

TOWN OF CLARKDALE, ARIZONA

Annual Financial Statements
and Independent Auditors' Report
June 30, 2011

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INDEPENDENT AUDITORS' REPORT

To the Town Council
Town of Clarkdale, Arizona

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and aggregate remaining fund information of the Town of Clarkdale, Arizona as of and for the year ended June 30, 2011, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Clarkdale, Arizona's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Clarkdale, Arizona, as of June 30, 2011, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2011, on our consideration of the Town of Clarkdale, Arizona's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedule of agent retirement plans' funding progress on pages iii through xviii, 27 through 31, and 32 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

December 6, 2011

TOWN OF CLARKDALE, ARIZONA
Management's Discussion and Analysis
June 30, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

We, the Town of Clarkdale, Arizona, are pleased to provide an overview of our financial activities for the fiscal year ended June 30, 2011. 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 operations. We encourage readers to consider the information presented here in conjunction with the Town's financial statements following this section.

FINANCIAL HIGHLIGHTS

- ❖ Total net assets showed an increase of 12.66%, between fiscal years 2010 and 2011. The 2011 governmental net assets increased 26.65% and the business-type activities increased .03%.
- ❖ The Town's 2011 revenues total \$5,724,577 and expenses total \$5,022,268, resulting in an increase in net assets of \$ 702,309 or 12.66% This net increase was a combined result of a 17.51% increase in revenues, and expenses being increased by 6.01%.
- ❖ Local sales tax, property tax, and franchise taxes are the largest revenue source for governmental activities, accounting for 34.04% of total revenues with State Shared General Revenues accounting for 22.76% of the total revenues.
- ❖ Expenditures for governmental activities total \$3,020,760. Public Safety activities each account for 27.82%. Highway and Streets spent 10.06% of the expenditures, Culture and Recreation 6.41%, and General Government services accounted for 55.71% of total expenditures for 2011.
- ❖ At the end of the current fiscal year the Town's total governmental funds reported combined ending fund balances of \$1,261,316, an increase of \$713,948 in comparison with the prior year.
- ❖ General Fund actual revenues of \$2,278,296, were lower than budgeted revenues of \$2,410,865 by \$132,569, or 5.50% while General Fund actual expenditures of \$2,185,689, were lower than budgeted expenditures of \$2,594,099 by \$408,410, or 15.74%.

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ECONOMIC HIGHLIGHTS

- ❖ The 10% furlough program for all staff implemented in January of 2009 was continued for fiscal year 2010-2011. The furlough kept Town offices closed on Friday in an effort to realize additional utility cost savings.
- ❖ There was a 25% decline in State Shared Income Tax, LTAF - Local Transportation Assistance Fund (AZ Lottery) was swept for the year and possible future, and LTAF II (Powerball) funds permanently eliminated by Legislature.
- ❖ Existing Town staff was used for flood control and grant projects, which offset the Town's costs with outside funding sources.
- ❖ There were no merit or COLA increases for staff and another reorganization of staff, to cover resignations of the Public Works Director, Library Director, and a Water Meter Reader. None of the positions were replaced.
- ❖ The emphasis on volunteer recruitment for the 2010 budget in which the Concerts in the Park Series were funded by donations and the July 4th and Halloween events were staffed by volunteers continued. In addition to the volunteers, court restitution workers were organized to perform duties in an effort to help staff.
- ❖ The swimming pool was not open for the 2010 season due to the lack of revenues to fund the program. Through fund raising efforts, enough funds were raised to hire a pool manager and lifeguards to open the pool three days a week for the 2011 season.
- ❖ In the Utilities Department, wastewater operation revenues reflected a residential sewer rate increase along with the addition of a new industrial user fee and the water operation revenues reflected a rate increase and new system replacement surcharge.
- ❖ A Settlement Agreement with Bond Safeguard was reached for work to be completed in the Mountain Gate development.
- ❖ Projects were completed during the year such as Broadway Park-N-Ride, Library remodeling, Clark Memorial Clubhouse Geothermal Project, Lower Clarkdale water main replacement, Centerville Road in Mountain Gate, sludge removal at the wastewater treatment plant, sewer line extension between 89A Reservoir and cemetery, and Deception Wash flood control.
- ❖ We received the final approval from the Arizona Department of Water Resources for our Designation of Adequate Water Supply. The amount of water approved in the designation was 1,666.25 acre feet per year. This requires surrounding communities to take the Town's designated water resources into account when requesting and developing additional water resources for their communities.

TOWN OF CLARKDALE, ARIZONA
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OVERVIEW OF THE FINANCIAL STATEMENTS

The Annual Financial Report (AFR) for the Town of Clarkdale, Arizona consists of four parts:

1. *The Management's Discussion and Analysis* provides a brief discussion of the basic financial statements, annual comparisons of the government-wide financial statements, and analysis of government's overall financial position.
2. *Basic Financial Statements*:
 - ❖ *Government-wide Financial Statements* provide both long-term and short-term information about the Town's overall financial status.
 - ❖ *Fund Financial Statements* focus on the individual parts of Town government and report the Town's operations in more detail than the government-wide statements.
 - ❖ *Notes to the Financial Statements* explain some of the information in the financial statements and provide more detailed data.
3. *Required Supplementary Information* further explains and supports the information in the financial statements and includes detailed budgetary comparison schedules for major special revenue funds as well as the general fund. It also includes pension information for PSPRS members.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Town of Clarkdale's finances in a manner similar to private sector business. The statements distinguish between governmental and business type activities.

Governmental activities include the Town's basic services, such as general government (administration), public safety (police), highways and streets, and culture and recreation, and are mainly financed through taxes and intergovernmental revenues.

Business-type activities include the water and sewer utility, cemetery, and sanitation and are financed by fees charged to cover the costs of services they provide.

The *Statement of Net Assets* presents information on all of the Town of Clarkdale's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating. (The Statement of Net Assets can be found on Page 1 of this report)

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. The statement shows the degree to which the direct expenses of a function are offset by program revenues. (The Statement of Activities can be found on Page 2 of this report)

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Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Clarkdale, like other state and local governments, uses fund accounting to ensure compliance with finance-related legal requirements.

All of the funds within the Town can be divided into two categories: *governmental funds*, and *proprietary funds*. The governmental and proprietary categories are organized as major funds or non-major funds, with an emphasis placed on major funds, as the GASB standards require.

Governmental Funds – Most of the Town's basic services are included in governmental funds which focus on how cash, and other financial assets that can be converted to cash, flow in and out, along with the balances left at the end of the year that are available for spending. The governmental fund financial statements tell how general government services were funded as well as what is available for future spending remains. Because fund financial statements do not include the additional long-term focus of government-wide statements, additional information is provided reconciling the difference between them. (The Governmental Funds financial statements can be found on pages 3 & 5 of this report)

- ❖ General Fund - Accounts for the Town's primary operating activities and is used to account for all financial resources, except those required to be accounted for in another fund.
- ❖ HURF/LTAF – accounts for specific revenue received from the State of Arizona Highway Revenue Fund and from the State of Arizona Local Transportation assistance Fund which are legally restricted to expenditures for street purposes.
- ❖ Grants Fund – Accounts for specific revenue sources that are restricted to expenditures for specified purposes as defined by the grantor.
- ❖ Developer Reimbursement Fund – Accounts for specific revenue received from developers through special development contracts in which certain development costs are reimbursable by the developer and are accounted for in this fund.

The remaining funds are classified as non-major governmental (Other Governmental) funds:

- ❖ Impact Fees Fund
- ❖ Capital Improvement Fund
- ❖ Cemetery Perpetual Care Fund
- ❖ Donations Fund
- ❖ Court Enhancement Fund

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Proprietary Funds – Proprietary funds, also known as Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Clarkdale uses an enterprise fund to account for its water, wastewater treatment (sewer), sanitation (trash collection) and cemetery operations. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. (The Proprietary Fund financial statements can be found on pages 7 – 10 of this report)

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. (The Notes to Financial Statements can be found on pages 11 - 26 of this report)

The Governmental Accounting Standards Board (GASB) Statement No. 54 requires fund balances to be properly reported within one of the fund balance categories listed below:

1. *Nonspendable* fund balance includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact such as fund balance associated with inventories, prepaids, long-term loans and notes receivable (unless the proceeds are restricted, committed, or assigned),
2. *Restricted* fund balance includes amounts that can be spent only for the specific purposes stipulated by constitution provisions or enabling legislation, or external resource providers,
3. *Committed* fund balance includes amounts that can be used only for the specific purposes determined by a formal action of the Town's Town Council,
4. *Assigned* fund balances are intended to be used by the Town for specific purposes but do not meet the criteria to be classified as restricted or committed, and
5. *Unassigned* fund balance is the residual classification for the Town's governmental funds and includes all spendable amounts not contained in other classifications.

The Town's policy for committed fund balances is through formal Town resolutions passed through the elected town council. The process of rescinding a committed fund balance requires the same process.

Supplemental Information

In addition to the basic financial statements and accompanying notes, required supplementary information presents a budgetary comparison schedule for the General Fund and all major special revenue funds to demonstrate compliance with the budget. Additionally, governments are required to disclose certain information about employee pension funds. (Supplementary information and schedules can be found on pages 27 - 32 of this report)

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GOVERNMENT-WIDE FINANCIAL ANALYSIS

Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
ASSETS						
Current and other assets	1,720,429	846,895	4,781,204	6,361,182	6,501,633	7,208,077
Capital assets						
Non-depreciable	563,785	563,785	491,929	1,291,507	1,055,714	1,855,292
Depreciable (net)	<u>1,798,733</u>	<u>1,718,742</u>	<u>8,177,018</u>	<u>5,997,006</u>	<u>9,975,751</u>	<u>7,715,748</u>
Total Assets	<u>4,082,947</u>	<u>3,129,422</u>	<u>13,450,151</u>	<u>13,649,695</u>	<u>17,533,098</u>	<u>16,779,117</u>
LIABILITIES						
Other liabilities	438,928	62,830	3,278,213	3,275,695	3,717,141	3,338,525
Noncurrent liabilities						
Due within one year	96,663	156,026	60,039	227,149	156,702	383,175
Due in more than one year	<u>214,186</u>	<u>278,775</u>	<u>7,196,127</u>	<u>7,232,009</u>	<u>7,410,313</u>	<u>7,510,784</u>
Total Liabilities	<u>749,777</u>	<u>497,631</u>	<u>10,534,379</u>	<u>10,734,853</u>	<u>11,284,156</u>	<u>11,232,484</u>
NET ASSETS						
Invested in capital assets, net of related debt	2,140,855	1,955,837	4,206,173	4,145,122	6,347,028	6,100,959
Restricted	194,549	103,763	305,054	332,493	499,603	436,256
Unrestricted	<u>997,766</u>	<u>572,191</u>	<u>(1,595,455)</u>	<u>(1,562,773)</u>	<u>(597,689)</u>	<u>(990,582)</u>
Total Net Assets	<u>3,333,170</u>	<u>2,631,791</u>	<u>2,915,772</u>	<u>2,914,842</u>	<u>6,248,942</u>	<u>5,546,633</u>
CHANGE IN NET ASSETS	701,379	371,264	930	(237,240)	702,309	51,995
PERCENTAGE CHANGE IN NET ASSETS	26.65%	16.42%	0.03%	-7.53%	12.66%	0.96%

Net Assets: Net assets may serve over time as useful indicators of a government's financial position. The table above reflects the Condensed Statement of Net Assets of the Town showing that net assets increased 12.66%, between fiscal years 2010 and 2011. The 2011 governmental net assets increased 26.65% and the business-type activities increased .03%.

Net assets consist of three components. The largest portion of the Town of Clarkdale's net assets reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment). The Town of Clarkdale uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the Town's net assets represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets may be used to meet the government's ongoing obligations to citizens and creditors.

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Condensed Statement of Changes In Net Assets

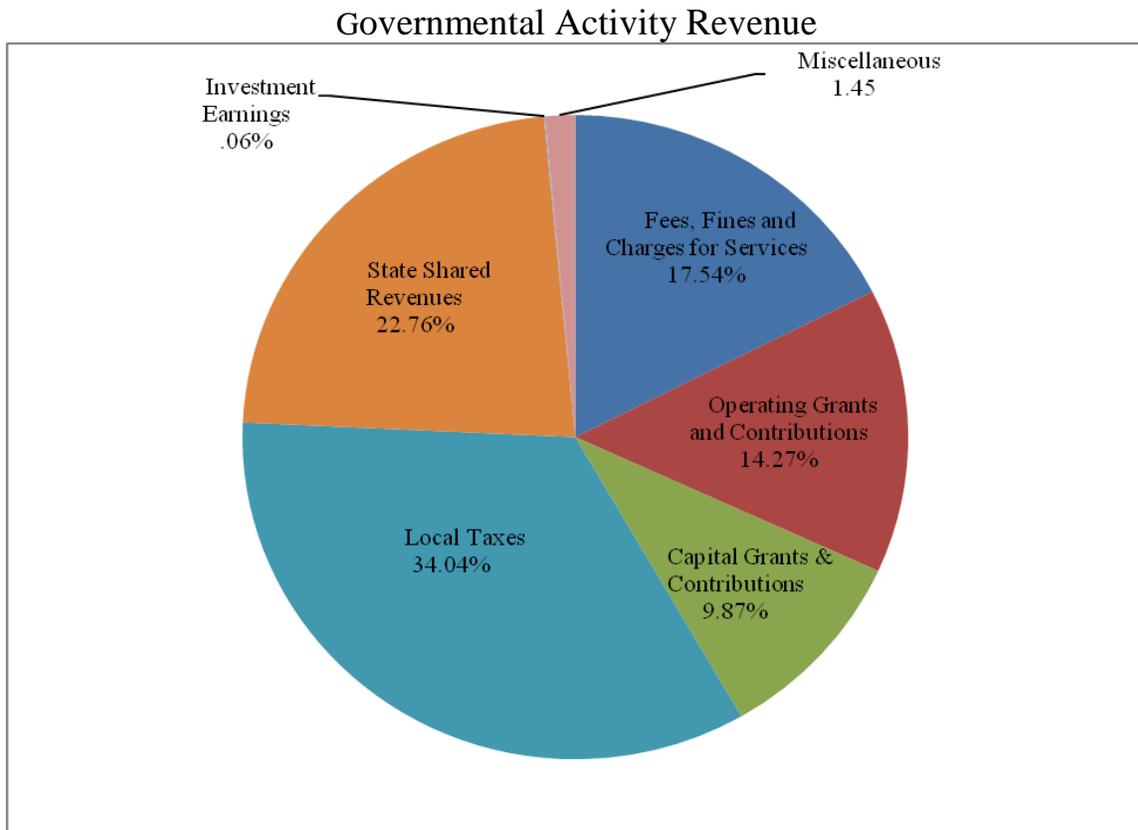
	Governmental		Business-type		Total	
	Activities		Activities			
	2011	2010	2011	2010	2011	2010
Revenues						
Program Revenues						
Fees, Fines, Charges for Services	647,744	254,854	2,017,870	1,834,055	2,665,614	2,088,909
Operating Grants & Contributions	527,014	407,150	-	-	527,014	407,150
Capital Grants & Contributions	364,533	223,362	4,171	26,468	368,704	249,830
General Revenues						
Local Taxes	1,256,919	1,132,057	-	-	1,256,919	1,132,057
State Shared Revenues	840,574	954,149			840,574	954,149
Investment Earnings	2,142	1,506	10,053	4,342	12,195	5,848
Miscellaneous	53,557	33,640	-	-	53,557	33,640
Total Revenues	<u>3,692,483</u>	<u>3,006,718</u>	<u>2,032,094</u>	<u>1,864,865</u>	<u>5,724,577</u>	<u>4,871,583</u>
Expenses						
General Government	1,682,836	1,238,450			1,682,836	1,238,450
Public Safety	840,253	943,255			840,253	943,255
Highway and Streets	303,945	558,452			303,945	558,452
Culture and Recreation	193,726	204,349			193,726	204,349
Wastewater	-	-	555,675	354,264	555,675	354,264
Sanitation	-	-	223,201	214,114	223,201	214,114
Cemetery	-	-	51,726	39,367	51,726	39,367
Water	-	-	<u>1,170,906</u>	<u>1,185,308</u>	<u>1,170,906</u>	<u>1,185,308</u>
Total Expenses	<u>3,020,760</u>	<u>2,944,506</u>	<u>2,001,508</u>	<u>1,793,053</u>	<u>5,022,268</u>	<u>4,737,559</u>
Transfers	29,656	309,052	(29,656)	(309,052)	-	-
Change in Net Assets	701,379	371,264	930	237,240	702,309	134,024
Net Assets Beginning of Year	2,631,791	2,260,527	2,914,842	3,152,082	5,546,633	5,412,609
Net Assets - End of Year	3,333,170	2,631,791	2,915,772	2,914,842	6,248,942	5,546,633

TOWN OF CLARKDALE, ARIZONA
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Change in Net Assets: The Town's 2011 revenues total \$5,724,577 and expenses total \$5,022,268, resulting in an increase in net assets of \$ 702,309 or 12.66% This net increase was a combined result of a 17.51% increase in revenues, and expenses being increased by 6.01%.

Governmental Activities:

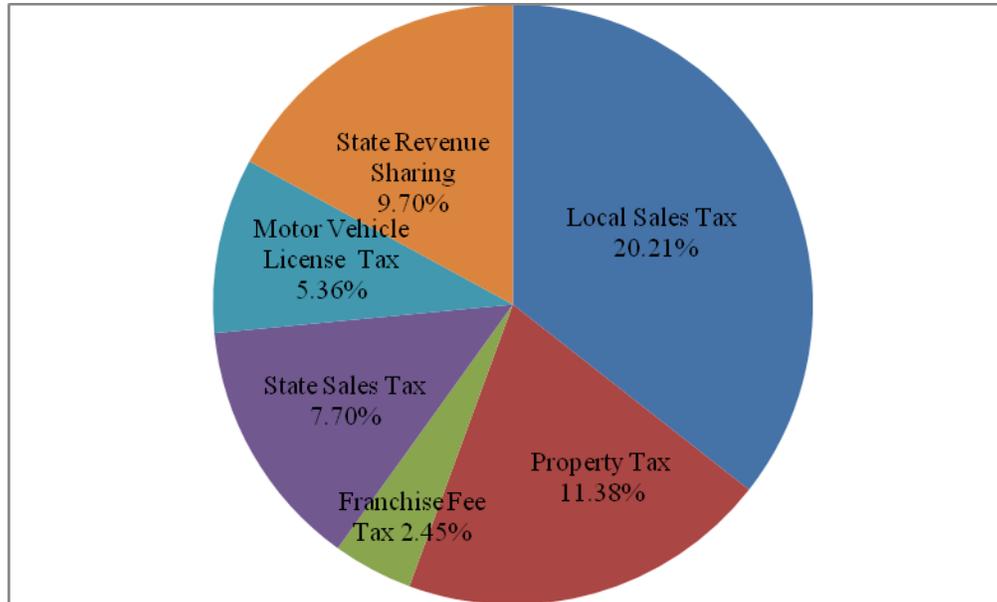
Revenues for the Town's governmental activities total \$3,692,483, a 22.81% increase from 2010. Local taxes are the largest revenue source for governmental activities, accounting for 34.04% of total revenues. State Shared Revenues account for 22.76% of the total revenues. Charges for Services contribute 17.54% of the total revenues, along with operating grants, which are comprised mostly of HURF and the Walton Family Foundation Grant revenues, contributing 14.27% of the total revenues. Yavapai County Flood Control and RICO funds made up the majority of the Capital Grants and Contributions which was 9.87% of total revenues. Miscellaneous revenues make up 1.45% and Investment Earnings make up .06%



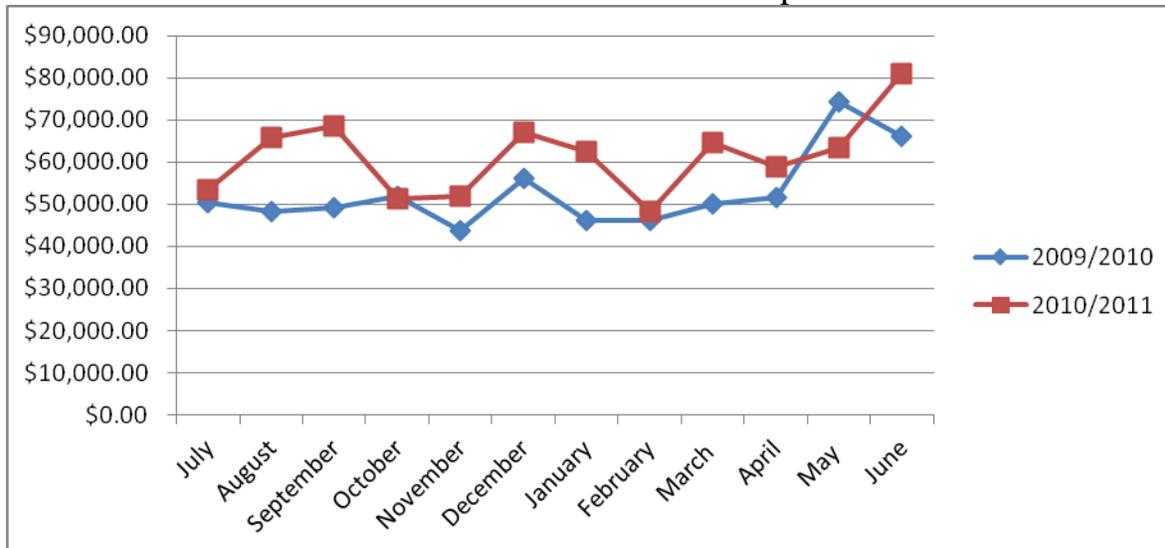
The two largest revenue sources were local taxes and state shared revenues with a total percentage of revenues equaling 56.80%. The local tax revenue of \$1,256,919 consists of local sales tax = 20.21%, property tax = 11.38%, and franchise taxes = 2.45%. The state shared revenues of \$840,574, consist of state revenue sharing = 9.70%, state sales tax = 7.70%, and motor vehicle tax with 5.36%.

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Tax Distributions



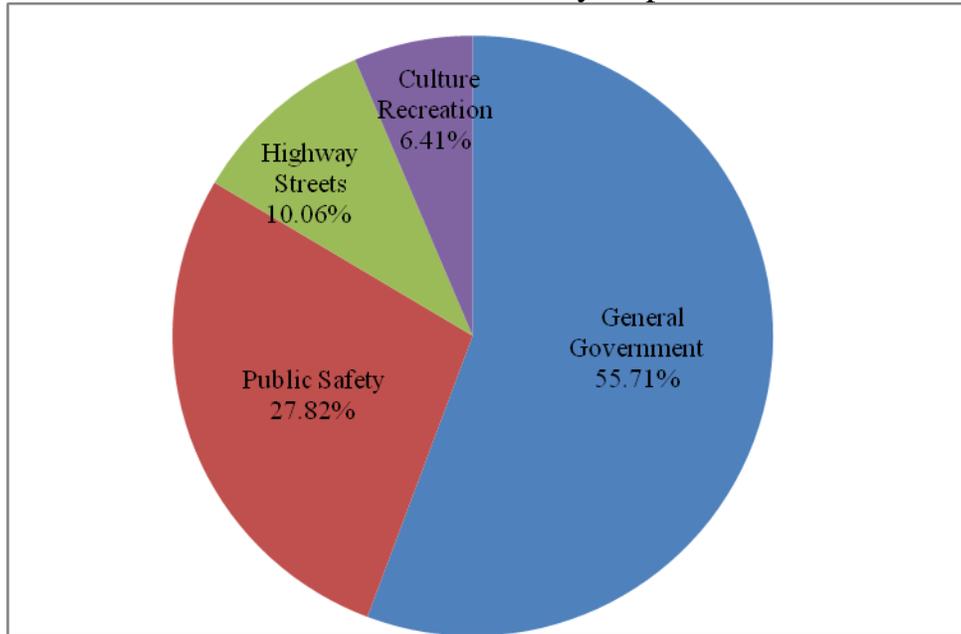
Local Sales Tax Collection Comparison



Expenditures for the Town's governmental activities total \$3,020,760. Public Safety activities account for 27.82%, Highway and Streets spent 10.06% of the expenditures, Culture and Recreation 6.41%, and General Government services accounted for 55.71% of total expenditures for 2011. General Government services include Administration, Community Services, Community Development and Finance.

TOWN OF CLARKDALE, ARIZONA
Management's Discussion and Analysis
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Governmental Activity Expense



Net Cost of Town of Clarkdale Activities

Governmental Activities

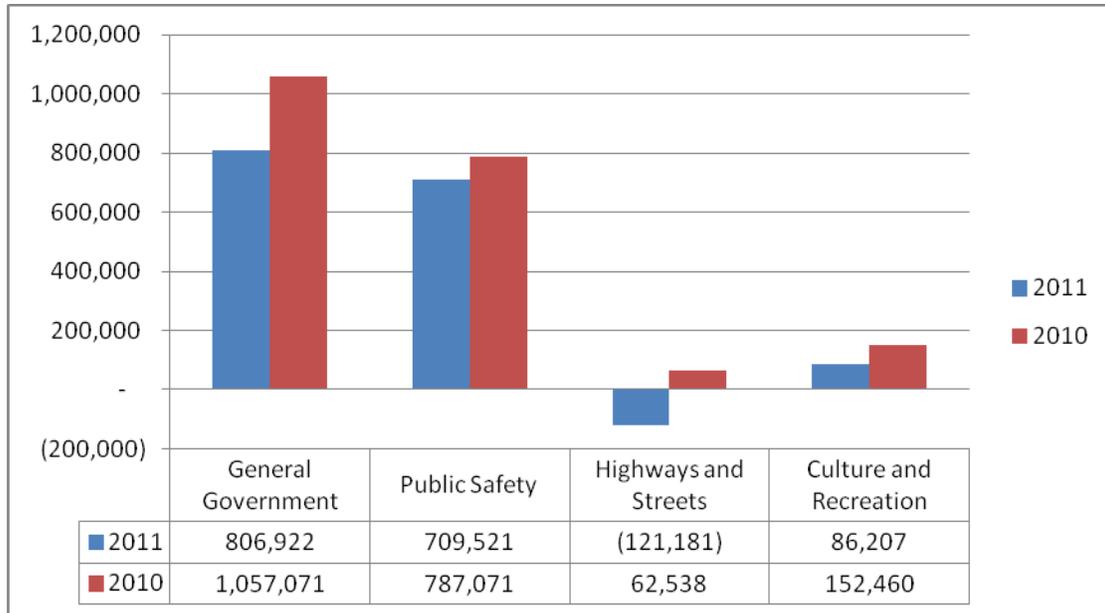
The following table presents the total cost of each of the Town's activities as well as their net cost. The net costs are the total costs less fees generated by the activities, direct intergovernmental aid, and capital grants and contributions. The actual net cost of services in 2011 was \$1,481,469, which is 38.99% less than in 2010 which is a result of the direct revenues of \$1,539,291 which was an increase of 42.48% from 2010. This was a result of the HURF, Walton Family Foundation Grant, Yavapai County Flood Control, RICO, pool donations, and various other grants and contributions in 2011.

Net Cost of Services – Governmental Activities

	Cost of Services		Direct Revenues		Net Cost of Services	
	2011	2010	2011	2010	2011	2010
General Government	1,682,836	1,238,450	875,914	181,379	806,922	1,057,071
Public Safety	840,253	943,255	130,732	156,184	709,521	787,071
Highways and Streets	303,945	558,452	425,126	495,914	(121,181)	62,538
Culture and Recreation	<u>193,726</u>	<u>204,349</u>	<u>107,519</u>	<u>51,889</u>	<u>86,207</u>	<u>152,460</u>
Total	3,020,760	2,944,506	1,539,291	885,366	1,481,469	2,059,140

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Net Cost of Services – Governmental Activities



Business-type Activities

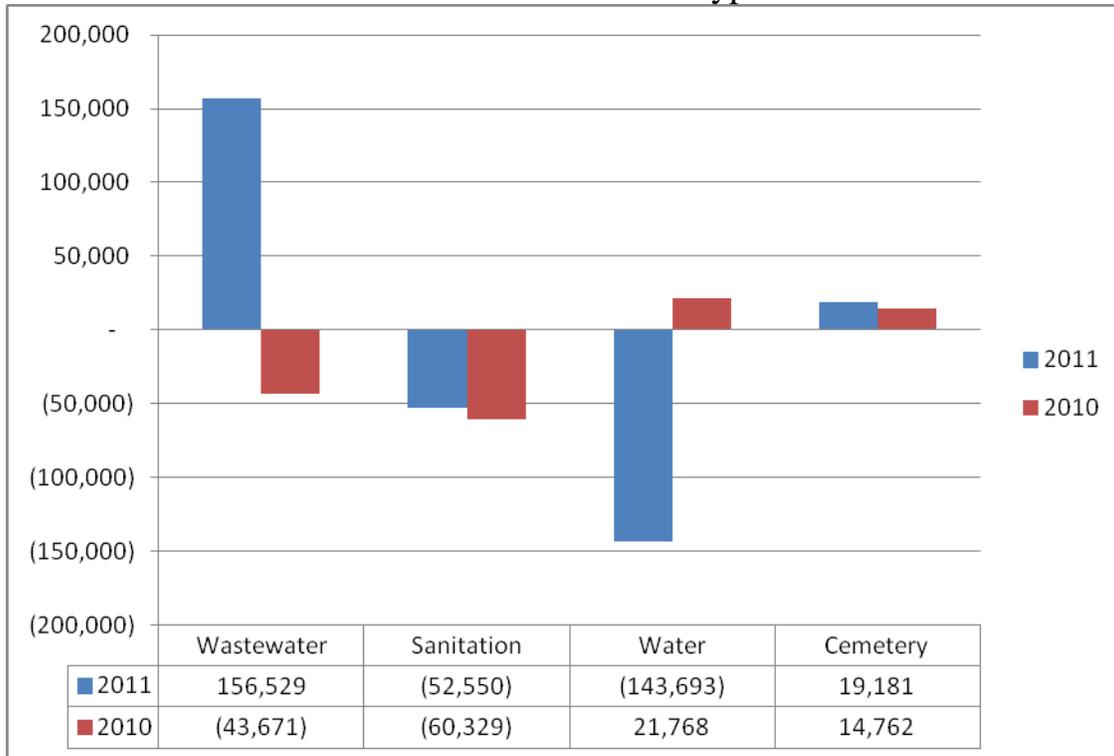
The wastewater program net cost increased from \$(43,671) in 2010 to \$156,529 in 2011. The increase of net cost was mainly due to a \$220,000 sludge removal project during 2011. Net cost of the water program decreased by \$156,461, to \$(143,693). This was a result of operating revenues increasing due to the a water rate increase in July of 2011 along with an new water replacement surcharge in order to collect fees for depreciation costs.

Net Cost of Service – Business-Type Activities

	Program Expenses		Program Revenues		Net Cost of Program	
	2011	2010	2011	2010	2011	2010
Wastewater	555,675	354,264	399,146	397,935	156,529	(43,671)
Sanitation	223,201	214,114	275,751	274,443	(52,550)	(60,329)
Water	1,170,906	1,185,308	1,314,599	1,163,540	(143,693)	21,768
Cemetery	<u>51,726</u>	<u>39,367</u>	<u>32,545</u>	<u>24,605</u>	<u>19,181</u>	<u>14,762</u>
Total	2,001,508	1,793,053	2,022,041	1,860,523	(20,533)	(67,470)

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Net Cost of Service – Business-Type Activities



Town of Clarkdale's Capital Assets

In the governmental-wide financial statement capital assets are defined as assets with an initial cost of more than \$5,000 and a useful life greater than one-year.

The Town had capital assets of \$2,362,518 in the governmental activities and \$8,668,947 in the business-type activities for a total of \$11,031,465 at the end of 2011. The largest investment in capital assets was the wastewater plant and equipment. Of the total capital assets, the governmental activities account for 21.42% and the business-type activities total 78.58%. The business-type activities represent the water utility with 48.18% of the business-type net capital assets and the sewer utility having 51.82% of the business-type net capital assets. 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.

Major capital asset events during the current fiscal year included additions and improvements to the water and wastewater infrastructure.

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Capital Assets

	Governmental		Business-type		Total	
	Activities		Activities			
	2011	2010	2011	2010	2011	2010
Capital Assets Not Being Depreciated						
Land	563,785	563,785	491,929	491,929	1,055,714	1,055,714
Construction in Progress			-	799,578	-	799,578
Capital Assets Not Being Depreciated	563,785	563,785	491,929	1,291,507	1,055,714	1,855,292
Capital Assets Being Depreciated						
Buildings and Improvements	1,919,980	1,825,528			1,919,980	1,825,528
Infrastructure	871,119	751,529			871,119	751,529
Machinery and Equipment	634,827	634,827			634,827	634,827
Vehicles	481,583	402,248			481,583	402,248
Sewer Plant and Equipment			5,164,831	4,451,604	5,164,831	4,451,604
Water Distribution System	-	-	5,343,265	3,576,017	5,343,265	3,576,017
Total	3,907,509	3,614,132	10,508,096	8,027,621	14,415,605	11,641,753
Accumulated Depreciation						
Buildings and Improvements	1,207,890	1,158,471			1,207,890	1,158,471
Infrastructure	182,458	125,550			182,458	125,550
Machinery and Equipment	395,479	332,063			395,479	332,063
Vehicles	322,949	279,306			322,949	279,306
Sewer			927,219	864,089	927,219	864,089
Water	-	-	1,403,859	1,166,526	1,403,859	1,166,526
Total Depreciation	2,108,776	1,895,390	2,331,078	2,030,615	4,439,854	3,926,005
Net Total Capital Assets Being Depreciated	1,798,733	1,718,742	8,177,018	5,997,006	9,975,751	7,715,748
TOTAL CAPITAL ASSETS	2,362,518	2,282,527	8,668,947	7,288,513	11,031,465	9,571,040

Long Term Liabilities

Long-term Liabilities

At the end of the current fiscal year, the Town of Clarkdale had total long-term obligations outstanding of \$7,567,015, of which Governmental activities were 4.11% and Business-type activities accounted for 95.89%. All notes and bonds payable are secured by pledges of specific

TOWN OF CLARKDALE, ARIZONA
Management's Discussion and Analysis
June 30, 2011

revenue sources of the Town, with the Business-type activities liabilities payable by revenues from user fees of those funds.

Long Term Liabilities

	2011	2010
Governmental Activities		
Compensated absences	89,186	108,111
Capital leases payable	26,663	101,690
Notes payable	195,000	225,000
Long-term Liabilities	<u>310,849</u>	<u>434,801</u>
Business-type Activities		
Compensated absences	32,360	30,203
Capital leases payable	54,550	67,022
Bonds payable	240,000	265,000
Notes payable	6,745,000	6,905,000
Deferred amount on premium	184,256	191,933
Long-term Liabilities	<u>7,256,166</u>	<u>7,459,158</u>
Total Long Term Liabilities	7,567,015	7,893,959

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, unrestricted fund balance serves as a useful measure of a government's net resources available for spending at the end of the fiscal year. At the end of the current fiscal year the Town's total governmental funds reported combined ending fund balances of \$1,261,316, an increase of \$713,948 in comparison with the prior year. The General Fund balances of the Town increased by \$249,558 and the Developer Reimbursement Fund increased by \$505,859 during the current fiscal year due to the repayment of developer reimbursement fees. The HURF fund increase in fund balance of \$58,070 will fund planned projects in 2012.

TOWN OF CLARKDALE, ARIZONA
Management's Discussion and Analysis
June 30, 2011

At fiscal year-end fund balances were as follows:

Change in Fund Balance/Net Assets

	2011	2010	Change
Governmental			
General Fund	387,671	138,113	249,558
HURF Fund	139,211	81,141	58,070
Developer Reimbursement	573,304	67,445	505,859
Grants	29,767	18,977	10,790
Other Governmental Funds	131,363	241,692	(110,329)
Total	1,261,316	547,368	713,948
Business Type			
Wastewater Fund	2,156,028	2,340,648	(184,620)
Sanitation Fund	128,966	143,608	(14,642)
Water Fund	611,004	511,872	99,132
Cemetery Fund	19,774	(81,286)	101,060
Total	2,915,772	2,914,842	930

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 27-31. These statements compare the original adopted budget, the budget if amended throughout the fiscal year, and the actual expenditures prepared on a budgetary basis.

General Fund actual revenues of \$2,278,296 were lower than budgeted revenues of \$2,410,865 by \$132,569, or 5.50% while General Fund actual expenditures of \$2,185,689, were lower than budgeted expenditures of \$2,594,099 by \$408,410, or 15.74%. The revenue variances were primarily due to the continued economic downturn reflected in sales tax revenues and permits being lower than expected. Expenditures were reduced to reflect the revenue shortfall mainly through the continued implementation a 10% furlough program and continued department reorganizations due to non replacement of vacated positions.

TOWN OF CLARKDALE, ARIZONA
Management's Discussion and Analysis
June 30, 2011

ECONOMIC FACTORS FOR NEXT YEAR

- ❖ The 10% furlough program for all staff, including Council, will be continued.
- ❖ The swimming pool will not open unless pool fundraisers raise operating funds.
- ❖ A WIFA Loan Agreement will be approved for the design and construction of a new wastewater treatment plant.
- ❖ Wastewater rates will be raised to cover the required debt service for the new wastewater treatment plant.
- ❖ A variety of road projects will be started from a variety of federal and state funding sources.
- ❖ The Police Chief, Public Works Superintendent, Planner, and Police Officer positions are scheduled to be filled.

Contacting The Town's Financial Management

This financial report is designed to provide a general overview of the Town's finances for all of those with an interest 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 Clarkdale
Finance Department
P.O. Box 308
Clarkdale, AZ 86324
(928) 639-2400

Or visit our website at:
<http://www.clarkdale.az.us>

Vision Statement: A Place That Makes Sense

Mission Statement: The Town of Clarkdale Provides Visionary, Innovative, Sensible Governance; Responsible and Resourceful Delivery of Services; and a Sustainable Quality of Life in an Engaging Community of Citizens and Enterprise

TOWN OF CLARKDALE, ARIZONA
Statement of Net Assets
June 30, 2011

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,535,759	\$ 2,242,481	\$ 3,778,240
Cash and cash equivalents - restricted	-	1,872,970	1,872,970
Accounts receivable - net	-	95,430	95,430
Taxes receivable	97,853	-	97,853
Due from other governments	84,689	-	84,689
Other accounts receivable	2,128	95,045	97,173
Bond issue costs, net	-	4,944	4,944
Deferred charges, net	-	470,334	470,334
Capital assets, not being depreciated	563,785	491,929	1,055,714
Capital assets, being depreciated, net	<u>1,798,733</u>	<u>8,177,018</u>	<u>9,975,751</u>
Total assets	<u>4,082,947</u>	<u>13,450,151</u>	<u>17,533,098</u>
LIABILITIES			
Accounts payable	71,447	35,389	106,836
Accrued expenses	40,591	11,147	51,738
Interest payable	-	7,518	7,518
Deferred revenue	326,890	3,136,449	3,463,339
Refundable deposits	-	87,710	87,710
Noncurrent liabilities			
Due within 1 year	96,663	60,039	156,702
Due in more than 1 year	<u>214,186</u>	<u>7,196,127</u>	<u>7,410,313</u>
Total liabilities	<u>749,777</u>	<u>10,534,379</u>	<u>11,284,156</u>
NET ASSETS			
Invested in capital assets, net of related debt	2,140,855	4,206,173	6,347,028
Restricted for:			
Debt service	-	99,024	99,024
System improvements	-	206,030	206,030
Highways and streets	139,211	-	139,211
Development	55,338	-	55,338
Unrestricted (deficit)	<u>997,766</u>	<u>(1,595,455)</u>	<u>(597,689)</u>
Total net assets	<u>\$ 3,333,170</u>	<u>\$ 2,915,772</u>	<u>\$ 6,248,942</u>

The accompanying notes are an integral part of these financial statements

TOWN OF CLARKDALE, ARIZONA
Statement of Activities
Year Ended June 30, 2011

Functions / Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary government:							
Governmental activities							
General government	\$ 1,682,836	\$ 611,513	\$ 208,439	\$ 55,962	\$ (806,922)	\$ -	\$ (806,922)
Public safety	840,253	17,543	1,915	111,274	(709,521)	-	(709,521)
Highways and streets	303,945	16,055	279,084	129,987	121,181	-	121,181
Culture and recreation	193,726	2,633	37,576	67,310	(86,207)	-	(86,207)
Total governmental activities	<u>3,020,760</u>	<u>647,744</u>	<u>527,014</u>	<u>364,533</u>	<u>(1,481,469)</u>	<u>-</u>	<u>(1,481,469)</u>
Business-type activities							
Wastewater	555,675	399,146	-	-	-	(156,529)	(156,529)
Sanitation	223,201	275,751	-	-	-	52,550	52,550
Water	1,170,906	1,310,428	-	4,171	-	143,693	143,693
Cemetery	51,726	32,545	-	-	-	(19,181)	(19,181)
Total business-type activities	<u>2,001,508</u>	<u>2,017,870</u>	<u>-</u>	<u>4,171</u>	<u>-</u>	<u>20,533</u>	<u>20,533</u>
Total primary government	<u>\$ 5,022,268</u>	<u>\$ 2,665,614</u>	<u>\$ 527,014</u>	<u>\$ 368,704</u>	<u>(1,481,469)</u>	<u>20,533</u>	<u>(1,460,936)</u>
General revenue:							
Taxes:							
Sales Taxes					746,354	-	746,354
Property taxes					420,065	-	420,065
Franchise tax					90,500	-	90,500
State sales tax revenue sharing					284,290	-	284,290
Auto lieu tax revenue sharing					198,099	-	198,099
State revenue sharing					358,185	-	358,185
Investment income					2,142	10,053	12,195
Miscellaneous					53,557	-	53,557
Transfers					29,656	(29,656)	-
Total general revenue					<u>2,182,848</u>	<u>(19,603)</u>	<u>2,163,245</u>
Change in net assets					701,379	930	702,309
Net assets, July 1, 2010					2,631,791	2,914,842	5,546,633
Net assets, June 30, 2011					<u>\$ 3,333,170</u>	<u>\$ 2,915,772</u>	<u>\$ 6,248,942</u>

The accompanying notes are an integral part of these financial statements

TOWN OF CLARKDALE, ARIZONA
Balance Sheet
Governmental Funds
June 30, 2011

	General Fund	HURF/LTAF Fund	Developer Reimbursement Fund	Grants Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 324,526	\$ 120,426	\$ 779,933	\$ 180,723	\$ 130,151	\$ 1,535,759
Taxes receivable	97,853	-	-	-	-	97,853
Due from other governments	45,227	27,268	-	9,598	2,596	84,689
Other receivable	-	-	2,128	-	-	2,128
Total assets	\$ 467,606	\$ 147,694	\$ 782,061	\$ 190,321	\$ 132,747	\$ 1,720,429
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	\$ 34,496	\$ 6,187	\$ 1,917	\$ 28,572	\$ 275	\$ 71,447
Accrued expenses	33,602	2,296	237	3,347	1,109	40,591
Deferred revenue	11,837	-	206,603	128,635	-	347,075
Total liabilities	79,935	8,483	208,757	160,554	1,384	459,113
Fund balances						
Restricted for:						
Highways and streets	-	139,211	-	-	-	139,211
Civic development	-	-	-	-	9,210	9,210
Park development	-	-	-	-	10,001	10,001
Police development	-	-	-	29,767	4,740	34,507
Library development	-	-	-	-	1,620	1,620
Assigned for:						
Special development	-	-	573,304	-	-	573,304
Perpetual care	-	-	-	-	105,792	105,792
Culture and recreation	54,881	-	-	-	-	54,881
Park land	10,251	-	-	-	-	10,251
Pool plastering	14,090	-	-	-	-	14,090
Police vehicle	35,000	-	-	-	-	35,000
Unassigned	273,449	-	-	-	-	273,449
Total fund balances	387,671	139,211	573,304	29,767	131,363	1,261,316
Total liabilities and fund balances	\$ 467,606	\$ 147,694	\$ 782,061	\$ 190,321	\$ 132,747	\$ 1,720,429

The accompanying notes are an integral part of these financial statements

TOWN OF CLARKDALE, ARIZONA
Reconciliation of the Balance Sheet to the Statement of Net Assets
Governmental Funds
June 30, 2011

Fund balances--total governmental funds		\$ 1,261,316
<p>Amounts reported for governmental activities in the Statement of Net Assets are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.</p>		
Capital assets	4,471,294	
Less accumulated depreciation	<u>(2,108,776)</u>	2,362,518
<p>Some receivables are not available to pay for current-period expenditures and therefore, are deferred in the funds.</p>		
Reimbursable grant expenditures	8,348	
Property taxes	<u>11,837</u>	20,185
<p>Some liabilities, including notes payable, are not due and payable in the current period and therefore, are not reported in the funds</p>		
Compensated absences	(89,186)	
Notes payable	(195,000)	
Capital leases	<u>(26,663)</u>	<u>(310,849)</u>
Net assets of governmental activities		<u><u>\$ 3,333,170</u></u>

The accompanying notes are an integral part of these financial statements

TOWN OF CLARKDALE, ARIZONA
Statement of Revenue, Expenditures, and Changes in Fund Balance
Governmental Funds
Year Ended June 30, 2011

	General Fund	HURF/LTAF Fund	Developer Reimbursement Fund	Grants Fund	Other Governmental Funds	Total Governmental Fund
Revenue						
Taxes	\$ 1,245,082	\$ -	\$ -	\$ -	\$ -	\$ 1,245,082
Intergovernmental	869,729	279,084	-	479,834	53,993	1,682,640
Fines and forfeitures	19,777	-	-	-	-	19,777
Licenses and permits	31,687	-	-	-	-	31,687
Charges for services	182	-	788,683	-	-	788,865
Rental income	3,371	16,055	-	-	-	19,426
Contributions	65,103	-	-	-	-	65,103
Investment income	1,873	146	-	-	123	2,142
Other revenue	41,492	241	-	-	12,540	54,273
Total revenue	<u>2,278,296</u>	<u>295,526</u>	<u>788,683</u>	<u>479,834</u>	<u>66,656</u>	<u>3,908,995</u>
Expenditures						
Current						
General government	1,154,887	-	243,324	276,288	-	1,674,499
Public safety	775,930	-	-	58,491	53,571	887,992
Highways and streets	-	211,736	-	119,917	-	331,653
Culture and recreation	178,425	-	-	34,890	-	213,315
Debt service						
Principal	66,760	38,267	-	-	-	105,027
Interest	9,687	2,530	-	-	-	12,217
Total expenditures	<u>2,185,689</u>	<u>252,533</u>	<u>243,324</u>	<u>489,586</u>	<u>53,571</u>	<u>3,224,703</u>
Excess (deficiency) of revenue over (under) expenditures	<u>92,607</u>	<u>42,993</u>	<u>545,359</u>	<u>(9,752)</u>	<u>13,085</u>	<u>684,292</u>
Other financing sources						
Transfers in (out)	<u>156,951</u>	<u>15,077</u>	<u>(39,500)</u>	<u>20,542</u>	<u>(123,414)</u>	<u>29,656</u>
Total other financing sources	<u>156,951</u>	<u>15,077</u>	<u>(39,500)</u>	<u>20,542</u>	<u>(123,414)</u>	<u>29,656</u>
Net change in fund balances	<u>249,558</u>	<u>58,070</u>	<u>505,859</u>	<u>10,790</u>	<u>(110,329)</u>	<u>713,948</u>
Fund balances, July 1, 2010	<u>138,113</u>	<u>81,141</u>	<u>67,445</u>	<u>18,977</u>	<u>241,692</u>	<u>547,368</u>
Fund balances, June 30, 2011	<u>\$ 387,671</u>	<u>\$ 139,211</u>	<u>\$ 573,304</u>	<u>\$ 29,767</u>	<u>\$ 131,363</u>	<u>\$ 1,261,316</u>

The accompanying notes are an integral part of these financial statements

TOWN OF CLARKDALE, ARIZONA
Reconciliation of the Statement of Revenue, Expenditures,
and Changes in Fund Balances to the Statement of Activities
Governmental Funds
Year Ended June 30, 2011

Net change in fund balances--total governmental funds \$ 713,948

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.

Capital outlay	293,377	
Depreciation expense	(213,386)	
		79,991

Governmental funds report revenues when available for
financing current expenditures whereas the
Statement of Activities report revenues when earned.

Prior year unavailable deferred revenue	(228,349)
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Revenues in the Statement of Activities that do not provide
current financial resources are not reported as revenues
in the funds.

Property taxes	11,837	
		11,837

Debt proceeds provide current financial resources to
governmental funds, but issuing debt increases long-term
liabilities in the Statement of Net Assets.

Repayment of debt principal is an expenditure in the
governmental funds, but the repayment reduces
long-term liabilities in the Statement of Net Assets.

Principal repaid	105,027
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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
governmental funds.

Change in compensated absences	18,925

Change in net assets of governmental activities	\$ 701,379

The accompanying notes are an integral part of these financial statements

TOWN OF CLARKDALE, ARIZONA
Statement of Net Assets
Proprietary Funds
June 30, 2011

	Business-type Activities--Enterprise Funds				Total
	Wastewater Fund	Sanitation Fund	Water Fund	Cemetery Fund	
ASSETS					
Current assets					
Cash and cash equivalents	\$ 987,211	\$ 135,975	\$ 1,119,295	\$ -	\$ 2,242,481
Cash and cash equivalents - restricted	99,024	-	1,721,661	52,285	1,872,970
Accounts receivable - net	15,711	11,068	46,222	22,429	95,430
Other accounts receivable	-	-	95,045	-	95,045
Due from other funds	1,883	-	-	-	1,883
Total current assets	<u>1,103,829</u>	<u>147,043</u>	<u>2,982,223</u>	<u>74,714</u>	<u>4,307,809</u>
Noncurrent assets					
Bond issue costs, net	4,944	-	-	-	4,944
Deferred charges, net	-	-	470,334	-	470,334
Capital assets, net of accumulated depreciation, where applicable:					
Land	208,560	-	283,369	-	491,929
Buildings, net	125,136	-	-	-	125,136
Utility systems, net	4,103,097	-	3,881,898	-	7,984,995
Equipment, net	9,380	-	57,507	-	66,887
Capital assets, net	<u>4,446,173</u>	<u>-</u>	<u>4,222,774</u>	<u>-</u>	<u>8,668,947</u>
Total noncurrent assets	<u>4,451,117</u>	<u>-</u>	<u>4,693,108</u>	<u>-</u>	<u>9,144,225</u>
Total assets	<u>5,554,946</u>	<u>147,043</u>	<u>7,675,331</u>	<u>74,714</u>	<u>13,452,034</u>
LIABILITIES					
Current liabilities					
Accounts payable	4,509	16,445	14,047	388	35,389
Accrued expenses	3,081	502	7,180	384	11,147
Interest payable	7,518	-	-	-	7,518
Deferred revenue	3,128,068	1,130	7,251	-	3,136,449
Refundable deposits	-	-	35,425	52,285	87,710
Due to other funds	-	-	-	1,883	1,883
Compensated absences, current	10,700	-	11,300	-	22,000
Bonds payable, current	25,000	-	-	-	25,000
Leases payable, current	-	-	13,039	-	13,039
Total current liabilities	<u>3,178,876</u>	<u>18,077</u>	<u>88,242</u>	<u>54,940</u>	<u>3,340,135</u>
Noncurrent liabilities					
Compensated absences	5,042	-	5,318	-	10,360
Bonds payable	215,000	-	-	-	215,000
Leases payable	-	-	41,511	-	41,511
Notes payable	-	-	6,929,256	-	6,929,256
Total noncurrent liabilities	<u>220,042</u>	<u>-</u>	<u>6,976,085</u>	<u>-</u>	<u>7,196,127</u>
Total liabilities	<u>3,398,918</u>	<u>18,077</u>	<u>7,064,327</u>	<u>54,940</u>	<u>10,536,262</u>
Net assets					
Invested in capital assets, net of related debt	4,206,173	-	-	-	4,206,173
Restricted for:					
Debt service	99,024	-	-	-	99,024
System improvements	-	-	206,030	-	206,030
Unrestricted (deficit)	<u>(2,149,169)</u>	<u>128,966</u>	<u>404,974</u>	<u>19,774</u>	<u>(1,595,455)</u>
Total net assets	<u>\$ 2,156,028</u>	<u>\$ 128,966</u>	<u>\$ 611,004</u>	<u>\$ 19,774</u>	<u>\$ 2,915,772</u>

The accompanying notes are an integral part of these financial statements

TOWN OF CLARKDALE, ARIZONA
Statement of Revenue, Expenses, and Changes in Fund Net Assets
Proprietary Funds
Year Ended June 30, 2011

	Business-type Activities--Enterprise Funds				Total
	Wastewater Fund	Sanitation Fund	Water Fund	Cemetery Fund	
Operating revenue					
Charges for services	\$ 399,146	\$ 275,751	\$ 1,310,428	\$ 32,545	\$ 2,017,870
Total operating revenue	<u>399,146</u>	<u>275,751</u>	<u>1,310,428</u>	<u>32,545</u>	<u>2,017,870</u>
Operating expenses					
Personnel	121,790	17,173	335,187	27,862	502,012
Depreciation	63,130	-	237,333	-	300,463
Repairs and maintenance	16,448	1,146	101,405	12,140	131,139
Professional services	4,228	199,079	30,944	-	234,251
Utilities	33,526	488	77,049	1,313	112,376
Chemical tests	28,759	-	-	-	28,759
Materials and supplies	14,598	3,401	24,815	5,889	48,703
Amortization	991	-	19,597	-	20,588
Sludge removal	222,869	-	-	-	222,869
Other	27,281	1,914	10,362	2,383	41,940
Insurance	7,020	-	10,057	2,139	19,216
Total operating expenses	<u>540,640</u>	<u>223,201</u>	<u>846,749</u>	<u>51,726</u>	<u>1,662,316</u>
Operating income (loss)	<u>(141,494)</u>	<u>52,550</u>	<u>463,679</u>	<u>(19,181)</u>	<u>355,554</u>
Nonoperating revenue (expenses)					
Investment income	3,476	136	6,192	249	10,053
Interest expense	(15,035)	-	(319,986)	-	(335,021)
Total nonoperating revenue (expenses)	<u>(11,559)</u>	<u>136</u>	<u>(313,794)</u>	<u>249</u>	<u>(324,968)</u>
Income (loss) before contributions, gains, losses, and transfers	(153,053)	52,686	149,885	(18,932)	30,586
Transfers in (out)	(31,567)	(67,328)	(50,753)	119,992	(29,656)
Increase (decrease) in net assets	(184,620)	(14,642)	99,132	101,060	930
Total net assets, July 1, 2010	<u>2,340,648</u>	<u>143,608</u>	<u>511,872</u>	<u>(81,286)</u>	<u>2,914,842</u>
Total net assets, June 30, 2011	<u>\$ 2,156,028</u>	<u>\$ 128,966</u>	<u>\$ 611,004</u>	<u>\$ 19,774</u>	<u>\$ 2,915,772</u>

The accompanying notes are an integral part of these financial statements

TOWN OF CLARKDALE, ARIZONA
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2011

	Business-type Activities--Enterprise Funds				
	Wastewater Fund	Sanitation Fund	Water Fund	Cemetery Fund	Total
Cash flows from operating activities:					
Receipts from customers	\$ 519,102	\$ 278,966	\$ 1,326,972	\$ 43,090	\$ 2,168,130
Payments to suppliers and providers of goods and services	(355,893)	(205,903)	(277,099)	(23,667)	(862,562)
Payments to employees	(119,038)	(16,756)	(332,669)	(27,809)	(496,272)
Net cash provided by (used by) operating activities	<u>44,171</u>	<u>56,307</u>	<u>717,204</u>	<u>(8,386)</u>	<u>809,296</u>
Cash flows from noncapital financing activities:					
Loans (to)/from other funds	111,855	-	-	(111,855)	-
Transfers (to)/from other funds	(31,567)	(67,328)	(50,753)	119,992	(29,656)
Net cash provided by (used by) noncapital financing activities	<u>80,288</u>	<u>(67,328)</u>	<u>(50,753)</u>	<u>8,137</u>	<u>(29,656)</u>
Cash flows from capital and related financing activities:					
Principal paid on long-term debt	(25,000)	-	(180,149)	-	(205,149)
Interest paid	(15,035)	-	(319,986)	-	(335,021)
Purchase of capital assets	(193,860)	-	(1,581,716)	-	(1,775,576)
Net cash provided by (used by) capital and related financing activities	<u>(233,895)</u>	<u>-</u>	<u>(2,081,851)</u>	<u>-</u>	<u>(2,315,746)</u>
Cash flows from investing activities:					
Interest received on investments	3,476	136	6,192	249	10,053
Net cash provided by (used by) investing activities	<u>3,476</u>	<u>136</u>	<u>6,192</u>	<u>249</u>	<u>10,053</u>
Net increase (decrease) in cash and cash equivalents	(105,960)	(10,885)	(1,409,208)	-	(1,526,053)
Cash and cash equivalents, July 1, 2010	<u>1,192,195</u>	<u>146,860</u>	<u>4,250,164</u>	<u>52,285</u>	<u>5,641,504</u>
Cash and cash equivalents, June 30, 2011	<u>\$ 1,086,235</u>	<u>\$ 135,975</u>	<u>\$ 2,840,956</u>	<u>\$ 52,285</u>	<u>\$ 4,115,451</u>
Cash	\$ 987,211	\$ 135,975	\$ 1,119,295	\$ -	\$ 2,242,481
Cash - restricted	99,024	-	1,721,661	52,285	1,872,970
Cash and cash equivalents, June 30, 2011	<u>\$ 1,086,235</u>	<u>\$ 135,975</u>	<u>\$ 2,840,956</u>	<u>\$ 52,285</u>	<u>\$ 4,115,451</u>

The accompanying notes are an integral part of these financial statements

TOWN OF CLARKDALE, ARIZONA
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2011
(Continued)

	Business-type Activities--Enterprise Funds				
	Wastewater Fund	Sanitation Fund	Water Fund	Cemetery Fund	Total
Reconciliation of operating income					
(loss) to net cash provided by					
(used by) operating activities:					
Operating income (loss)	\$ (141,494)	\$ 52,550	\$ 463,679	\$ (19,181)	\$ 355,554
Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating activities:					
Amortization	991	-	19,597	-	20,588
Depreciation	63,130	-	237,333	-	300,463
Bad debt	4,297	4,052	12,477	-	20,826
(Increase) decrease in:					
Accounts receivable	(760)	(837)	3,563	10,545	12,511
Increase (decrease) in:					
Accounts and other payables	(1,164)	125	(22,467)	197	(23,309)
Accrued expenses	1,508	417	1,605	53	3,583
Deferred revenue	116,419	-	(1,196)	-	115,223
Refundable deposits	-	-	1,700	-	1,700
Compensated absences	1,244	-	913	-	2,157
Net cash provided by (used for)					
operating activities	<u>\$ 44,171</u>	<u>\$ 56,307</u>	<u>\$ 717,204</u>	<u>\$ (8,386)</u>	<u>\$ 809,296</u>

The accompanying notes are an integral part of these financial statements

TOWN OF CLARKDALE, ARIZONA
Notes to Financial Statements
June 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Town of Clarkdale, 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 general purpose local government that is governed by a separately elected Town Council. The accompanying financial statements present the activities of the Town (the primary government) and its component units.

Component units are legally separate 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. Therefore, data from these units is combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the combined financial statements to emphasize they are legally separate from the Town. The Town has no discretely presented component units. The following is a discussion of the Town’s blended component unit.

The Town of Clarkdale Municipal Property Corporation (MPC) is a nonprofit corporation incorporated under the laws of the State of Arizona. The principal objective of the MPC is to assist the Town of Clarkdale, Arizona, in acquiring financing for various projects of the Town. The Town has a “moral obligation” for the repayment of the MPC’s bonds. The MPC’s board of directors consists of three members, all of which are appointed by the Town of Clarkdale, Arizona’s Town Council.

B. Basis of Presentation

The basic financial statements include both government-wide statements and fund financial statements. The government-wide statements focus on the Town as a whole, while the fund financial statements focus on major funds. Each presentation provides valuable information that can be analyzed and compared between years and between governments to enhance the usefulness of the information.

Government-wide statements—provide information about the primary government (the Town). The statements include a statement of net assets and a statement of activities. These statements report the financial activities of the overall government, except for fiduciary activities. They also distinguish between the governmental and business-type activities of the Town. Governmental activities generally are financed through taxes and intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties.

TOWN OF CLARKDALE, ARIZONA
Notes to Financial Statements
June 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

A statement of activities presents a comparison between direct expenses and program revenues for each function of the Town's governmental activities and each segment of its business-type activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The Town does not allocate indirect expenses to programs or functions. Program revenues include charges to customers for goods or services, operating grants, capital grants and contributions. Revenues that are not classified as program revenues, including internally dedicated resources and all taxes, are reported as general revenues.

Generally, the effect of interfund activity has been eliminated from the government-wide financial statements to minimize the double counting of internal activities. However, charges for interfund services provided and used are not eliminated if the prices approximate their external exchange values.

Fund financial statements—provide information about the Town's funds. Separate statements are presented for the governmental and proprietary fund categories. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from transactions associated with the fund's principal activity in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from transactions in which the parties do not exchange equal values. Revenues generated by ancillary activities are also reported as nonoperating revenues.

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/LTAF Fund*** accounts for specific revenue received from the State of Arizona Highway Revenue Fund and from the State of Arizona Local Transportation assistance Fund which are legally restricted to expenditures for street purposes.

The ***Developer Reimbursement Fund*** accounts for specific revenues received from developers through special development contracts in which certain development costs are reimbursable by the developer and are accounted for in this fund.

The ***Grants Fund*** accounts for specific revenues sources that are restricted to expenditures for specified purposes as defined by the grantor.

TOWN OF CLARKDALE, ARIZONA
Notes to Financial Statements
June 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

The Town reports the following major enterprise funds:

The ***Wastewater Fund*** accounts for the costs to operate, construct, and finance the Town's wastewater treatment system.

The ***Sanitation Fund*** accounts for the costs to operate and finance the Town's contracted sanitation operations. The Town does not operate a landfill.

The ***Water Fund*** accounts for the costs to operate and finance the Town's water system.

The ***Cemetery Fund*** accounts for the costs to operate the Town's cemetery. The perpetual care of the cemetery is accounted for in a governmental fund.

C. Basis of Accounting

The government-wide and proprietary fund financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Grants and donations are recognized as revenue as soon as all eligibility requirements the provider imposed have been met.

Governmental funds in the fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Town considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, compensated absences, and landfill closure and post closure care costs, which are recognized as expenditures to the extent they are due and payable. General capital asset acquisitions are reported as expenditures in governmental funds. Issuances of general long-term debt and acquisitions under capital lease agreements are reported as other financing sources.

The Town's business-type activities and enterprise funds follow FASB Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins issued on or after November 30, 1989, unless those pronouncements conflict with GASB pronouncements.

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

TOWN OF CLARKDALE, ARIZONA
Notes to Financial Statements
June 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

D. Cash and Investments

For purposes of its statement of cash flows, the Town considers only those highly liquid investments with a maturity of 3 months or less when purchased to be cash equivalents.

Nonparticipating interest-earning investment contracts are stated at cost. Money market investments and participating interest-earning investment contracts with a remaining maturity of 1 year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value.

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 such monies is allocated to each of the funds based on the average daily cash balances.

The Town does not have a formal policy regarding the various risks associated with its deposits and investments.

E. Property Tax Calendar

Property taxes are levied on or before the third Monday in August and are payable in two equal installments. The first installment is due on the first day of October and becomes delinquent after the first business day of November. The second installment is due on the first day of March of the next year and becomes delinquent after the first business day of May.

A lien assessed against real property assessed attaches on the first day of January preceding assessment and levy thereof.

F. Allowance for Uncollectible Accounts

Allowances for uncollectible accounts receivable are estimated by the Town. The amount recorded as uncollectible at June 30, 2011 in the Wastewater, Sanitation, Water, and Cemetery Funds were \$7,715, \$5,435, \$22,699, and \$0, respectively.

G. Capital Assets

Capital assets are reported at actual cost. Donated assets are reported at estimated fair value at the time received.

TOWN OF CLARKDALE, ARIZONA
Notes to Financial Statements
June 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life (years)
Land	\$5,000	N/A	-
Construction in progress	5,000	N/A	-
Buildings	5,000	Straight-line	25 - 30
Improvements	5,000	Straight-line	18 - 75
Water distribution system	5,000	Straight-line	5 - 30
Sewer plant	5,000	Straight-line	75
Infrastructure	5,000	Straight-line	15
Furniture, machinery, and equipment	5,000	Straight-line	5 - 10
Vehicles	5,000	Straight-line	5 - 10

H. Fund Balance Reporting

The Governmental Accounting Standards Board (GASB) Statement No. 54 requires fund balances to be properly reported within one of the fund balance categories listed below:

1. *Nonspendable* fund balance includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact such as fund balance associated with inventories, prepaids, long-term loans and notes receivable (unless the proceeds are restricted, committed, or assigned),
2. *Restricted* fund balance includes amounts that can be spent only for the specific purposes stipulated by constitution provisions or enabling legislation, or external resource providers,
3. *Committed* fund balance includes amounts that can be used only for the specific purposes determined by a formal action of the Town’s Town Council,
4. *Assigned* fund balances are intended to be used by the Town for specific purposes but do not meet the criteria to be classified as restricted or committed, and
5. *Unassigned* fund balance is the residual classification for the Town’s governmental funds and includes all spendable amounts not contained in other classifications.

The Town’s policy for committed fund balances is through formal Town resolutions passed through the elected town council. The process of rescinding a committed fund balance requires the same process.

TOWN OF CLARKDALE, ARIZONA
Notes to Financial Statements
June 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

The Town's policy for assigned fund balances is through motions passed by the elected town council. Assigned fund balances do not require a formal resolution.

When expenditures incur for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, the Town's policy is to apply the expenditure first to restricted, and then to unrestricted in the following order of committed, assigned, and then unassigned.

I. Investment Income

Investment income is composed of interest, dividends, and net changes in the fair value of applicable investments.

J. Compensated Absences

Compensated absences consist of compensated time-off earned by employees based on services already rendered. There are three types of compensated time-off available to full-time employees: Illness Bank (IB), Paid Time Off (PTO), and Comp Time. Upon termination of employment, all unused and eligible IB, PTO, and Comp Time benefits are paid to employees. Accordingly, such benefits are accrued as a liability in the financial statements.

NOTE 2 – DEPOSITS AND INVESTMENTS

Arizona Revised Statutes (A.R.S.) authorize the Town to invest public monies in the State Treasurer's investment pool; U.S. Treasury obligations; specified state and local government bonds; and interest-earning investments such as savings accounts, certificates of deposit, and repurchase agreements in eligible depositories. The statutes require collateral for demand deposits, certificates of deposit, and repurchase agreements at 101 percent of all deposits not covered by federal depository insurance.

Deposits—At June 30, 2011, the carrying amount of the Town's total cash in bank was \$4,486,551, and the bank balance was \$4,540,003. Of the bank balance, \$250,000 was covered by federal depository insurance and the remaining balance was covered by collateral held by the pledging financial institution in the Town's name.

TOWN OF CLARKDALE, ARIZONA
Notes to Financial Statements
June 30, 2011

NOTE 2 – DEPOSITS AND INVESTMENTS - Continued

Deposits and investments at June 30, 2011 consist of the following:

Deposits	
Cash on hand	\$ 798
Cash in bank	4,486,551
Cash held by trustee	826,854
Investments	
State Treasurer's Investment Pool	337,007
Total deposits and investments	5,651,210
Cash - restricted	(1,872,970)
Total cash and cash equivalents	\$ 3,778,240

Restricted cash on the Statement of Net Assets consists of the following:

Water System Improvements	\$ 958,406
Water System Debt Reserve	533,162
Clarkdale Water Trust Fund	194,668
MPC Trust	99,024
Customer deposits	87,710
	\$ 1,872,970

Investments—At June 30, 2011, the Town’s investments were reported at fair value. The Town’s investments consisted of the State Treasurer’s Investment Pool and municipal bonds of other incorporated cities located in Arizona.

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.

TOWN OF CLARKDALE, ARIZONA
Notes to Financial Statements
June 30, 2011

NOTE 3 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2011, was as follows:

	Balance July 1, 2010	Increase	Decreases	Balance June 30, 2011
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 563,785	\$ -	\$ -	\$ 563,785
Total capital assets not being depreciated	<u>563,785</u>	<u>-</u>	<u>-</u>	<u>563,785</u>
Capital assets being depreciated:				
Buildings and improvements	1,825,528	94,452	-	1,919,980
Infrastructure	751,529	119,590	-	871,119
Machinery and equipment	634,827	-	-	634,827
Vehicles	402,248	79,335	-	481,583
Total	<u>3,614,132</u>	<u>293,377</u>	<u>-</u>	<u>3,907,509</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,158,471)	(49,419)	-	(1,207,890)
Infrastructure	(125,550)	(56,908)	-	(182,458)
Machinery and equipment	(332,063)	(63,416)	-	(395,479)
Vehicles	(279,306)	(43,643)	-	(322,949)
Total	<u>(1,895,390)</u>	<u>(213,386)</u>	<u>-</u>	<u>(2,108,776)</u>
Total capital assets being depreciated, net	<u>1,718,742</u>	<u>79,991</u>	<u>-</u>	<u>1,798,733</u>
Governmental activities capital assets, net	<u>\$ 2,282,527</u>	<u>\$ 79,991</u>	<u>\$ -</u>	<u>\$ 2,362,518</u>

TOWN OF CLARKDALE, ARIZONA
Notes to Financial Statements
June 30, 2011

NOTE 3 – CAPITAL ASSETS – Continued

	<u>Balance</u> <u>July 1, 2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2011</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 491,929	\$ -	\$ -	\$ 491,929
Construction in progress	799,578	-	(799,578)	-
Total capital assets not being depreciated	<u>1,291,507</u>	<u>-</u>	<u>(799,578)</u>	<u>491,929</u>
Capital assets being depreciated:				
Sewer plant and equipment	4,451,604	713,227	-	5,164,831
Water distribution system	3,576,017	1,767,248	-	5,343,265
Total	<u>8,027,621</u>	<u>2,480,475</u>	<u>-</u>	<u>10,508,096</u>
Less accumulated depreciation for:				
Sewer plant and equipment	(864,089)	(63,130)	-	(927,219)
Water distribution system	(1,166,526)	(237,333)	-	(1,403,859)
Total	<u>(2,030,615)</u>	<u>(300,463)</u>	<u>-</u>	<u>(2,331,078)</u>
Total capital assets being depreciated, net	<u>5,997,006</u>	<u>2,180,012</u>	<u>-</u>	<u>8,177,018</u>
Business-type activities capital assets, net	<u>\$ 7,288,513</u>	<u>\$ 2,180,012</u>	<u>\$ (799,578)</u>	<u>\$ 8,668,947</u>

Depreciation expense was charged to each function as follows:

Governmental activities:	
General government	\$ 83,611
Public safety	26,596
Highways and streets	92,352
Culture and recreation	10,827
Total governmental activities depreciation expense	<u>\$ 213,386</u>
Business-type activities:	
Wastewater	\$ 63,130
Water	237,333
Total business-type activities depreciation expense	<u>\$ 300,463</u>

TOWN OF CLARKDALE, ARIZONA
Notes to Financial Statements
June 30, 2011

NOTE 4 – DUE FROM OTHER GOVERNMENTS

Amounts due from other governments at June 30, 2011 consisted of the following:

State shared revenues:	
Highway user revenue fund	\$ 27,268
State sales tax	27,143
Auto lieu tax	18,084
State of Arizona grant revenues	12,194
	\$ 84,689

NOTE 5 – DEFERRED REVENUE

Government-wide, proprietary, and fund financial statements defer revenue on the receipt of funds that are unearned. Deferred revenue will be recognized as revenue in the period in which it is earned. In addition, governmental fund revenue must be available for financing current expenditures. As discussed in Note 1, *available* is considered received within 60 days from year end. Funds that are unavailable and or unearned are deferred in the fund statements. The following schedules detail the Town's deferred revenues for the year ended June 30, 2011.

<i>Government-wide and Proprietary funds</i>	Governmental Activities	Business-type Activities			Total
		Wastewater Fund	Sanitation Fund	Water Fund	
Builder advanced construction and planning costs	\$ -	\$ 1,942,620	\$ -	\$ -	\$ 1,942,620
Phelps Dodge effluent water credit	-	1,066,337	-	-	1,066,337
Builder advanced capacity fee	-	118,776	-	-	118,776
Unapplied credits	-	335	1,130	7,251	8,716
Prepaid contract reimbursable	206,603	-	-	-	206,603
Grant advances	120,287	-	-	-	120,287
	\$ 326,890	\$ 3,128,068	\$ 1,130	\$ 7,251	\$ 3,463,339

<i>Governmental funds</i>	General Fund	Developer		Total
		Reimbursement Fund	Grants Fund	
Developer reimbursable	\$ -	\$ 206,603	\$ -	\$ 206,603
Grant receivables	-	-	128,635	128,635
Property tax receivables	11,837	-	-	11,837
	\$ 11,837	\$ 206,603	\$ 128,635	\$ 347,075

TOWN OF CLARKDALE, ARIZONA
Notes to Financial Statements
June 30, 2011

NOTE 6 – LONG-TERM LIABILITIES

The following schedule details the Town’s long-term liability and obligation activity for the year ended June 30, 2011.

	Balance July 1, 2010	Additions	Reductions	Balance June 30, 2011	Due within 1 year
Governmental activities:					
Compensated absences	\$ 108,111	\$ 109,200	\$ 128,125	\$ 89,186	\$ 70,000
Capital leases payable	101,690	-	75,027	26,663	26,663
Notes payable	225,000	-	30,000	195,000	-
Governmental activities long-term liabilities	<u>\$ 434,801</u>	<u>\$ 109,200</u>	<u>\$ 233,152</u>	<u>\$ 310,849</u>	<u>\$ 96,663</u>
Business-type activities:					
Compensated absences	\$ 30,203	\$ 22,750	\$ 20,593	\$ 32,360	\$ 22,000
Capital leases payable	67,022	-	12,472	54,550	13,039
Bonds payable	265,000	-	25,000	240,000	25,000
Notes payable	6,905,000	-	160,000	6,745,000	-
Plus: deferred amount on premium	191,933	-	7,677	184,256	-
Business-type activities long-term liabilities	<u>\$ 7,459,158</u>	<u>\$ 22,750</u>	<u>\$ 225,742</u>	<u>\$ 7,256,166</u>	<u>\$ 60,039</u>

Bonds Payable – The Town’s bonded debt consists of a 1996 Revenue Bond issuance of \$500,000. The Revenue Bond requires repayments of interest due semi-annually starting July 1, 1997, and principle due annually starting July 1, 1997. Bonds outstanding at June 30, 2011, were as follows:

Description	Original Amount	Maturity Ranges	Interest Rates	Outstanding Principal
Revenue Bonds, Series 1996	<u>\$ 500,000</u>	1997- 2016	4.50-6.35%	<u>\$ 240,000</u>

TOWN OF CLARKDALE, ARIZONA
Notes to Financial Statements
June 30, 2011

NOTE 6 – LONG-TERM LIABILITIES – Continued

Notes Payable – The Town’s notes payable consisted of the following:

	Governmental Activities	Business-type Activities
<p>Note payable to Greater Arizona Development Authority (GADA) requiring repayments of interest due semiannually beginning August 1, 2003 and principal payments due annually beginning August 1, 2004 with final payment due August 1, 2017. Interest rates follow a GADA bond issue rate that varies between 2.25% and 4.38%.</p>	\$ 195,000	\$ -
<p>Note payable to the City of Cottonwood requiring repayments of interest due annually beginning July 1, 2006 and principal payments due annually beginning July 1, 2008 with final payment due July 1, 2035. The annual interest rate varies between 3.50% and 5.00%.</p>	-	6,745,000
	\$ 195,000	\$ 6,745,000

The following schedule details debt service requirements to maturity for the Town’s bond and notes payable at June 30, 2011.

Year Ending June 30	Governmental Activities		Business-type Activities			
	Notes Payable		Notes Payable		Bonds Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	-	8,671	-	318,533	25,000	13,510
2013	30,000	7,471	160,000	312,133	25,000	11,973
2014	30,000	6,271	155,000	304,383	30,000	10,113
2015	30,000	5,071	160,000	298,383	30,000	8,238
2016	35,000	3,745	185,000	291,353	35,000	6,033
2017-21	70,000	3,041	1,050,000	1,317,265	95,000	-
2022-26	-	-	1,305,000	1,062,413	-	-
2027-31	-	-	1,635,000	695,500	-	-
2032-36	-	-	2,095,000	219,500	-	-
Total	\$ 195,000	\$ 34,271	\$ 6,745,000	\$ 4,819,463	\$ 240,000	\$ 49,866

TOWN OF CLARKDALE, ARIZONA
Notes to Financial Statements
June 30, 2011

NOTE 6 – LONG-TERM LIABILITIES – Continued

Capital leases – The Town has acquired office equipment and a street sweeper under the provisions of long-term lease agreements classified as a capital leases for accounting purposes because they provide for a bargain purchase option or a transfer of ownership by the end of the lease term.

The assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Equipment	\$ 179,554	\$ 68,037
Less: accumulated depreciation	(76,310)	(10,530)
Carrying value	<u>\$ 103,244</u>	<u>\$ 57,507</u>

The following schedule details debt service requirements to maturity for the Town’s capital leases payable at June 30, 2011.

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
2012	\$ 27,198	\$ 15,202
2013	-	15,202
2014	-	15,202
2015	-	13,937
Total minimum lease payments	27,198	59,543
Less amount representing interest	(535)	(4,993)
Present value of net minimum lease payments	<u>\$ 26,663</u>	<u>\$ 54,550</u>

Interest expense – The total amount of interest expense included as direct functional expenses on the government-wide financial statements is \$12,217. \$9,687 was included as a direct functional of the general government and \$2,530 was included as a direct functional expense of highways and streets.

TOWN OF CLARKDALE, ARIZONA
Notes to Financial Statements
June 30, 2011

NOTE 7 – RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town carries commercial insurance for all such risks of loss, including workers' compensation and employees' health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 8 – RETIREMENT PLANS

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

The *Arizona State Retirement System (ASRS)* administers a cost-sharing multiple-employer defined benefit pension plan that covers general employees of the Town. The ASRS is governed by the Arizona State Retirement System Board according to the provisions of A.R.S. Title 38, Chapter 5, Article 2.

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

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

ASRS
3300 N. Central Ave.
Phoenix, AZ 85012-0250
(602) 240-2000

PSPRS
3010 E. Camelback Rd., Ste. 200
Phoenix, AZ 85016
(602) 255-5575

Funding Policy—The Arizona State Legislature establishes and may amend active plan members' and the Town's contribution rates.

Cost-sharing plans – For the year ended June 30, 2011, active ASRS members and the Town were each required by statute to contribute at the actuarially determined rate of 9.85 percent (9.6 percent retirement and 0.25 percent long-term disability) of the members' annual covered payroll. The Town's contributions to ASRS for the years ended June 30, 2011, 2010 and 2009, were \$114,782, \$113,288, and \$131,490, respectively, which were equal to the required contributions for the year.

TOWN OF CLARKDALE, ARIZONA
Notes to Financial Statements
June 30, 2011

NOTE 8 – RETIREMENT PLANS – Continued

Agent plans – For the year ended June 30, 2011, active PSPRS members were required by statute to contribute 7.65 percent of the members’ annual covered payroll, and the Town was required to contribute at the actuarially determined rate of 15.68 percent.

Annual Pension Cost – The Town’s pension cost for the agent plan for the year ended June 30, 2011, and related information follows.

	PSPRS
Contribution rates:	
City	15.68%
Plan members	7.65%
Annual pension cost	\$ 46,650
Contributions made	\$ 46,650

Annual Pension Cost—The Town’s pension cost for the agent plan for the year ended June 30, 2011, and related information follows:

	PSPRS
Actuarial valuation date	06/30/10
Actuarial cost method	Projected Unit Credit
Actuarial assumptions:	
Investment rate of return	8.50%
Projected salary increases	5.50%-8.50%
Includes inflation at	5.50%
Cost-of-living adjustments	None
Amortization method	Level percent-of-pay closed
Remaining amortization period	26 years for underfunded actuarial accrued liability, 20 years open for overfunded
Asset valuation method	7-year smoothed market value

Trend Information – Annual pension cost information for the current and 2 preceding years follows for each of the agent plans.

Plan	Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PSPRS	2011	\$ 46,650	100 %	\$ -
	2010	52,650	100 %	-
	2009	76,314	100 %	-

TOWN OF CLARKDALE, ARIZONA
Notes to Financial Statements
June 30, 2011

NOTE 9 – INTERFUND BALANCES AND ACTIVITY

Interfund borrowings - At June 30, 2011 the cemetery fund had borrowed a total of \$1,883 from the wastewater fund. The interfund receivables and payables are due to short-term borrowings of the Town's pooled cash.

Interfund transfers – During the year ended June 30, 2011, the Town transferred funds to cover shared expenses and interfund borrowings. Transfers made between funds during the year are as follows:

Transfers from	Transfer to				Total
	General Fund	HURF/LTAF Fund	Grants Fund	Cemetery Fund	
Other Governmental Fund	\$ 3,422	\$ -	\$ -	\$ 119,992	\$ 123,414
Developer Reimbursement Fund	39,500	-	-	-	39,500
Wastewater Fund	31,567	-	-	-	31,567
Sanitation Fund	31,709	15,077	20,542	-	67,328
Water Fund	50,753	-	-	-	50,753
Total	\$ 156,951	\$ 15,077	\$ 20,542	\$ 119,992	\$ 312,562

TOWN OF CLARKDALE, ARIZONA
Required Supplementary Information
Budgetary Comparison Schedules
General Fund
Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenue				
Taxes	\$ 1,046,880	\$ 1,046,880	\$ 1,245,082	\$ 198,202
Intergovernmental	797,879	797,879	869,729	71,850
Fines and forfeitures	90,000	90,000	19,777	(70,223)
Licenses and permits	37,500	37,500	31,687	(5,813)
Charges for services	2,900	2,900	182	(2,718)
Rental income	3,200	3,200	3,371	171
Contributions	254,500	254,500	65,103	(189,397)
Investment income	500	500	1,873	1,373
Other revenue	177,506	177,506	41,492	(136,014)
Total revenue	<u>2,410,865</u>	<u>2,410,865</u>	<u>2,278,296</u>	<u>(132,569)</u>
Expenditures				
Current				
General government	1,501,841	1,501,841	1,154,887	346,954
Public safety	812,473	812,473	775,930	36,543
Culture and recreation	160,587	160,587	178,425	(17,838)
Capital outlay	119,198	119,198	-	119,198
Debt service				
Principal & interest	-	-	76,447	(76,447)
Total expenditures	<u>2,594,099</u>	<u>2,594,099</u>	<u>2,185,689</u>	<u>408,410</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(183,234)</u>	<u>(183,234)</u>	<u>92,607</u>	<u>275,841</u>
Other financing sources				
Transfers in (out)	<u>156,229</u>	<u>156,229</u>	<u>156,951</u>	<u>722</u>
Total other financing sources	<u>156,229</u>	<u>156,229</u>	<u>156,951</u>	<u>722</u>
Net change in fund balances	<u>(27,005)</u>	<u>(27,005)</u>	<u>249,558</u>	<u>276,563</u>
Fund balances, July 1, 2010	<u>138,113</u>	<u>138,113</u>	<u>138,113</u>	<u>-</u>
Fund balances, June 30, 2011	<u>\$ 111,108</u>	<u>\$ 111,108</u>	<u>\$ 387,671</u>	<u>\$ 276,563</u>

See accompanying notes to budgetary comparison schedule.

TOWN OF CLARKDALE, ARIZONA
Required Supplementary Information
Budgetary Comparison Schedules
HURF/LTAF Fund
Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenue				
Intergovernmental	\$ 264,500	\$ 264,500	\$ 279,084	\$ 14,584
Rental income	15,500	15,500	16,055	555
Investment income	-	-	146	146
Other revenue	5,000	5,000	241	(4,759)
Total revenue	<u>285,000</u>	<u>285,000</u>	<u>295,526</u>	<u>10,526</u>
Expenditures				
Current				
Highways and streets	333,642	333,642	211,736	121,906
Debt service				
Principal	-	-	38,267	(38,267)
Interest	-	-	2,530	(2,530)
Total expenditures	<u>333,642</u>	<u>333,642</u>	<u>252,533</u>	<u>81,109</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(48,642)</u>	<u>(48,642)</u>	<u>42,993</u>	<u>91,635</u>
Other financing sources				
Transfers in (out)	<u>19,169</u>	<u>19,169</u>	<u>15,077</u>	<u>(4,092)</u>
Total other financing sources	<u>19,169</u>	<u>19,169</u>	<u>15,077</u>	<u>(4,092)</u>
Net change in fund balances	<u>(29,473)</u>	<u>(29,473)</u>	<u>58,070</u>	<u>87,543</u>
Fund balances, July 1, 2010,	<u>81,141</u>	<u>81,141</u>	<u>81,141</u>	<u>-</u>
Fund balances, June 30, 2011	<u>\$ 51,668</u>	<u>\$ 51,668</u>	<u>\$ 139,211</u>	<u>\$ 87,543</u>

See accompanying notes to budgetary comparison schedule.

TOWN OF CLARKDALE, ARIZONA
Required Supplementary Information
Budgetary Comparison Schedules
Developer Reimbursement Fund
Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenue				
Charges for services	1,912,000	1,912,000	788,683	(1,123,317)
Total revenue	<u>1,912,000</u>	<u>1,912,000</u>	<u>788,683</u>	<u>(1,123,317)</u>
Expenditures				
Current				
General government	1,832,500	1,832,500	243,324	1,589,176
Total expenditures	<u>1,832,500</u>	<u>1,832,500</u>	<u>243,324</u>	<u>1,589,176</u>
Excess (deficiency) of revenue over (under) expenditures	<u>79,500</u>	<u>79,500</u>	<u>545,359</u>	<u>465,859</u>
Other financing sources				
Transfers in (out)	<u>(79,500)</u>	<u>(79,500)</u>	<u>(39,500)</u>	<u>40,000</u>
Total other financing sources	<u>(79,500)</u>	<u>(79,500)</u>	<u>(39,500)</u>	<u>40,000</u>
Net change in fund balances	-	-	505,859	505,859
Fund balances, July 1, 2010,	<u>67,445</u>	<u>67,445</u>	<u>67,445</u>	<u>-</u>
Fund balances, June 30, 2011	<u>\$ 67,445</u>	<u>\$ 67,445</u>	<u>\$ 573,304</u>	<u>\$ 505,859</u>

See accompanying notes to budgetary comparison schedule.

TOWN OF CLARKDALE, ARIZONA
Required Supplementary Information
Budgetary Comparison Schedules
Grants Fund
Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenue				
Intergovernmental	\$ 16,748,202	\$ 16,748,202	\$ 479,834	\$ (16,268,368)
Total revenue	<u>16,748,202</u>	<u>16,748,202</u>	<u>479,834</u>	<u>(16,268,368)</u>
Expenditures				
Current				
General government	4,187,051	4,187,051	276,288	3,910,763
Public safety	4,187,051	4,187,051	58,491	4,128,560
Highways and streets	4,187,050	4,187,050	119,917	4,067,133
Culture and recreation	4,187,050	4,187,050	34,890	4,152,160
Total expenditures	<u>16,748,202</u>	<u>16,748,202</u>	<u>489,586</u>	<u>16,258,616</u>
Excess (deficiency) of revenue over (under) expenditures	<u>-</u>	<u>-</u>	<u>(9,752)</u>	<u>(9,752)</u>
Other financing sources				
Transfers in (out)	<u>(20,539)</u>	<u>(20,539)</u>	<u>20,542</u>	<u>41,081</u>
Total other financing sources	<u>(20,539)</u>	<u>(20,539)</u>	<u>20,542</u>	<u>41,081</u>
Net change in fund balances	<u>(20,539)</u>	<u>(20,539)</u>	<u>10,790</u>	<u>31,329</u>
Fund balances, July 1, 2010,	<u>18,977</u>	<u>18,977</u>	<u>18,977</u>	<u>-</u>
Fund balances, June 30, 2011	<u><u>\$ (1,562)</u></u>	<u><u>\$ (1,562)</u></u>	<u><u>\$ 29,767</u></u>	<u><u>\$ 31,329</u></u>

See accompanying notes to budgetary comparison schedule.

TOWN OF CLARKDALE, ARIZONA
Required Supplementary Information
Notes to Budgetary Comparison Schedules
June 30, 2011

NOTE 1 – BUDGETING AND BUDGETARY CONTROL

Arizona Revised Statutes (A.R.S.) require the Town to prepare and adopt a balanced budget annually for each governmental fund. The Town Council must approve such operating budgets on or before the third Monday in July to allow sufficient time for the legal announcements and hearings required for the adoption of the property tax levy on the third Monday in August. A.R.S. prohibit expenditures or liabilities in excess of the amounts budgeted.

Expenditures may not legally exceed appropriations at the department level. In certain instances, transfers of appropriations between departments or from the contingency account to a department may be made upon the Town Councils' approval.

NOTE 2 – BUDGETARY BASIS OF ACCOUNTING

The Town's budget is prepared on a basis consistent with generally accepted accounting principles.

TOWN OF CLARKDALE, ARIZONA
Required Supplementary Information
Schedule of Agent Retirement Plans' Funding Progress
June 30, 2011

Public Safety Personnel Retirement System

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Funding (Liability) Excess (a-b)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded Liability as Percentage of Covered Payroll ([a-b]/c)
06/30/10	\$1,788,177	\$1,891,958	\$(103,781)	94.5 %	\$ 310,427	33.4 %
06/30/09	1,714,772	1,805,622	(90,850)	95.0	448,426	20.3
06/30/08	1,500,446	1,731,088	(230,642)	86.7	464,836	49.6



**COLBY &
POWELL, PLC**

CERTIFIED PUBLIC ACCOUNTANTS

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

To the Town Council
Town of Clarkdale, Arizona

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and aggregate remaining fund information of the Town of Clarkdale, Arizona, as of and for the year ended June 30, 2011, which collectively comprise the Town of Clarkdale, Arizona's basic financial statements and have issued our report thereon dated December 6, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Clarkdale, Arizona's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Town of Clarkdale, Arizona, in a separate letter dated December 6, 2011.

This report is intended solely for the information and use of the Town's management, Town Council, and federal awarding agencies and is not intended to be, and should not be, used by anyone other than these specified parties.

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

December 6, 2011



COLBY &
POWELL, PLC

CERTIFIED PUBLIC ACCOUNTANTS

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

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH REQUIREMENTS APPLICABLE TO THE USES OF
HIGHWAY USER REVENUE FUND MONIES IN
ACCORDANCE WITH ARS TITLE 28, CHAPTER 18,
ARTICLE 2**

To the Town Council
Town of Clarkdale, Arizona

We have audited, in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and aggregate remaining fund information of the Town of Clarkdale as of and for the year ended June 30, 2011, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated December 6, 2011.

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

This report is intended solely for the information and use of management and the members of the Arizona State Legislature 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.

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

December 6, 2011