

# TOWN OF CAMP VERDE, ARIZONA

Annual Financial Report • Fiscal Year Ended June 30, 2004



CRONSTROM, TRBOVICH & OSUCH  
CERTIFIED PUBLIC ACCOUNTANTS

TOWN OF CAMP VERDE, ARIZONA  
ANNUAL FINANCIAL REPORT  
FISCAL YEAR ENDED JUNE 30, 2004

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**ANNUAL FINANCIAL REPORT**  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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# CRONSTROM, TRBOVICH & OSUCH

CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Camp Verde, Arizona (Town), as of and for the year ended June 30, 2004, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Camp Verde, Arizona, as of June 30, 2004, and the respective changes in financial position thereof and the respective budgetary comparison for the General Fund, HURF Fund and Parks Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 3 - 11 and the Public Safety Personnel Retirement System Schedule of Funding Progress on page 40 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

As described in Note 3.A., the Town has implemented a new financial reporting model, as required by the provisions of GASB statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of June 30, 2004.

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

Cronstrom, Trbovich & Osuch, P.C.

April 7, 2006

## Management's Discussion and Analysis

We (the Town of Camp Verde, Arizona (Town)) are pleased to provide an overview of our financial activities for the fiscal year ended June 30, 2004. The intended purpose of Management's Discussion and Analysis (MD&A) is to provide an introduction to the basic financial statements and notes, that provides an objective and easy to read analysis of our financial activities based on currently known facts, decisions, and conditions, by providing an easily readable summary of operating results and reasons for changes, which will help to determine if our financial position improved or deteriorated over the past year. This report addresses current operational activities, the sources, uses, and changes in resources, adherence to budget, service levels, limitations, significant economic factors, and the status of infrastructure and its impacts on our debt and operation. As this is our first MD&A we do not have comparative information of many parts of this analysis. When referring to prior year data in this analysis we will be drawing upon information from last years audited financial reports.

### Financial Highlights

- ◆ The assets of the Town of Camp Verde, Arizona exceeded its liabilities at the close of the most recent fiscal year by \$8,258,510 (net assets). Of this amount \$2,200,483 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- ◆ As of the close of the current fiscal year, the Town of Camp Verde, Arizona's governmental funds reported combined ending fund balances of \$4,382,668, an increase of \$329,192 in comparison with the prior year.
- ◆ At the end of the current fiscal year, unreserved fund balance for the general fund was \$2,385,425 or 55 percent of total general fund expenditures.
- ◆ General fund revenues (on a budgetary basis) exceeded budgeted revenues by \$187,527 for the fiscal year.
- ◆ General Fund expenditures exceeded revenues by \$84,598; a negative variance of \$86,733 from the original budget.

## Overview of the Financial Statements

This is the first year that the Town has implemented the Governmental Accounting Standards Board (GASB) Statement 34 - Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments (the new model). The new model contains sweeping changes to the requirements for governmental reporting. The major changes were as follows:

- ◆ Government-wide reporting - while governments have traditionally focused reporting on groupings of funds (i.e. General Fund, Special Revenue Funds, Capital Project Funds, etc.), the new model also contains financial statements on a government-wide basis.
- ◆ Fund financial statements - the new model maintains governmental, proprietary and fiduciary fund financial statements, but the focus is on major funds within each fund type.
- ◆ New focus for governmental activities - in the government-wide financial statements all activities, including the governmental activities, are reported using the economic resources measurement focus and accrual basis of accounting. The traditional current financial resources focus and modified accrual basis of accounting are maintained for the governmental fund financial statements in the new model.
- ◆ Infrastructure reporting - the new model requires governments to report the value of infrastructure assets of governmental activities (roads, bridges, storm drainage systems, parks, street lighting, etc.). These assets are reported in the governmental activities on the government-wide financial statements. The Town of Camp Verde, Arizona has historically capitalized assets for governmental activities that were reported in the General Fixed Assets Account Group and were not depreciated under the old reporting model.
- ◆ Changes in budgetary reporting - the new model requires the display of both the original adopted budget and the amended budget, if applicable, in the budgetary comparison schedules. These schedules are only required for the general fund and major special revenue funds, although they may be presented for other funds as additional information.
- ◆ Required narrative analysis - the new model requires that the financial statements be accompanied by narrative introduction and analytical overview of the government's financial activities in the form of "Management's Discussion and Analysis" (MD&A).

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

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

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

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

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

The government-wide financial statements can be found on pages 14 - 15 of this report.

**Fund financial statements.** Also presented are the traditional fund financial statements for governmental funds. The fund financial statements now focus on major funds of the Town, rather than fund type used in the old model. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Camp Verde, Arizona, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

The basic governmental fund financial statements can be found on pages 16 - 23 of this report.

**Notes to the basic financial statements.** The notes to the basic financial statements (pages 25 - 38) provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements and should be read with the financial statements.

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

**Government-wide Financial Analysis**

Net assets may serve over time as a useful indicator of a government's financial position. The following table reflects the condensed Statement of Net Assets of the Town for June 30, 2004 showing that assets exceeded liabilities by \$8,258,510.

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

	Governmental Activities
<b>ASSETS</b>	
Current and other assets	\$ 4,836,305
Capital assets	
Non-depreciable	831,582
Depreciable (net)	2,945,425
Total assets	8,613,312
<b>LIABILITIES</b>	
Other liabilities	139,782
Non-current liabilities	
Due within one year	166,510
Due in more than one year	48,510
Total liabilities	354,802
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	3,746,929
Restricted	2,311,098
Unrestricted	2,200,483
Total net assets	\$ 8,258,510

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

Net assets consists of three components. The largest portion of the Town of Camp Verde, Arizona's net assets (45%) reflects its investment in capital assets (e.g., land, buildings and improvements, furniture, equipment and vehicles), less any related debt used to acquire those assets that is still outstanding. The Town of Camp Verde, Arizona uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

An additional portion of the Town of Camp Verde, Arizona's net assets (28%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$2,200,483) may be used to meet the government's ongoing obligations to citizens and creditors.

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

Town of Camp Verde, Arizona  
Condensed Statement of Activities  
Fiscal Year Ended June 30, 2004

	Governmental Activities
	2004
Revenues	
Program revenues	
Fees, fines and charges for services	\$ 897,895
Operating grants and contributions	1,307,672
Capital grants and contributions	749,025
General revenues	
Local taxes	1,800,201
State shared revenues	2,244,308
Investment earnings	41,969
Total revenues	7,041,070
Expenses	
General government	2,121,209
Public safety	1,752,643
Highways and streets	770,194
Culture and recreation	961,374
Redevelopment and housing	28,658
Interest on long-term debt	3,372
Total expenses	5,637,450
Change in net assets	1,403,620
Net assets, beginning of year	6,854,890
Net assets, end of year	\$ 8,258,510

**Governmental Activities.** A comparison of the Town's government-wide revenues and expenses is not available as this is the Town's first year to implement government-wide financial statements; therefore, prior year amounts are not available. However, an analysis of governmental fund fund balances has been presented in this discussion and analysis and comparative analysis of government-wide revenues and expenses will be presented in the subsequent years' reports when prior year data is available.

**Financial Analysis of the Town's Funds**

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

As of the end of the current fiscal year the Town's governmental funds reported combined ending fund balances of \$4,382,668, an increase of \$329,192 in comparison with the prior year. Approximately 54% of this total amount (\$2,385,425) constitutes general fund balance, which is available for contribution to the designated, undesignated and reserved fund balance. At fiscal year-end June 30, 2004 fund balances were as follows:

Fund	Balance	Increase (Decrease) From 2002-03
General Fund	\$ 2,385,425	\$ (119,328)
HURF Fund	14,924	(78,510)
Parks Fund	678,201	159,684
CDBG Fund	60,857	620
Capital Improvements Fund	1,080,878	355,078
Nonmajor Governmental Funds	162,383	11,648

The General Fund is the chief operating fund of the Town of Camp Verde, Arizona. At the end of the current fiscal year, the fund balance of the general fund was \$2,385,425, while total fund balance reached \$4,382,668. As a measure of the general fund's liquidity, it may be useful to compare both general fund balance and total fund balance to total fund expenditures. General Fund balance represents 55 percent of total general fund expenditures, while total fund balance represents 73 percent of total Town expenditures.

The fund balance of the Town of Camp Verde, Arizona's General Fund decreased by \$119,328 during the current fiscal year. This decrease was mainly due to the Town overexpending its expenditure budget. The overexpenditures were the result of a significant increase in liability insurance expenditures over the previous fiscal year that were not adequately budgeted. In addition, salary increases and several new Town projects accounted for the remaining increase.

The fund balance of the Town of Camp Verde, Arizona's HURF Fund decreased by \$78,510 during the current fiscal year. This decrease was mainly due to the Town overexpending its expenditure budget in this fund. The overexpenditure came as a result of unexpected street maintenance and the Main Street Beautification project.

The fund balance of the Town of Camp Verde, Arizona's Parks Fund increased by \$159,684 during the current fiscal year. Sales taxes are the main source of revenues in this fund and the Town received more revenues than expected during the fiscal year. Although the Town exceeded the expenditure budget in this fund, the excess revenues far exceeded the expended amount.

The fund balance of the Town of Camp Verde, Arizona's CDBG Loan Fund did not change significantly during the fiscal year.

The fund balance of the Town of Camp Verde, Arizona's Capital Improvements Fund increased by \$355,078 during the current fiscal year. Revenues in this fund come from sales taxes and are set aside for capital improvement projects. As the Town did not have any significant capital improvement projects during the course of the year, the fund balance in this fund increased significantly.

All nonmajor governmental funds of the Town are combined into one column on the governmental fund statements. The net increase was insignificant during the fiscal year.

### **Budgetary Highlights**

The Town's annual budget is the legally adopted expenditure control document of the Town. Budgetary comparison statements are required for the General Fund and all major special revenue funds and may be found on pages 20 - 23. These statements compare the original adopted budget, the budget if amended throughout the fiscal year, and the actual expenditures prepared on a budgetary basis. The Town did not amend its original budgets.

General Fund revenues of \$4,250,863, on a budgetary basis, exceeded budgeted revenues of \$4,063,336 by \$187,527 while budgetary basis expenditures of \$4,335,461 exceeded budgeted expenditures by \$274,260. The result was a decrease in fund balance in the general fund. Contributing factors to this result were excess sales tax collections and building permit revenues due to growth and a significant increase in salaries and capital expenditures.

### **Capital Asset and Debt Administration**

The Town's capital assets for its governmental activities as of June 30, 2004 amount to \$3,777,007 (net of accumulated depreciation), a net increase of 40.6%. For government-wide financial statement presentation, all depreciable capital assets were depreciated from acquisition date to the end of the current fiscal year. Fund financial statements record capital asset purchases as expenditures. See Note 3.B.3. in the Notes to the Basic Financial Statements for further information regarding capital assets.

The Town recorded its capital assets as part of the general fixed asset account group in past years and in the appropriate funds as they were acquired or constructed. Capital assets include land, buildings and improvements, improvements other than buildings and furniture, equipment and vehicles. With the implementation of GASB 34 the Town reduced the governmental assets by the accumulated depreciation of \$1,068,941, and restated asset costs based on a physical inventory. During fiscal year 2003-2004 annual depreciation expense was \$185,418. Additions to capital assets during the fiscal year totaled \$1,275,866.

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

- ◆ Completion of the Main Street Beautification project.
- ◆ Addition of the Quarterhorse Lane Bike Lane.
- ◆ Completion of the 7th Street Drainage project.
- ◆ Increase of the capitalization threshold from \$1,000 to \$5,000

The following table provides a breakdown of the capital assets of the Town at June 30, 2004 and 2003.

Capital Assets at June 30, 2004 and 2003  
(Net of depreciation)

	Governmental Activities	
	2004	2003
Land	\$ 831,582	\$ 776,582
Buildings and improvements	995,561	984,687
Improvements other than buildings	93,087	89,916
Infrastructure	1,014,589	-
Furniture, equipment and vehicles	842,188	835,528
	\$ 3,777,007	\$ 2,686,713

**Long-term Debt**

The following schedule shows the outstanding obligations of the Town (both current and long-term) as of June 30, 2004 and 2003. Further detail on the Town's outstanding debt may be found in Note 3.D. on page 35.

Outstanding Debt at June 30, 2004 and 2003

	Governmental Activities	
	2004	2003
Notes payable	\$ 30,078	\$ 42,400
Compensated Absences	184,942	156,754
	\$ 215,020	\$ 199,154

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

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

## **Financial contact**

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

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

Or visit our website at:

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

**Basic Financial Statements**

TOWN OF CAMP VERDE, ARIZONA  
STATEMENT OF NET ASSETS  
JUNE 30, 2004

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 4,100,586
Receivables	
Intergovernmental receivable	421,864
Loans receivable	313,855
Capital assets	
Non-depreciable	831,582
Depreciable (net)	<u>2,945,425</u>
Total assets	<u>8,613,312</u>
<b>Liabilities</b>	
Accrued wages and benefits	109,527
Unearned revenue	30,255
Noncurrent liabilities	
Due within one year	166,510
Due in more than one year	<u>48,510</u>
Total liabilities	<u>354,802</u>
<b>Net assets</b>	
Invested in capital assets, net of related debt	3,746,929
Restricted for	
Highways and streets	14,924
Culture and recreation	678,201
Redevelopment and housing	374,712
Capital outlay	1,227,057
Other	16,204
Unrestricted	<u>2,200,483</u>
Total net assets	<u>\$ 8,258,510</u>

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

TOWN OF CAMP VERDE, ARIZONA  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	Program Revenues				Net (Expenses) Revenue and Changes in Net Assets
	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Functions/Programs</b>					
Governmental activities					
General government	\$ 2,121,209	\$ 683,488	\$ 60,516	\$ -	\$ (1,377,205)
Public safety	1,752,643	100,743	190,467	-	(1,461,433)
Highways and streets	770,194	50	954,153	733,790	917,799
Culture and recreation	961,374	113,614	73,258	15,235	(759,267)
Redevelopment and housing	28,658	-	29,278	-	620
Interest on long-term debt	<u>3,372</u>	-	-	-	<u>(3,372)</u>
<b>Totals</b>	<u>\$ 5,637,450</u>	<u>\$ 897,895</u>	<u>\$ 1,307,672</u>	<u>\$ 749,025</u>	<u>(2,682,858)</u>
General revenues					
Taxes					
Sales taxes					1,631,609
Franchise taxes					168,592
State revenue sharing					852,191
State sales tax revenue sharing					795,114
Auto lieu tax revenue sharing					597,003
Investment earnings					41,969
Total general revenues					<u>4,086,478</u>
Change in net assets					1,403,620
Net assets, beginning of year					<u>6,854,890</u>
Net assets, end of year					<u>\$ 8,258,510</u>

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

TOWN OF CAMP VERDE, ARIZONA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2004

	General	HURF	Parks	CDBG Loan	Capital Improvements	Nonmajor Governmental Funds	Totals
<b>Assets</b>							
Cash and cash equivalents	\$ 2,199,212	\$ -	\$ 633,352	\$ 60,857	\$ 1,013,604	\$ 193,561	\$ 4,100,586
Receivables							
Intergovernmental receivable	233,306	74,782	44,849	-	67,274	1,653	421,864
Loans receivable	-	-	-	313,855	-	-	313,855
Due from other funds	53,985	-	-	-	-	-	53,985
Total assets	<u>\$ 2,486,503</u>	<u>\$ 74,782</u>	<u>\$ 678,201</u>	<u>\$ 374,712</u>	<u>\$ 1,080,878</u>	<u>\$ 195,214</u>	<u>\$ 4,890,290</u>
<b>Liabilities and Fund Balances</b>							
<b>Liabilities</b>							
Accrued wages and benefits	\$ 101,078	\$ 5,873	\$ -	\$ -	\$ -	\$ 2,576	\$ 109,527
Due to other funds	-	53,985	-	-	-	-	53,985
Deferred revenue	-	-	-	313,855	-	-	313,855
Unearned revenue	-	-	-	-	-	30,255	30,255
Total liabilities	<u>101,078</u>	<u>59,858</u>	<u>-</u>	<u>313,855</u>	<u>-</u>	<u>32,831</u>	<u>507,622</u>
<b>Fund balances</b>							
Unreserved	2,385,425	14,924	678,201	60,857	1,080,878	-	4,220,285
Unreserved, reported in nonmajor							
Special revenue funds	-	-	-	-	-	162,383	162,383
Total fund balances	<u>2,385,425</u>	<u>14,924</u>	<u>678,201</u>	<u>60,857</u>	<u>1,080,878</u>	<u>162,383</u>	<u>4,382,668</u>
Total liabilities and fund balances	<u>\$ 2,486,503</u>	<u>\$ 74,782</u>	<u>\$ 678,201</u>	<u>\$ 374,712</u>	<u>\$ 1,080,878</u>	<u>\$ 195,214</u>	<u>\$ 4,890,290</u>

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

TOWN OF CAMP VERDE, ARIZONA  
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS  
GOVERNMENTAL FUNDS  
JUNE 30, 2004

Fund balances - total governmental funds	\$	4,382,668
Amounts reported for governmental activities in the statement of net assets are different because:		
CDBG loans recognized as revenues in previous years, but deferred in the governmental funds.		313,855
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Governmental capital assets		5,013,000
Less accumulated depreciation		<u>(1,235,993)</u>
Capital assets used in governmental activities		<u>3,777,007</u>
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds.		
Compensated absences		(184,942)
Long-term liabilities not due and payable in the current period		<u>(30,078)</u>
Net assets of governmental activities	\$	<u>8,258,510</u>

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

TOWN OF CAMP VERDE, ARIZONA  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	General	HURF	Parks	CDBG Loan	Capital Improvements	Nonmajor Governmental Funds	Totals
<b>Revenues</b>							
<b>Taxes</b>							
Sales taxes	\$ 815,804	\$ -	\$ 326,322	\$ -	\$ 489,483	\$ -	\$ 1,631,609
Franchise taxes	168,592	-	-	-	-	-	168,592
Intergovernmental	2,343,837	954,004	-	29,278	-	213,852	3,540,971
Fines and forfeitures	327,701	-	-	-	-	-	327,701
Licenses and permits	215,631	-	-	-	-	-	215,631
Charges for services	217,728	12,891	-	-	-	-	230,619
Rents and royalties	7,507	-	-	-	-	-	7,507
Contributions and donations	11,009	-	-	-	-	15,235	26,244
Investment earnings	26,667	13,542	-	-	-	1,760	41,969
Other	116,387	50	-	-	-	-	116,437
<b>Total Revenues</b>	<u>4,250,863</u>	<u>980,487</u>	<u>326,322</u>	<u>29,278</u>	<u>489,483</u>	<u>230,847</u>	<u>6,307,280</u>
<b>Expenditures</b>							
<b>Current</b>							
General government	1,932,407	-	-	-	123,947	84,507	2,140,861
Public safety	1,562,659	-	-	-	-	168,910	1,731,569
Highways and streets	-	1,058,997	-	-	-	512	1,059,509
Culture and recreation	840,395	-	161,402	-	-	-	1,001,797
Redevelopment and housing	-	-	-	28,658	-	-	28,658
<b>Debt Service</b>							
Principal retirement	-	-	2,112	-	10,210	-	12,322
Interest on long-term debt	-	-	3,124	-	248	-	3,372
<b>Total Expenditures</b>	<u>4,335,461</u>	<u>1,058,997</u>	<u>166,638</u>	<u>28,658</u>	<u>134,405</u>	<u>253,929</u>	<u>5,978,088</u>
Excess (deficiency) of revenues over expenditures	<u>(84,598)</u>	<u>(78,510)</u>	<u>159,684</u>	<u>620</u>	<u>355,078</u>	<u>(23,082)</u>	<u>329,192</u>
<b>Other financing sources (uses)</b>							
Transfers in	-	-	-	-	-	34,730	34,730
Transfers out	<u>(34,730)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(34,730)</u>
<b>Total other financing sources (uses)</b>	<u>(34,730)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>34,730</u>	<u>-</u>
Net change in fund balances	(119,328)	(78,510)	159,684	620	355,078	11,648	329,192
Fund balances, beginning of year	<u>2,504,753</u>	<u>93,434</u>	<u>518,517</u>	<u>60,237</u>	<u>725,800</u>	<u>150,735</u>	<u>4,053,476</u>
Fund balances, end of year	<u>\$ 2,385,425</u>	<u>\$ 14,924</u>	<u>\$ 678,201</u>	<u>\$ 60,857</u>	<u>\$ 1,080,878</u>	<u>\$ 162,383</u>	<u>\$ 4,382,668</u>

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

TOWN OF CAMP VERDE, ARIZONA  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2004

Net change in fund balances - total governmental funds	\$	329,192
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Expenditures for capital assets		1,275,866
Less current year depreciation		<u>(185,418)</u>
Excess capital expenditures over depreciation		<u>1,090,448</u>
The statement of activities reports losses arising from the disposal of existing capital assets. Conversely, governmental funds do not report any gain or loss on disposals of capital assets.		
		(154)
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. The issuance of long-term debt increases long-term liabilities on the statement of net assets and the repayment of principal on long-term debt reduces long-term debt on the statement of net assets.		
Principal payments on long-term debt		12,322
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Net increase in compensated absences		<u>(28,188)</u>
Change in net assets of governmental activities	\$	<u>1,403,620</u>

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

TOWN OF CAMP VERDE, ARIZONA  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCES - BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	Original and Final Budget	Actual	Variance with Final Budget
Revenues			
Taxes	\$ 1,005,500	\$ 984,396	\$ (21,104)
Intergovernmental	2,307,206	2,343,837	36,631
Fines and forfeitures	302,500	327,701	25,201
Licenses and permits	145,200	215,631	70,431
Charges for services	198,160	217,728	19,568
Rents and royalties	11,000	7,507	(3,493)
Contributions and donations	3,000	11,009	8,009
Investment earnings	38,000	26,667	(11,333)
Other	52,770	116,387	63,617
Total Revenues	<u>4,063,336</u>	<u>4,250,863</u>	<u>187,527</u>
Expenditures			
Current			
General government			
Mayor and council	16,800	13,115	3,685
Building department	104,787	128,315	(23,528)
Planning and zoning	168,586	210,138	(41,552)
Town manager	129,996	118,513	11,483
Town clerk	119,442	127,385	(7,943)
Finance	188,288	190,574	(2,286)
Community development	124,929	93,444	31,485
Nondepartmental	242,604	357,765	(115,161)
Legal department	184,001	170,281	13,720
Personnel	22,530	19,247	3,283
Town hall	28,900	32,919	(4,019)
Maintenance division	80,876	69,072	11,804
Janitorial services	34,395	33,996	399
Magistrate	322,265	356,527	(34,262)
Public works	-	11,116	(11,116)
Total general government	<u>1,768,399</u>	<u>1,932,407</u>	<u>(164,008)</u>
Public safety			
Police administration	174,101	176,864	(2,763)
Police/patrol	1,030,822	961,907	68,915
Animal control	74,979	82,333	(7,354)
Dispatch	311,330	321,137	(9,807)
Marshal complex	20,862	20,418	444
Total public safety	<u>1,612,094</u>	<u>1,562,659</u>	<u>49,435</u>
Culture and recreation			
Community center	32,095	70,037	(37,942)
Community pool	67,810	93,428	(25,618)
Parks	332,650	425,962	(93,312)
Library	248,153	250,968	(2,815)
Total culture and recreation	<u>680,708</u>	<u>840,395</u>	<u>(159,687)</u>
Total Expenditures	<u>4,061,201</u>	<u>4,335,461</u>	<u>(274,260)</u>

(Continued)

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

TOWN OF CAMP VERDE, ARIZONA  
 GENERAL FUND  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
 BALANCES - BUDGET AND ACTUAL  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
(Concluded)			
Excess (deficiency) of revenues over expenditures	\$ <u>2,135</u>	\$ <u>(84,598)</u>	\$ <u>(86,733)</u>
Other financing sources (uses)			
Transfers out	<u>-</u>	<u>(34,730)</u>	<u>(34,730)</u>
Total other financing sources (uses)	<u>-</u>	<u>(34,730)</u>	<u>(34,730)</u>
Net change in fund balances	2,135	(119,328)	(121,463)
Fund balances, beginning of year	<u>-</u>	<u>2,504,753</u>	<u>2,504,753</u>
Fund balances, end of year	<u>\$ 2,135</u>	<u>\$ 2,385,425</u>	<u>\$ 2,383,290</u>

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

TOWN OF CAMP VERDE, ARIZONA  
HURF FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCES - BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues			
Intergovernmental	\$ 913,275	\$ 954,004	\$ 40,729
Charges for services	2,000	12,891	10,891
Investment earnings	15,000	13,542	(1,458)
Other	<u>1,000</u>	<u>50</u>	<u>(950)</u>
Total Revenues	<u>931,275</u>	<u>980,487</u>	<u>49,212</u>
Expenditures			
Current			
Highways and streets	<u>908,016</u>	<u>1,058,997</u>	<u>(150,981)</u>
Total Expenditures	<u>908,016</u>	<u>1,058,997</u>	<u>(150,981)</u>
Excess (deficiency) of revenues over expenditures	23,259	(78,510)	(101,769)
Fund balances, beginning of year	<u>-</u>	<u>93,434</u>	<u>93,434</u>
Fund balances, end of year	<u>\$ 23,259</u>	<u>\$ 14,924</u>	<u>\$ (8,335)</u>

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

TOWN OF CAMP VERDE, ARIZONA  
PARKS FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCES - BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues			
Taxes	\$ 245,000	\$ 326,322	\$ 81,322
Total Revenues	<u>245,000</u>	<u>326,322</u>	<u>81,322</u>
Expenditures			
Current			
Culture and recreation	45,500	161,402	(115,902)
Debt Service			
Principal retirement	-	2,112	(2,112)
Interest on long-term debt	-	<u>3,124</u>	<u>(3,124)</u>
Total Expenditures	<u>45,500</u>	<u>166,638</u>	<u>(121,138)</u>
Excess (deficiency) of revenues over expenditures	199,500	159,684	(39,816)
Fund balances, beginning of year	-	<u>518,517</u>	<u>518,517</u>
Fund balances, end of year	<u>\$ 199,500</u>	<u>\$ 678,201</u>	<u>\$ 478,701</u>

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

TOWN OF CAMP VERDE, ARIZONA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
FISCAL YEAR ENDED JUNE 30, 2004

*NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*

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

**A. Reporting entity**

The Town is a municipal government that is governed by a separately elected governing body. It is legally separate from and fiscally independent of other state and local governments. The accompanying financial statements present the Town and its component units, entities for which the Town is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the Town's operations. The Town did not have any component units.

**B. Government-wide and fund financial statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. The effect of interfund activity has been removed from these statements. The Town only has *governmental activities*, which are normally supported by taxes and intergovernmental revenues.

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

**C. Measurement focus, basis of accounting, and financial statement presentation**

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

TOWN OF CAMP VERDE, ARIZONA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 2004

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

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

The Town reports the following major governmental funds:

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

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

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

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

The *Capital Improvements Fund* accounts for capital improvements to Town facilities and infrastructure funded by local sales tax.

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

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

TOWN OF CAMP VERDE, ARIZONA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
FISCAL YEAR ENDED JUNE 30, 2004

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

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

**1. Deposits and investments**

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

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

**2. Short-term interfund receivables/payables**

During the course of operations, individual funds within the Town's pooled cash accounts may borrow money from the other funds within the pool on a short-term basis. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet of the fund financial statements and are eliminated in the preparation of the government-wide financial statements.

**3. Capital assets**

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

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

TOWN OF CAMP VERDE, ARIZONA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
FISCAL YEAR ENDED JUNE 30, 2004

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

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

**4. Compensated absences**

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

**5. Long-term obligations**

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

**6. Net assets**

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

**7. Fund equity**

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

TOWN OF CAMP VERDE, ARIZONA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
FISCAL YEAR ENDED JUNE 30, 2004

*NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY*

**A. Budgetary information**

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

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

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

No supplementary budgetary appropriations were necessary during the year.

TOWN OF CAMP VERDE, ARIZONA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
 FISCAL YEAR ENDED JUNE 30, 2004

**B. Excess of expenditures over appropriations**

Expenditures exceeded appropriations in the following funds:

	<u>Amount of Overexpenditure</u>
General Fund:	
Building department	\$ 23,528
Planning and zoning	41,552
Town clerk	7,943
Finance	2,286
Nondepartmental	115,161
Town hall	4,019
Magistrate	34,262
Public works	11,116
Police administration	2,763
Animal control	7,354
Dispatch	9,807
Community center	37,942
Community pool	25,618
Parks	93,312
Library	2,815
HURF Fund	150,981
Parks Fund	121,138

*NOTE 3 - DETAILED NOTES ON ALL FUNDS*

**A. Change in accounting policy and prior period adjustment**

The Town implemented GASB 34 for the fiscal year ended June 30, 2004. The following adjustments were made in order to properly state beginning net assets using the full accrual method of accounting.

Fund balances at June 30, 2003, governmental fund types (restated)	\$ 4,053,476
GASB Statement No. 34 adjustments:	
Deferred property tax revenue	313,855
Net capital assets	2,686,713
Notes payable	(42,400)
Compensated absences	<u>(156,754)</u>
Net assets of governmental funds at July 1, 2003	<u>\$ 6,854,890</u>

TOWN OF CAMP VERDE, ARIZONA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
 FISCAL YEAR ENDED JUNE 30, 2004

A prior period adjustment was necessary to properly record a revenue that was received in the prior year as a beneficiary receipt for the construction of the new library. The revenue was recorded as a prior period adjustment to the Nonmajor Governmental Funds. The following summary reconciles the beginning net assets of the Governmental Funds in total to the prior year audited financial statements.

	Governmental Funds
Fund balances at June 30, 2003, (as previously reported)	\$ 3,924,292
Revenue understatement	<u>129,184</u>
Fund balances at June 30, 2003, (as restated)	<u>\$ 4,053,476</u>

**B. Assets**

**1. Deposits and investments**

Deposits and investments at June 30, 2004 consist of the following:

Deposits	
Cash on hand	\$ 810
Cash in bank	999,599
Investments	
Certificate of Deposit	90,020
State Treasurer's Investment Pool	<u>3,010,157</u>
Total cash and cash equivalents	<u>\$ 4,100,586</u>

**Deposits** - The Town's deposits at June 30, 2004, were entirely covered by federal depository insurance or by collateral held by the Town's custodial bank in the Town's name.

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

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

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

TOWN OF CAMP VERDE, ARIZONA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 2004

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

**2. Receivables**

The Town has outstanding loans due from Town businessowners. The loans were originally issued to businesses within the Town to assist in redevelopment and housing. The loans were funded by a Community Development Block Grant and any income from the loan is considered program income of the grant. The governmental funds report deferred revenue in connection with the receivables for revenues that are not considered available to liquidate liabilities of the current period in the CDBG Fund. However, the government-wide financial statements recognized the revenue when the receivable was recognized. Therefore, the deferred revenue represents a reconciling item between the government-wide and fund financial statements. At the end of the current year, \$313,855 of the deferred loan receivable recorded in the CDBG Fund represents funds that were unavailable.

TOWN OF CAMP VERDE, ARIZONA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
 FISCAL YEAR ENDED JUNE 30, 2004

**3. Capital assets**

Capital asset activity for the year ended June 30, 2004 was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ <u>776,582</u>	\$ <u>55,000</u>	\$ <u>-</u>	\$ <u>831,582</u>
<b>Total capital assets, not being depreciated</b>	<u>776,582</u>	<u>55,000</u>	<u>-</u>	<u>831,582</u>
Capital assets being depreciated:				
Buildings and improvements	1,257,793	43,839	-	1,301,632
Improvements other than buildings	108,285	5,359	-	113,644
Infrastructure	-	1,017,590	-	1,017,590
Furniture, equipment and vehicles	<u>1,612,994</u>	<u>154,078</u>	<u>(18,520)</u>	<u>1,748,552</u>
<b>Total capital assets being depreciated</b>	<u>2,979,072</u>	<u>1,220,866</u>	<u>(18,520)</u>	<u>4,181,418</u>
Less accumulated depreciation for:				
Buildings and improvements	(273,106)	(32,965)	-	(306,071)
Improvements other than buildings	(18,369)	(2,188)	-	(20,557)
Infrastructure	-	(3,001)	-	(3,001)
Furniture, equipment and vehicles	<u>(777,466)</u>	<u>(147,264)</u>	<u>18,366</u>	<u>(906,364)</u>
<b>Total accumulated depreciation</b>	<u>(1,068,941)</u>	<u>(185,418)</u>	<u>18,366</u>	<u>(1,235,993)</u>
<b>Total capital assets, being depreciated, net</b>	<u>1,910,131</u>	<u>1,035,448</u>	<u>(154)</u>	<u>2,945,425</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 2,686,713</u>	<u>\$ 1,090,448</u>	<u>\$ (154)</u>	<u>\$ 3,777,007</u>

The beginning balance of the capital assets was restated as a result of a physical inventory conducted by the Town. The physical inventory resulted in a restatement of the beginning balances in the amount of \$731,607.

TOWN OF CAMP VERDE, ARIZONA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
 FISCAL YEAR ENDED JUNE 30, 2004

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 31,013
Public safety	52,692
Highways and streets	52,492
Culture and recreation	<u>49,221</u>
Total depreciation expense-governmental activities	<u>\$ 185,418</u>

**C. Interfund receivables, payables and transfers**

As of June 30, 2004 interfund receivable and payables were as follows:

	<u>Due From</u>
<u>Due To</u>	<u>HURF Fund</u>
General Fund	\$ <u>53,985</u>

The above interfund receivables and payables resulted from cash shortages.

Interfund transfers for the year ended June 30, 2004 consisted of the following:

	<u>Transfers Out</u>
<u>Transfers In</u>	<u>General Fund</u>
Nonmajor Governmental Funds	\$ <u>34,730</u>

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

TOWN OF CAMP VERDE, ARIZONA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
 FISCAL YEAR ENDED JUNE 30, 2004

**D. Long-term obligations**

Notes payable at June 30, 2004, included the following:

Butler Park, a fourteen year mortgage note with  
 monthly payments of \$464.34 including  
 10.0% of interest through December 2012 \$ 30.078

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

Changes in long-term obligations for the year ended June 30, 2004 are as follows:

	July 1, 2003	Increases	Decreases	June 30, 2004	Due Within One Year
<b>Governmental Activities:</b>					
Bonds and notes payable:					
Notes payable	\$ 42,400	\$ -	\$ (12,322)	\$ 30,078	\$ 2,333
Other liabilities:					
Compensated absences	<u>156.754</u>	<u>189.146</u>	<u>(160.958)</u>	<u>184.942</u>	<u>164.177</u>
Governmental activities long-term liabilities	<u>\$ 199.154</u>	<u>\$ 189.146</u>	<u>\$ (173.280)</u>	<u>\$ 215.020</u>	<u>\$ 166.510</u>

Debt service requirements on long-term debt at June 30, 2004 are as follows:

	Notes Payable	
	Principal	Interest
Year Ending June 30,		
2005	\$ 2,333	\$ 2,903
2006	2,577	2,659
2007	2,847	2,389
2008	3,145	2,091
2009	3,475	1,761
2010-14	<u>15.701</u>	<u>3.039</u>
	<u>\$ 30.078</u>	<u>\$ 14.842</u>

TOWN OF CAMP VERDE, ARIZONA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
FISCAL YEAR ENDED JUNE 30, 2004

*NOTE 4 - OTHER INFORMATION*

**A. Risk management**

The Town of Camp Verde, Arizona, is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The Town's insurance protection is provided by the Arizona Municipal Risk Retention Pool, of which the Town is a participating member. The limit for basic coverage is for \$1,000,000 per occurrence on a claims made basis. Excess coverage is for an additional \$5,000,000 per occurrence on a follow form, claims made basis. No significant reduction in insurance coverage occurred during the year and no settlements exceeded insurance coverage during any of the past three fiscal years.

The Arizona Municipal Risk Retention Pool is structured such that member premiums are based on an actuarial review that will provide adequate reserves to allow the pool to meet its expected financial obligations. The pool has the authority to assess its members additional premiums should reserves and annual premiums be insufficient to meet the pool's obligations.

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

**B. Contingent liabilities**

**Accumulated Sick Leave** - Sick leave benefits provide for ordinary sick pay and are cumulative but do not vest with employees and, therefore, are not accrued. Unvested accumulated sick leave of Town employees at June 30, 2004, totaled \$181,664.

**C. Subsequent events**

Subsequent to June 30, 2004, the Town issued Greater Arizona Development Authority (GADA) Excise Tax Revenue Bonds, Series 2005A, to provide for infrastructure improvements. The par amount of the bonds at issuance was \$2,040,000 with interest rates ranging from 2.375% to 5%. The bonds mature in 2024.

TOWN OF CAMP VERDE, ARIZONA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
FISCAL YEAR ENDED JUNE 30, 2004

**D. Retirement plans**

**Arizona State Retirement System**

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

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

Funding Policy - The Arizona State Legislature establishes and may amend active plan members' and the Town's contribution rate. For the year ended June 30, 2004, active plan members and the Town were each required by statute to contribute at the actuarially determined rate of 5.7 percent (5.2 percent retirement and .5 percent long-term disability) of the members' annual covered payroll. The Town's contributions to the System for the years ended June 30, 2004, and 2003, were \$107,505, and \$77,406, respectively, which were equal to the required contributions for the year. Because the 2002-2003 fiscal year was the Town's first year to participate in the Arizona State Retirement System, only two years of contribution information is presented.

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

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

**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 8.17 percent of annual covered payroll.

TOWN OF CAMP VERDE, ARIZONA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
 FISCAL YEAR ENDED JUNE 30, 2004

**Annual Pension Cost** - During the year ended June 30, 2004, the Town's annual pension cost of \$55,798 for police was equal to the Town's required and actual contributions.

The required contribution was determined as part of the June 30, 2004 actuarial valuation using an entry age actuarial funding method. Significant actuarial assumptions used in determining the entry age actuarial accrued liability include (a) a rate of return on the investment of present and future assets of 8.75% per year compounded annually, (b) projected salary increases of 6.25% (including inflation at 5.25%) per year compounded annually, and (c) additional projected salary increases of 0.0% to 3.0% per year attributable to seniority/merit.

The actuarial value of the Town of Camp Verde, Arizona's assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a four-year period. The Town of Camp Verde, Arizona's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2004, was 20 years.

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

**Three-Year Trend Information**

**Police**

Fiscal Year Ended June 30,	Annual Pension Cost (APC)	Percent Contributed	Net Pension Obligation
2002	\$ 47,901	100.0 %	\$ -
2003	39,661	100.0	-
2004	55,798	100.0	-

Additional historical trend information for the Town's PSPRS is disclosed on page 40.

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.

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

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

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

\* Information prior to 1996 is not available.