

TOWN OF CAMP VERDE, ARIZONA

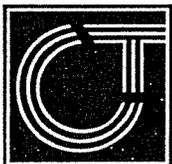
ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2001

TOWN OF CAMP VERDE, ARIZONA  
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**FINANCIAL SECTION**



# CRONSTROM & TRBOVICH

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 general-purpose financial statements of the Town of Camp Verde, Arizona (Town), as of and for the year ended June 30, 2001, as listed in the table of contents. These general-purpose financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial reports 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 general-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general-purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Town of Camp Verde, Arizona as of June 30, 2001, and the results of its operations for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 21, 2001 on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

*Cronstrom & Trbovich, P.C.*

Cronstrom & Trbovich, P.C.

December 21, 2001

## **General-Purpose Financial Statements**

TOWN OF CAMP VERDE, ARIZONA  
 COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS  
 AS OF JUNE 30, 2001

	Governmental Fund Types		Account Groups		Totals (Memorandum Only)
	General	Special Revenue	General Fixed Assets	General Long-term Debt	
<b>Assets and Other Debits</b>					
<b>Assets</b>					
Cash and investments	\$ 1,836,344	\$ 1,078,183	\$ -	\$ -	\$ 2,914,527
Accounts receivable	30,213	-	-	-	30,213
Intergovernmental receivable	277,020	454,761	-	-	731,781
Interest receivable	6,559	4,292	-	-	10,851
Due from other funds	112,800	-	-	-	112,800
Prepaid items	30,328	-	-	-	30,328
Fixed assets	-	-	2,793,517	-	2,793,517
<b>Other Debits</b>					
Amount to be provided for retirement of general long-term debt	-	-	-	303,233	303,233
<b>Total Assets and Other Debits</b>	<u>\$ 2,293,264</u>	<u>\$ 1,537,236</u>	<u>\$ 2,793,517</u>	<u>\$ 303,233</u>	<u>\$ 6,927,250</u>
<b>Liabilities, Equity and Other Credits</b>					
<b>Liabilities</b>					
Accounts payable	\$ 80,097	\$ 13,776	\$ -	\$ -	\$ 93,873
Accrued wages and benefits	10,385	-	-	-	10,385
Notes payable	-	-	-	77,592	77,592
Due to other funds	-	112,800	-	-	112,800
Deferred revenue	-	258,135	-	-	258,135
Compensated absences payable	-	-	-	103,641	103,641
Capital leases payable	-	-	-	122,000	122,000
<b>Total Liabilities</b>	<u>90,482</u>	<u>384,711</u>	<u>-</u>	<u>303,233</u>	<u>778,426</u>
<b>Equity and Other Credits</b>					
Investment in general fixed assets	-	-	2,793,517	-	2,793,517
<b>Fund balances</b>					
Reserved for prepaids	30,328	-	-	-	30,328
Unreserved, undesignated	2,172,454	1,152,525	-	-	3,324,979
<b>Total Equity and Other Credits</b>	<u>2,202,782</u>	<u>1,152,525</u>	<u>2,793,517</u>	<u>-</u>	<u>6,148,824</u>
<b>Total Liabilities, Equity and Other Credits</b>	<u>\$ 2,293,264</u>	<u>\$ 1,537,236</u>	<u>\$ 2,793,517</u>	<u>\$ 303,233</u>	<u>\$ 6,927,250</u>

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

TOWN OF CAMP VERDE, ARIZONA  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
 ALL GOVERNMENTAL FUND TYPES  
 YEAR ENDED JUNE 30, 2001

	General	Special Revenue	Totals (Memorandum Only)
<b>Revenues</b>			
Taxes	\$ 969,116	\$ 526,361	\$ 1,495,477
Intergovernmental	2,247,512	1,244,762	3,492,274
Fines and forfeitures	217,386	-	217,386
Licenses and permits	132,452	-	132,452
Charges for services	148,291	26,740	175,031
Rents and royalties	10,416	-	10,416
Contributions and donations	47,610	3,450	51,060
Interest	93,089	62,064	155,153
Other	6,355	-	6,355
<b>Total Revenues</b>	<u>3,872,227</u>	<u>1,863,377</u>	<u>5,735,604</u>
<b>Expenditures</b>			
<b>Current</b>			
General government	1,915,907	307,750	2,223,657
Public safety	1,194,653	32,205	1,226,858
Highways and streets	-	1,273,643	1,273,643
Culture and recreation	624,952	-	624,952
Economic opportunity	-	2,800	2,800
Health and welfare	51,076	-	51,076
Capital outlay	85,352	-	85,352
<b>Debt service</b>			
Principal retirement	67,187	3,685	70,872
Interest and fiscal charges	18,370	790	19,160
<b>Total Expenditures</b>	<u>3,957,497</u>	<u>1,620,873</u>	<u>5,578,370</u>
<b>Excess of revenues over (under) expenditures</b>	<u>(85,270)</u>	<u>242,504</u>	<u>157,234</u>
<b>Other financing sources (uses)</b>			
Operating transfers in	60,830	32,926	93,756
Operating transfers out	-	(93,756)	(93,756)
<b>Total other financing sources (uses)</b>	<u>60,830</u>	<u>(60,830)</u>	<u>-</u>
<b>Excess of revenues and other sources over (under) expenditures and other uses</b>	<u>(24,440)</u>	<u>181,674</u>	<u>157,234</u>
Fund balance, beginning of year	2,247,223	950,850	3,198,073
Residual equity transfers	(20,001)	20,001	-
<b>Fund balance, end of year</b>	<u>\$ 2,202,782</u>	<u>\$ 1,152,525</u>	<u>\$ 3,355,307</u>

61%

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

TOWN OF CAMP VERDE, ARIZONA  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUND TYPES  
 YEAR ENDED JUNE 30, 2001

	General			Special Revenue		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>						
Taxes	\$ 805,841	\$ 969,116	\$ 163,275	\$ 571,159	\$ 526,361	\$ (44,798)
Intergovernmental	2,097,473	2,247,512	150,039	1,286,303	1,244,762	(41,541)
Fines and forfeitures	125,000	217,386	92,386	-	-	-
Licenses and permits	178,500	132,452	(46,048)	-	-	-
Charges for services	162,540	148,291	(14,249)	1,500	26,740	25,240
Rents and royalties	9,800	10,416	616	-	-	-
Contributions and donations	43,001	47,610	4,609	3,093	3,450	357
Interest	75,000	93,089	18,089	50,000	62,064	12,064
Other	49,375	6,355	(43,020)	-	-	-
<b>Total Revenues</b>	<u>3,546,530</u>	<u>3,872,227</u>	<u>325,697</u>	<u>1,912,055</u>	<u>1,863,377</u>	<u>(48,678)</u>
<b>Expenditures</b>						
<b>Current</b>						
General government	1,654,630	1,915,907	(261,277)	310,706	307,750	2,956
Public safety	1,267,124	1,194,653	72,471	104,115	32,205	71,910
Highways and streets	-	-	-	1,773,410	1,273,643	499,767
Culture and recreation	583,069	624,952	(41,883)	22,000	-	22,000
Redevelopment and housing	-	-	-	5,629	-	5,629
Economic opportunity	-	-	-	3,093	2,800	293
Health and welfare	59,773	51,076	8,697	-	-	-
Capital outlay	90,003	85,352	4,651	-	-	-
<b>Debt service</b>						
Principal retirement	70,000	67,187	2,813	-	3,685	(3,685)
Interest and fiscal charges	150,300	18,370	131,930	-	790	(790)
<b>Total Expenditures</b>	<u>3,874,899</u>	<u>3,957,497</u>	<u>(82,598)</u>	<u>2,218,953</u>	<u>1,620,873</u>	<u>598,080</u>
<b>Excess of revenues over (under) expenditures</b>	<u>(328,369)</u>	<u>(85,270)</u>	<u>243,099</u>	<u>(306,898)</u>	<u>242,504</u>	<u>549,402</u>
<b>Other financing sources (uses)</b>						
Operating transfers in	-	60,830	60,830	-	32,926	32,926
Operating transfers out	-	-	-	-	(93,756)	(93,756)
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>60,830</u>	<u>60,830</u>	<u>-</u>	<u>(60,830)</u>	<u>(60,830)</u>
<b>Excess of revenues and other sources over (under) expenditures and other uses</b>	<u>(328,369)</u>	<u>(24,440)</u>	<u>303,929</u>	<u>(306,898)</u>	<u>181,674</u>	<u>488,572</u>
<b>Fund balance, beginning of year</b>	1,850,000	2,247,223	397,223	885,000	950,850	65,850
<b>Residual equity transfers</b>	-	(20,001)	(20,001)	-	20,001	20,001
<b>Fund balance, end of year</b>	<u>\$ 1,521,631</u>	<u>\$ 2,202,782</u>	<u>\$ 681,151</u>	<u>\$ 578,102</u>	<u>\$ 1,152,525</u>	<u>\$ 574,423</u>

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

TOWN OF CAMP VERDE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 2001

*NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*

The financial statements of the Town of Camp Verde, Arizona (Town) conform to U.S. generally accepted accounting principles as applicable to governmental units. The more significant of the Town's accounting policies are described below.

**Reporting Entity** - In evaluating how to define the Town, for financial reporting purposes, management has identified no potential component units. The decision to include a potential component unit in the reporting entity would have been made by applying criteria set forth in U.S. generally accepted accounting principles. Generally, component units are legally separate organizations for which the elected officials of the primary government (i.e., the Town) are financially accountable. The primary government is financially accountable for a potential component unit if it: appoints a voting majority of the potential component unit's governing body; and, either is able to impose its will on the potential component unit or there is a possibility of the potential component unit to provide specific financial benefits to, or impose specific financial burdens on the primary government. In addition, a primary government may be financially accountable for a potential component unit even though the potential component unit may have a separately elected governing board, a board appointed by another government, or a jointly appointed board if the potential component unit is fiscally dependent on the primary government (e.g., the primary government must approve the potential component unit's budget, tax rates, etc.). Because no potential component units were identified in defining the Town's reporting entity, none have been included in the Town's reporting entity.

**Fund Accounting** - The accounts of the Town are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into generic fund types and broad categories as follows:

*Governmental Funds*

**General Fund** - The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

**Special Revenue Funds** - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

TOWN OF CAMP VERDE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 2001

*NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)*

*Account Groups*

**General Fixed Assets** - The General Fixed Assets Account Group accounts for the fixed assets of the Town.

**General Long-term Debt** - The General Long-term Debt Account Group accounts for the unmatured principal balances of bonds and other long-term debt not reported in proprietary funds.

**Measurement Focus** - The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All Governmental Funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

**Basis of Accounting** - Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements.

Governmental Funds are accounted for using the modified accrual basis of accounting. Revenues are recognized when they become measurable and available to finance expenditures of the current period. Expenditures are recognized when the related fund liability is incurred, except for principal and interest on general long-term debt that are recognized when due.

Those revenues susceptible to accrual are intergovernmental grants and appropriations, franchise taxes, licenses, interest revenue and charges for services. Sales taxes collected and held by the state at year end on behalf of the government also are recognized as revenue. Fines, permits and parking meter revenues are not susceptible to accrual, because generally they are not measurable until received in cash.

**Budgetary Accounting** - 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.

TOWN OF CAMP VERDE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 2001

*NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)*

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 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 of all fund types as a whole. For management purposes, the Town adopts a budget by department or activity for each fund. 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 and Special Revenue Funds on essentially the same modified accrual basis of accounting used to record actual revenues and expenditures.

The Town is subject to the State of Arizona's Spending Limitation Law for Towns and Cities. This law does not permit the Town to spend more than budgeted revenues plus the carry-over 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.

**Encumbrances** - Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded to reserve that portion of the applicable fund balance, is employed in the General and Special Revenue Funds. Encumbrances outstanding at year-end are reported as reservations of fund balances since they do not constitute expenditures or liabilities.

All appropriations lapse at year-end.

**Cash Equivalents** - Cash equivalents consist of short-term, highly liquid investments that are both (a) readily convertible to known amounts of cash; and (b) so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Generally, only investments with original maturities of three months or less meet this definition.

TOWN OF CAMP VERDE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 2001

*NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)*

**Short-term Interfund Receivables/Payables** - During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet.

**Inventories** - Purchases of such inventory items are recorded at the time of purchase as expenditures in the funds from which the purchases were made; and because the amounts on hand at June 30, 2001, were immaterial, they are not included in the balance sheet.

**Prepaid Items** - Prepaid items are recorded as an asset for informational purposes only and are offset by a reserve.

**Property, Plant and Equipment** - Fixed assets used in governmental fund type operations are accounted for in the General Fixed Assets Account Group. Public domain (infrastructure) assets consisting of certain improvements other than buildings, such as roads and sidewalks are not capitalized, as these assets are immovable and of value only to the government. Property, plant and equipment acquired or constructed for general governmental operations are recorded at the time of purchase as expenditures in the funds from which the expenditures were made. Property, plant and equipment is recorded at historical cost. Donated fixed assets are valued at their estimated fair market value on the date donated. Assets in the general fixed assets account group are not depreciated.

**Fund Equity** - The unreserved fund balances for governmental funds represent the amount available for budgeting future operations. The reserved fund balances for governmental funds represent the amount that has been legally identified for specific purposes.

**Compensated Absences** - The Town accrues vested or accumulated compensated absences in governmental fund types for the amount expected to be liquidated with expendable financial resources. Because no compensated absences of the governmental fund types are expected to be liquidated with expendable financial resources, the total liability is recorded in the General Long-term Debt Account Group.

**Interfund Transactions** - Quasi-external transactions are accounted for as revenues, expenditures. Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed.

TOWN OF CAMP VERDE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 2001

*NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concl'd)*

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

**Total Columns** - Total columns on the combined financial statements are captioned "Memorandum Only" to indicate they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or cash flows in conformity with U.S. generally accepted accounting principles. Neither are such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

*NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY*

Expenditures exceeded the adopted budget in the following funds:

	<u>Amount of Overexpenditure</u>
General Fund:	
Planning and Zoning	\$ 22,189
Non-departmental	198,929
Legal	87,703
Parks	35,306
Buildings - Community Center	7,002
Buildings - Town Hall	8,211
Library	12,634
Chamber	4,799
Magistrate	24,994

Cash was available to meet all of the overexpenditures listed above.

TOWN OF CAMP VERDE, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
 FISCAL YEAR ENDED JUNE 30, 2001

*NOTE 3 - CASH AND INVESTMENTS*

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.

Cash and investments at June 30, 2001 consist of the following:

Cash on hand	\$ 660
Cash in bank	305,108
Certificate of Deposit	80,000
State Treasurer's Investment Pool	<u>2,528,759</u>
 Total cash and investments on the combined balance sheet	 <u>\$ 2,914,527</u>

The Town's deposits as of June 30, 2001 were entirely insured or collateralized with securities held by the Town's custodial bank in the Town's name.

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. The fair value of a participant's position in the 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.

The Town's investments at June 30, 2001, consisted of the following.

	<u>Carrying Amount</u>	<u>Fair Value</u>
Certificate of Deposit	\$ 80,000	\$ 80,000
Investment in State Treasurer's Investment Pool	<u>2,528,759</u>	<u>2,528,759</u>
	<u>\$ 2,608,759</u>	<u>\$ 2,608,759</u>

TOWN OF CAMP VERDE, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
 FISCAL YEAR ENDED JUNE 30, 2001

*NOTE 4 - CHANGES IN GENERAL FIXED ASSETS*

A summary of the changes in general fixed assets follows.

	<u>Balance</u> <u>July 1, 2000</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2001</u>
Land, buildings and improvements	\$ 1,447,282	\$ -0-	\$ -0-	\$ 1,447,282
Furniture and equipment	768,076	225,361	(120,500)	872,937
Vehicles	<u>477,298</u>	<u>-0-</u>	<u>(4,000)</u>	<u>473,298</u>
Total	<u>\$ 2,692,656</u>	<u>\$ 225,361</u>	<u>\$ (124,500)</u>	<u>\$ 2,793,517</u>

*NOTE 5 - OBLIGATIONS UNDER CAPITAL LEASES*

The Town has acquired the town complex under the provisions of a long-term lease agreement classified as a capital lease. Accordingly, the principal amount of the asset, totaling \$490,000, is capitalized in the General Fixed Assets Account Group. The lease provides for title to pass at the end of the lease terms. The future minimum lease payments under the capital lease, together with the present value of the net minimum lease payments as of June 30, 2001, were as follows.

Year ending June 30:		
	2002	\$ 66,786
	2003	<u>66,445</u>
Net minimum lease payments		133,231
Less: amount representing interest		<u>(11,231)</u>
Present value of net minimum capital lease payments		<u>\$ 122,000</u>

A summary of the changes in capital lease obligations resulting from purchases of items capitalized in the General Fixed Assets Account Group follows.

<u>Assets Acquired</u>	<u>Balance</u> <u>July 1, 2000</u>	<u>Reduction</u>	<u>Balance</u> <u>June 30, 2001</u>
Land, buildings and improvements	<u>\$ 177,000</u>	<u>\$ (55,000)</u>	<u>\$ 122,000</u>

TOWN OF CAMP VERDE, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
 FISCAL YEAR ENDED JUNE 30, 2001

*NOTE 6 - NOTES PAYABLE*

Note payable at June 30, 2001, including the following:

Custard's Property, a five year mortgage note with monthly payments of \$1,494 including 7.25% of interest through January 2004	\$ 42,118
Butler Park, a fourteen year mortgage note with monthly payments of \$436.34 including 10.0% of interest through December 2012	<u>35,834</u>
	<u>\$ 77,952</u>

A summary of changes in the note payable follows:

	<u>Balance</u> <u>July 1, 2000</u>	<u>Prior Period</u> <u>Adjustment</u>	<u>Reduction</u>	<u>Balance</u> <u>June 30, 2001</u>
Buildings	<u>\$ 56,424</u>	<u>\$ 37,400</u>	<u>\$ (15,872)</u>	<u>\$ 77,952</u>

A prior period adjustment was necessary to record Butler Park Note that was not recorded in prior years in error.

The future minimum payments for the notes payables including \$28,988 of interest are as follows:

Year ending June 30:	
2002	\$ 23,163
2003	23,163
2004	15,694
2005	5,236
2006	5,236
Thereafter	<u>34,448</u>
	<u>\$ 106,940</u>

TOWN OF CAMP VERDE, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
 FISCAL YEAR ENDED JUNE 30, 2001

*NOTE 7 - COMPENSATED ABSENCES*

The liability for vested compensated absences is recorded in the General Long-term Debt Account Group. A summary of changes in liabilities for compensated absences for the year ended June 30, 2001, follows.

Balance at July 1, 2000	\$ 91,842
Current year increase in liabilities for compensated absences	<u>11,799</u>
Balance at June 30, 2001	<u>\$ 103,641</u>

*NOTE 8 - INTERFUND ASSETS AND LIABILITIES*

As of June 30, 2001, interfund receivables and payables were as follows:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 112,800	\$ -0-
Special Revenue Funds:		
Non-federal Grant Fund	-0-	62,018
Federal Grant Fund	-0-	3,093
CDBG	<u>-0-</u>	<u>47,689</u>
	<u>\$ 112,800</u>	<u>\$ 112,800</u>

*NOTE 9 - CONTINGENT LIABILITIES*

**Accumulated Sick Leave** - Sick leave benefits provide for ordinary sick pay and are cumulative with 10% vesting with employees. Unvested accumulated sick leave of Town employees at June 30, 2001, totaled \$186,381.

TOWN OF CAMP VERDE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 2001

*NOTE 10 - 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 \$1,000,000 per occurrence on a follow form, claims made basis.

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 insured by Arizona State Workers Compensation Insurance Fund for potential worker related accidents.

*NOTE 11 - DEFINED CONTRIBUTION PENSION PLAN*

All full-time and certain part-time employees of the Town participate in a defined contribution pension plan administered by the ICMA Retirement Corporation as a 401(a) plan. The payroll for Town employees covered by this plan for the year ended June 30, 2001 was \$1,569,783. The Town's total payroll was \$2,080,598.

A defined contribution pension plan provides benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participants benefits that may be allocated to such a participant's account. All full-time Town employees must participate in the pension plan from the date they are hired. Contributions made by an employee vest immediately and contributions made by the Town vest gradually according to the following schedule:

<u>Years of Service</u>	<u>Percentage Vesting</u>
1	10%
2	30%
3	50%
4	70%
5	100%

TOWN OF CAMP VERDE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 2001

*NOTE 11 - DEFINED CONTRIBUTION PENSION PLAN (Concl'd)*

An employee that leaves the employment of the Town is entitled to his or her contributions and the vested portion of the Town's contributions, plus interest earned. Each employee must contribute 6% of his or her gross earnings. The Town must contribute 6% of covered earnings. During fiscal year 2000-01 the Town's required and actual contributions amounted to \$94,187. The employees' contributions totaled \$94,187.

No pension provision changes occurred during the year that affected the required contributions to be made by the Town or its employees.

The ICMA Retirement Corporation held no securities of the Town or other related parties during the fiscal year 2000-01 or as of the close of the fiscal year.

*NOTE 12 - RETIREMENT AND PENSION PLANS*

**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.

**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 6.25% of annual covered payroll.

**Annual Pension Cost** - During the year ended June 30, 2001, the Town's annual pension cost of \$38,694 for police was equal to the Town's required and actual contributions.

The required contribution was determined as part of the June 30, 2000 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 9% per year compounded annually, (b) projected salary increases of 6.5% per year compounded annually, and (c) additional projected salary increases of 0% to 3% per year attributable to seniority/merit.

TOWN OF CAMP VERDE, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
 FISCAL YEAR ENDED JUNE 30, 2001

*NOTE 12 - RETIREMENT AND PENSION PLANS (Concl'd)*

The actuarial value of the Town'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'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, 2001, was 20 years.

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

**Three-Year Trend Information**

Fiscal Year Ended <u>June 30,</u>	Annual Pension Cost (APC)	Police Percent <u>Contributed</u>	Net Pension <u>Obligation</u>
1999	\$ 19,460	100%	\$ -0-
2000	17,356	100	-0-
2001	38,694	100	-0-

Additional historical trend information for the Town's PSPRS is disclosed on page 19.

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  
 ANALYSIS OF FUNDING PROGRESS

Valuation Date <u>June 30,</u>	Actuarial Value of <u>Assets</u>	Entry Age Actuarial Accrued <u>Liability (AAL)</u>	Unfunded <u>AAL</u>	Funded <u>Ratio</u>	Annual Covered <u>Payroll</u>	Unfunded AAL as a Percentage of Covered <u>Payroll</u>
1996	\$ 590,242	\$542,032	\$ (48,210)	108.9%	\$ 393,671	- %
1997	759,081	632,992	(126,089)	119.9	445,805	-
1998	826,446	647,501	(178,945)	127.6	395,006	-
1999	983,019	804,659	(178,360)	122.2	443,967	-
2000	1,149,099	968,773	(180,326)	118.6	455,321	-
2001	1,243,433	938,207	(305,226)	132.5	525,880	-

**SINGLE AUDIT ACT REPORTS**



# CRONSTROM & TRBOVICH

CERTIFIED PUBLIC ACCOUNTANTS

## REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited the general-purpose financial statements of Town of Camp Verde, Arizona (Town) as of and for the year ended June 30, 2001, and have issued our report thereon dated December 21, 2001. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

As part of obtaining reasonable assurance about whether Town of Camp Verde, Arizona's general-purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the Town in a separate letter dated December 21, 2001.

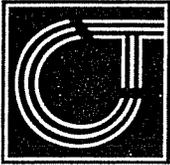
In planning and performing our audit, we considered the Town's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the Town in a separate letter dated December 21, 2001.

This report is intended solely for the information and use of the members of the Arizona State Legislature, the Auditor General of the State of Arizona, the Town Council, 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. However, this report is a matter of public record and its distribution is not limited.

*Cronstrom & Trbovich, P.C.*

Cronstrom & Trbovich, P.C.

December 21, 2001



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

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

We have audited the compliance of the Town of Camp Verde, Arizona (Town) with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2001. The Town's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Town's management. Our responsibility is to express an opinion on the Town's compliance based on our audit.

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

In our opinion, the Town complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2001.

The management of the Town is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Town's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

We have audited the general-purpose financial statements of the Town as of and for the year ended June 30, 2001, and have issued our report thereon dated December 21, 2001. Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

This report is intended solely for the information and use of the members of the Arizona State Legislature, the Auditor General of the State of Arizona, the Town Council, 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. However, this report is a matter of public record and its distribution is not limited.

*Cronstrom & Trbovich, P.C.*

Cronstrom & Trbovich, P.C.

December 21, 2001

TOWN OF CAMP VERDE, ARIZONA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FISCAL YEAR ENDED JUNE 30, 2001

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

*Financial Statements*

Type of auditor's report issued:

*unqualified*

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ yes  no
- Reportable condition(s) identified not considered to be material weaknesses? \_\_\_\_\_ yes  none reported
- Noncompliance material to financial statements noted? \_\_\_\_\_ yes  no

*Federal Awards*

Internal Control over major programs:

- Material weakness(es) identified? \_\_\_\_\_ yes  no
- Reportable condition(s) identified not considered to be material weaknesses? \_\_\_\_\_ yes  none reported

Type of auditor's report issued on compliance for major programs:

*unqualified*

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?

\_\_\_\_\_ yes  no

Identification of major programs:

CFDA Number(s)  
14.228

Name of Federal Program or Cluster  
Community Development Block Grant

Dollar threshold used to distinguish between Type A and Type B programs:

\$300,000

Auditee qualified as low-risk auditee?

\_\_\_\_\_ yes  no

TOWN OF CAMP VERDE, ARIZONA  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
FISCAL YEAR ENDED JUNE 30, 2001

**SECTION II—FINANCIAL STATEMENT FINDINGS**

None noted.

**SECTION III—FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None noted.

**SECTION IV—SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

The Town did not have a single audit in the prior year.

TOWN OF CAMP VERDE, ARIZONA  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 YEAR ENDED JUNE 30, 2001

<u>Grantor Agency</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Expenditures</u>
U.S. Department of Housing and Urban Development			
Passed through Maricopa County Community Development			
Community Development Block Grant	14.228	057-99	(1) \$ 308,410
Community Development Block Grant	14.228	058-99	<u>2,337</u>
Total U.S. Department of Housing and Urban Development			<u>310,747</u>
U.S. Department of Agriculture			
Forest Services	10.672	N/A	2,800
U.S. Department of Justice - Bureau of Justice Assistance			
COPS	16.710	N/A	<u>50,605</u>
TOTAL FEDERAL AWARDS			<u>\$ 364,152</u>

Note: This schedule was prepared on the modified accrual basis of accounting.

(1) The reported expenditures include \$3,128 of program income expended during the year.