grants and contracts are received, a memo explaining the proper procedures for handling grants and contracts will be issued to the receiving department.

Staff believes that the implementation of the new financial software system will assist in alleviating the problems associated with this finding.