

TOWN OF CLARKDALE, ARIZONA

Annual Financial Statements
and Independent Auditors' Report
June 30, 2012

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

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

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, 2012, 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, 2012, 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 3, 2012, 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 3, 2012

TOWN OF CLARKDALE, ARIZONA
Management's Discussion and Analysis
June 30, 2012

We, the Town of Clarkdale, Arizona, are pleased to provide an overview of our financial activities for the fiscal year ended June 30, 2012. 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 22.98%, between fiscal years 2011 and 2012. The 2012 governmental net assets increased 34.29% and the business-type activities increased 9.61%.
- ❖ The Town's 2012 revenues totaled \$6,193,582 and expenses totaled \$4,779,700, resulting in an increase in net assets of \$1,413,882 or 22.98% This net increase was a combined result of a 8.19% increase in revenues, and expenses being decreased by 4.83%.
- ❖ Local sales tax, property tax, and franchise taxes are the largest revenue source for governmental activities, accounting for 35.83% of total governmental activity revenues with state-shared general revenues accounting for 22.07% of total governmental activity revenues.
- ❖ Expenditures for governmental activities total \$3,010,323. Public Safety activities each account for 27.71%. Highway and Streets spent 11.12% of the expenditures, Culture and Recreation 6.66%, and General Government services accounted for 54.51% of total expenditures for 2012.
- ❖ General Fund revenues of \$2,454,366 were lower than budgeted revenues of \$2,564,261 by \$109,895, or 4.29% while General Fund actual expenditures of \$2,253,181 were lower than budgeted expenditures of \$2,814,114 by \$560,933, or 19.93%.
- ❖ At the end of the current fiscal year the Town's total governmental funds reported combined ending fund balances of \$1,765,991, an increase of \$504,675 in comparison with the prior year. The General Fund balances of the Town increased by \$362,222, and the HURF fund increase of \$122,356 in fund balance will fund planned projects in 2013.

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ECONOMIC HIGHLIGHTS

- ❖ The 10% furlough program for all staff implemented in January of 2009 was continued for fiscal year 2011-2012. The furlough kept Town offices closed on Friday in an effort to realize additional utility cost savings. There were no merit or COLA increases for staff.
- ❖ The emphasis continued on volunteer recruitment for 2011/12 in which the Concerts in the Park, Halloween and July 4th were funded by donations and staffed by volunteers.
- ❖ Enough funds were raised through fund raising to hire a pool manager, lifeguards and open the pool three days a week for the 2011 season. After the close of the season, a number of significant issues with the pool's infrastructure were identified as needing repair or complete replacement and the pool was not open for the 2012 season.
- ❖ The Clean Waters application for design and construction of a new wastewater treatment plant project was approved by WIFA in the amount of \$5,500,000. A rate increase of \$25.00 over five years will cover the debt. The first \$5.00 increase went into effect in December 2011.
- ❖ Projects were completed during the year such as the Highway 89A sidewalk project, Energy Efficient Community Block Grant funding of library and police department replacement windows and insulation, a variety of flood control measures through the Yavapai Flood Control Grant, the Broadway water main extension project and final chip sealing to a portion of the Mountain Gate subdivision streets so they could be accepted as Town streets.
- ❖ The Verde River @ Clarkdale project was formulated to improve public access, while simultaneously restoring wildlife habitat, promoting economic development, and heighten awareness of the Verde River to become a performing asset for the Town. The Town entered into an Intergovernmental Agreement with the Arizona State Parks Board for the Tuzigoot Day Use Area on the Verde River to incorporate public access improvements for roads, parking, trails, signage and identifying opportunities to enhance water recreation, wildlife viewing, urban fishing and ecotourism marketing opportunities. A Heritage Grant-In-Aide Participation Agreement for support of the Verde River @ Clarkdale project between the Arizona Game and Fish Department and the Town was approved to help with funding for the improvements.
- ❖ The 2012 Clarkdale General Plan was ratified by voters on March 13, 2012 and became the guiding document for future growth and development within the Town. The Town Zoning Code was amended with new sign, rubbish and abatements and sidewalk café provisions along with work beginning on an overhaul of the subdivision regulations.
- ❖ In celebration of Clarkdale's centennial, a landscape design for the area in front of the Clark Memorial Clubhouse was completed which transformed the area from a dusty

TOWN OF CLARKDALE, ARIZONA
Management's Discussion and Analysis
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collection of weeds into a beautiful educational space serving as a demonstration of rainwater harvesting, permaculture and as a showcase garden of native and low-water-use plants.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Annual Financial Report (AFR) for the Town of Clarkdale, Arizona consists of three 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

TOWN OF CLARKDALE, ARIZONA
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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)

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 easily 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 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 and transportation 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

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❖ Court Enhancement Fund

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 - 27 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 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 28 - 33 of this report)

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GOVERNMENT-WIDE FINANCIAL ANALYSIS

Condensed Statement of Net Assets

| | Governmental Activities | | Business-type Activities | | Total | |
|--|-------------------------|--------------|--------------------------|--------------|--------------|--------------|
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| ASSETS | | | | | | |
| Current and other assets | \$ 2,017,396 | \$ 1,720,429 | \$ 4,093,723 | \$ 4,759,523 | \$ 6,111,119 | \$ 6,479,952 |
| Capital assets | | | | | | |
| Non-depreciable | 583,786 | 563,785 | 1,539,456 | 491,929 | 2,123,242 | 1,055,714 |
| Depreciable (net) | 2,364,496 | 1,798,733 | 8,454,087 | 8,177,018 | 10,818,583 | 9,975,751 |
| Total assets | 4,965,678 | 4,082,947 | 14,087,266 | 13,428,470 | 19,052,944 | 17,511,417 |
| LIABILITIES | | | | | | |
| Other liabilities | 217,037 | 438,928 | 3,390,909 | 3,352,751 | 3,607,946 | 3,791,679 |
| Noncurrent liabilities | | | | | | |
| Due within one year | 80,708 | 96,663 | 65,513 | 60,039 | 146,221 | 156,702 |
| Due in more than one year | 191,902 | 214,186 | 7,540,270 | 7,196,127 | 7,732,172 | 7,410,313 |
| Total liabilities | 489,647 | 749,777 | 10,996,692 | 10,608,917 | 11,486,339 | 11,358,694 |
| NET ASSETS | | | | | | |
| Invested in capital assets, net of related debt | 2,783,282 | 2,140,855 | 4,638,766 | 4,206,173 | 7,422,048 | 6,347,028 |
| Restricted | 308,573 | 194,549 | 856,812 | 305,054 | 1,165,385 | 499,603 |
| Unrestricted | 1,384,176 | 997,766 | (2,405,004) | (1,691,674) | (1,020,828) | (693,908) |
| Total net assets | \$ 4,476,031 | \$ 3,333,170 | \$ 3,090,574 | \$ 2,819,553 | \$ 7,566,605 | \$ 6,152,723 |
| CHANGE IN NET ASSETS | \$ 1,142,861 | \$ 701,379 | \$ 271,021 | \$ 930 | \$ 1,413,882 | \$ 702,309 |
| PERCENTAGE CHANGE IN NET ASSETS | 34.29% | 26.65% | 9.61% | 0.03% | 22.98% | 12.89% |

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 22.98%, between fiscal years 2011 and 2012. The 2012 governmental net assets increased 34.29% and the business-type activities increased 9.61%.

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 will not 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

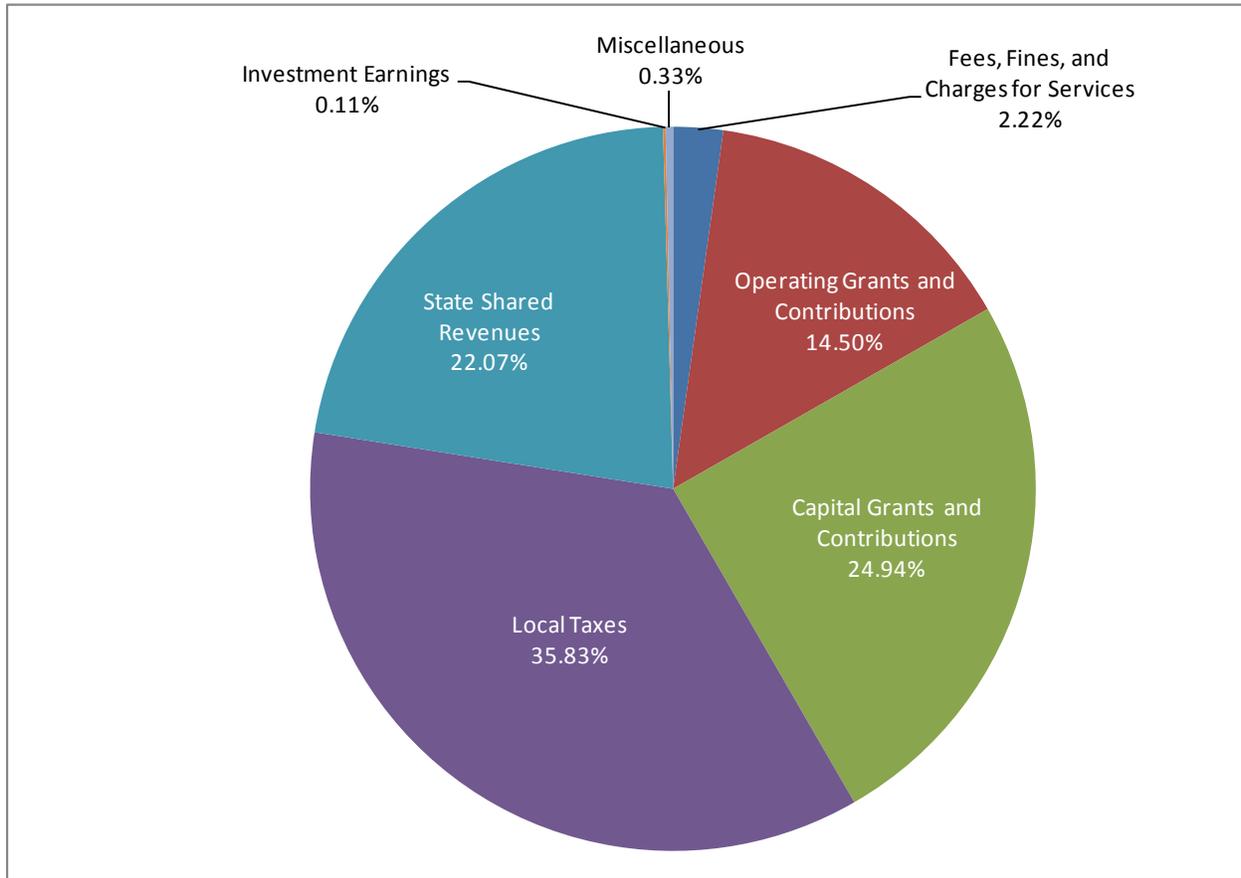
| | <u>Governmental Activities</u> | | <u>Business-type Activities</u> | | <u>Total</u> | |
|---------------------------------------|--------------------------------|---------------------|---------------------------------|---------------------|---------------------|---------------------|
| | <u>2012</u> | <u>2011</u> | <u>2012</u> | <u>2011</u> | <u>2012</u> | <u>2011</u> |
| Revenues | | | | | | |
| Program revenues | | | | | | |
| Fees, fines, and charges for services | \$ 89,121 | \$ 647,744 | \$ 2,009,577 | \$ 2,017,870 | \$ 2,098,698 | \$ 2,665,614 |
| Operating grants and contributions | 581,724 | 527,014 | - | - | 581,724 | 527,014 |
| Capital grants and contributions | 1,000,300 | 364,533 | 168,622 | 4,171 | 1,168,922 | 368,704 |
| General revenues | | | | | | |
| Local taxes | 1,437,156 | 1,256,919 | - | - | 1,437,156 | 1,256,919 |
| State shared revenues | 885,174 | 840,574 | - | - | 885,174 | 840,574 |
| Investment earnings | 4,245 | 2,142 | 4,432 | 10,053 | 8,677 | 12,195 |
| Miscellaneous | 13,231 | 53,557 | - | - | 13,231 | 53,557 |
| Total revenues | <u>4,010,951</u> | <u>3,692,483</u> | <u>2,182,631</u> | <u>2,032,094</u> | <u>6,193,582</u> | <u>5,724,577</u> |
| Expenses | | | | | | |
| General government | 1,641,032 | 1,682,836 | - | - | 1,641,032 | 1,682,836 |
| Public safety | 834,244 | 840,253 | - | - | 834,244 | 840,253 |
| Highways and streets | 334,626 | 303,945 | - | - | 334,626 | 303,945 |
| Culture and recreation | 200,421 | 193,726 | - | - | 200,421 | 193,726 |
| Wastewater | - | - | 364,449 | 555,675 | 364,449 | 555,675 |
| Sanitation | - | - | 228,170 | 223,201 | 228,170 | 223,201 |
| Water | - | - | 1,138,370 | 1,170,906 | 1,138,370 | 1,170,906 |
| Cemetery | - | - | 38,388 | 51,726 | 38,388 | 51,726 |
| Total expenses | <u>3,010,323</u> | <u>3,020,760</u> | <u>1,769,377</u> | <u>2,001,508</u> | <u>4,779,700</u> | <u>5,022,268</u> |
| Change in net assets before transfers | 1,000,628 | 671,723 | 413,254 | 30,586 | 1,413,882 | 702,309 |
| Transfers | 142,233 | 29,656 | (142,233) | (29,656) | - | - |
| Change in net assets | 1,142,861 | 701,379 | 271,021 | 930 | 1,413,882 | 702,309 |
| Net assets, beginning of year | <u>3,333,170</u> | <u>2,631,791</u> | <u>2,819,553</u> | <u>2,818,623</u> | <u>6,152,723</u> | <u>5,450,414</u> |
| Net assets, end of year | <u>\$ 4,476,031</u> | <u>\$ 3,333,170</u> | <u>\$ 3,090,574</u> | <u>\$ 2,819,553</u> | <u>\$ 7,566,605</u> | <u>\$ 6,152,723</u> |

Change in Net Assets: The Town's 2012 revenues total \$6,193,582 and expenses total \$4,779,700, resulting in an increase in net assets of \$1,413,882 or 22.98%, although the net increase was a combined result of a 8.19% increase in revenues, and expenses being decreased by 4.83%.

Revenues for the Town's Governmental Activities total \$4,010,951, an 8.62% increase from 2011. Local taxes are the largest revenue source for governmental activities, accounting for 35.83% of total revenues. State-shared revenues account for 22.07% of the total revenues. Charges for services contribute 2.22% of the total revenues, along with operating grants, which are comprised mostly of HURF and the Walton Family Foundation Grant revenues, contributing 14.50% of the total revenues. Yavapai County Flood Control and the dedicated Mountain Gate Development streets made up the majority of the capital grants and contributions which was 24.94% of total revenues. Miscellaneous revenues make up .33%.

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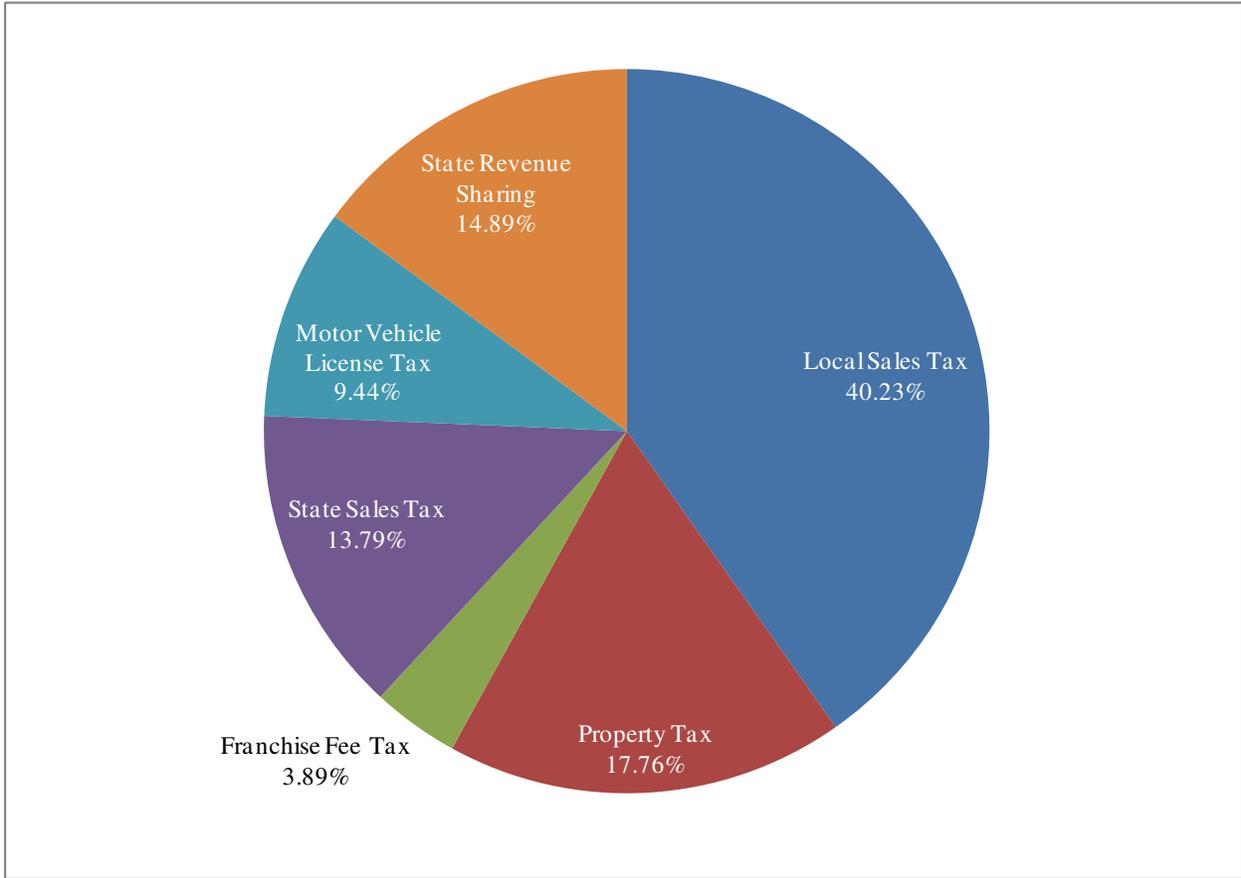
Governmental Activity Revenue



The revenue sources of local taxes and state-shared revenues with \$2,322,330 represented 57.90% of all revenues. The local tax revenue consists of local sales tax, property tax, and franchise taxes. The state-shared revenues consist of state revenue sharing, state sales tax, and motor vehicle tax.

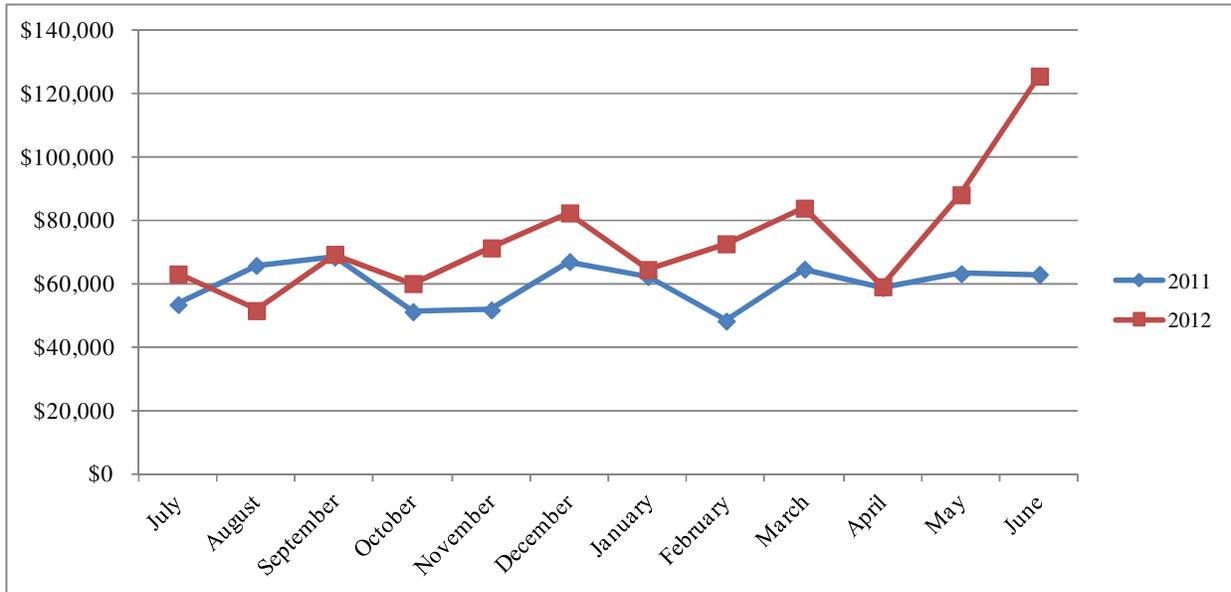
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Tax Distributions



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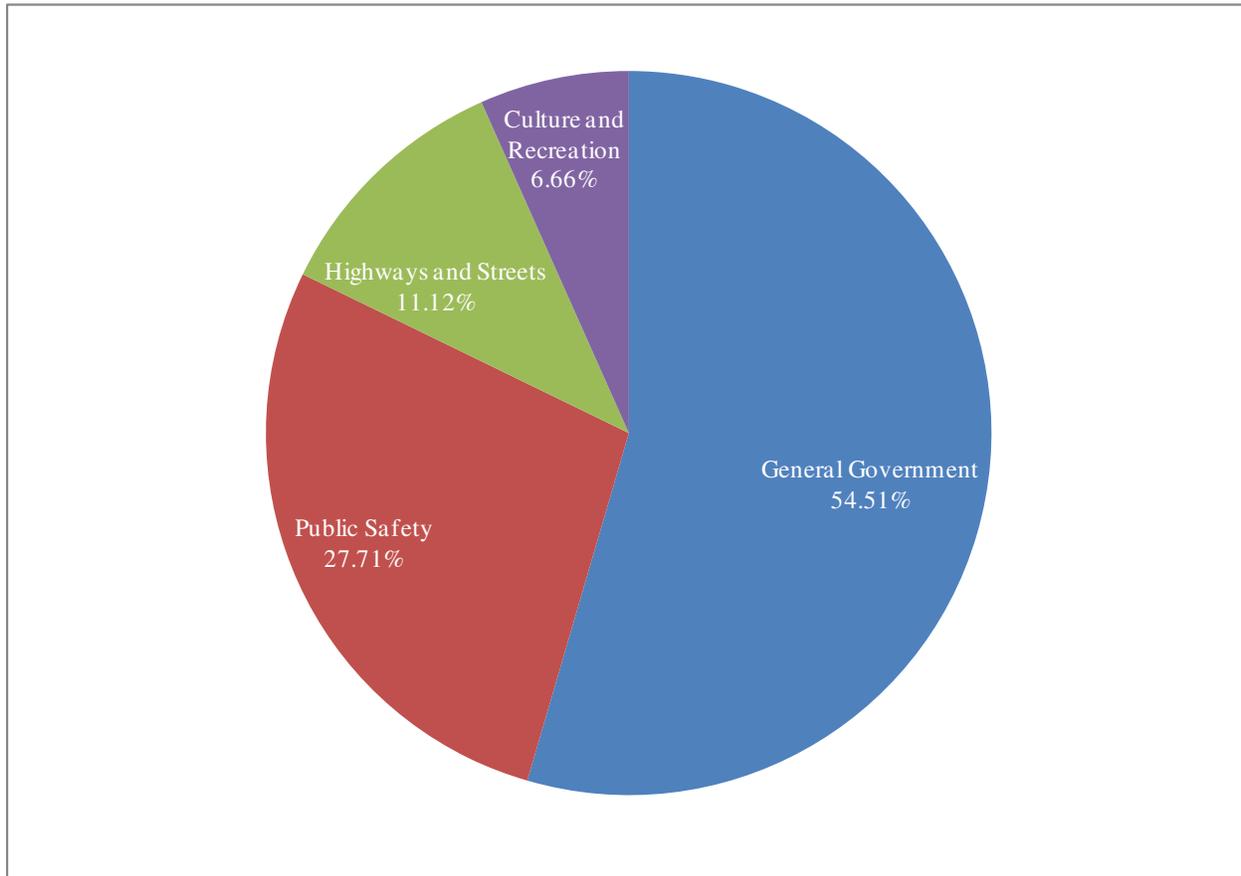
Local Sales Tax Collection Comparison



Expenditures for the Town's Governmental Activities total \$3,010,323. Public Safety activities account for 27.71%, Highway and Streets spent 11.12% of the expenditures, Culture and Recreation 6.66%, and General Government services accounted for 54.51% of total expenditures for 2012. General Government services include administration, community services, Community development and finance.

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Governmental Activity Expense



Net Cost of Town of Clarkdale Activities

Governmental Activities

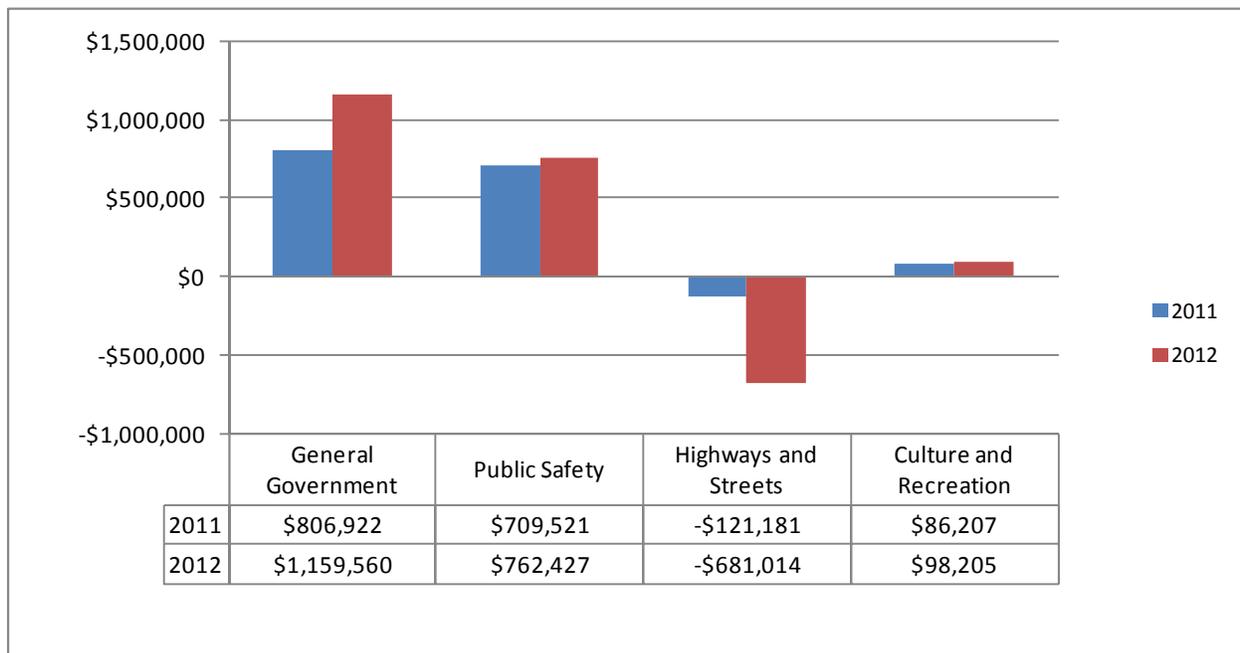
The following table presents the total cost of each of the Town's activities as well as their net cost. The net costs are the total costs less fees generated by the activities, direct intergovernmental aid, and capital grants and contributions. The actual net cost of services in 2012 was \$1,339,178 which is 9.60% less than in 2011 which is a result of the direct revenues of \$1,671,145 which had an increase of 8.57% from 2011. This was a result of the street and highway grants and contributions, HURF tax, Walton Family Foundation Grant, Yavapai County Flood Control grant and various smaller grants and contributions in 2012.

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Net Cost of Services – Governmental Activities

| | <u>Cost of Services</u> | | <u>Direct Revenues</u> | | <u>Net Cost of Services</u> | |
|------------------------|-------------------------|------------------|------------------------|------------------|-----------------------------|------------------|
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| General Government | \$ 1,641,032 | \$ 1,682,836 | \$ 481,472 | \$ 875,914 | \$ 1,159,560 | \$ 806,922 |
| Public Safety | 834,244 | 840,253 | 71,817 | 130,732 | 762,427 | 709,521 |
| Highways and Streets | 334,626 | 303,945 | 1,015,640 | 425,126 | (681,014) | (121,181) |
| Culture and Recreation | 200,421 | 193,726 | 102,216 | 107,519 | 98,205 | 86,207 |
| Total revenues | <u>3,010,323</u> | <u>3,020,760</u> | <u>1,671,145</u> | <u>1,539,291</u> | <u>1,339,178</u> | <u>1,481,469</u> |

Net Cost of Services – Governmental Activities



Business-type Activities

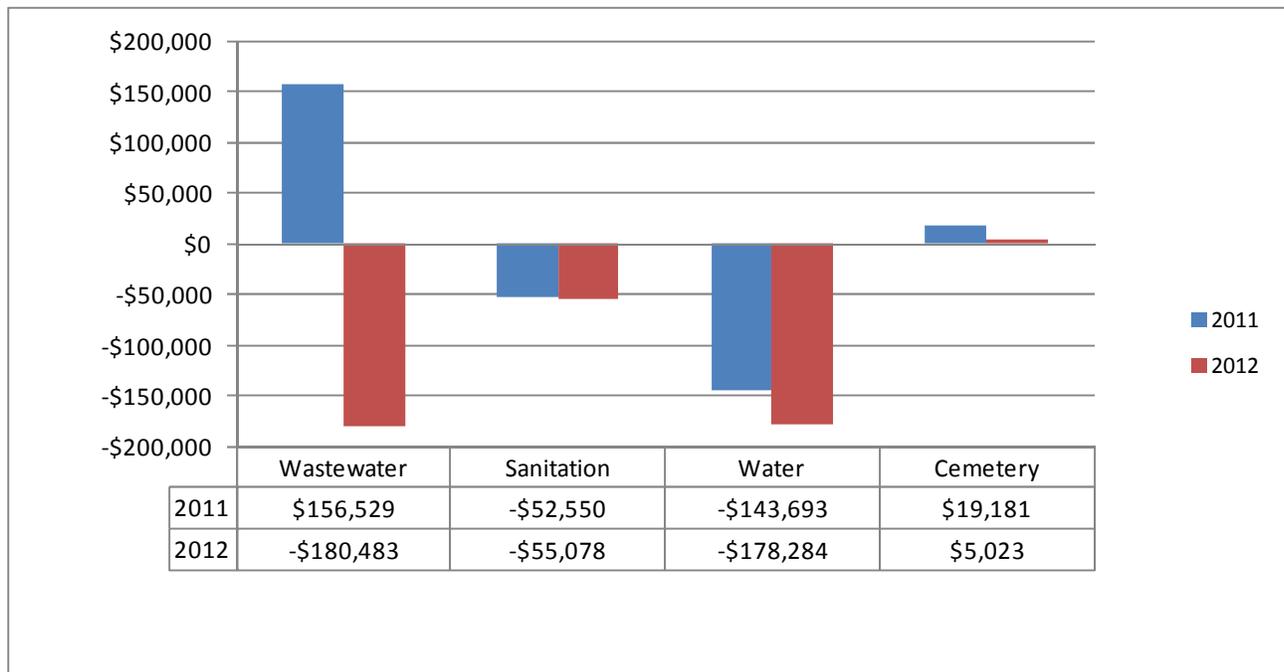
The wastewater program net cost decreased from \$156,529 in 2011 to (\$180,483) in 2012. The decrease was a result of operating revenues increasing due to the wastewater rate increase in December of 2011 as well as proceeds from developers for capital improvements. Net cost of the water program decreased by \$34,591, to (\$178,284). This was a result of operating revenues increasing due to the a water rate increase in July of 2010 along with an new water replacement surcharge in order to collect fees for depreciation costs. The cemetery program net cost decrease was due to comparison of last year that had new equipment purchases.

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Net Cost of Service – Business-Type Activities

| | <u>Cost of Services</u> | | <u>Direct Revenues</u> | | <u>Net Cost of Services</u> | |
|-----------------------|-------------------------|------------------|------------------------|------------------|-----------------------------|-----------------|
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| Wastewater | \$ 364,449 | \$ 555,675 | \$ 544,932 | \$ 399,146 | \$ (180,483) | \$ 156,529 |
| Sanitation | 228,170 | 223,201 | 283,248 | 275,751 | (55,078) | (52,550) |
| Water | 1,138,370 | 1,170,906 | 1,316,654 | 1,314,599 | (178,284) | (143,693) |
| Cemetery | 38,388 | 51,726 | 33,365 | 32,545 | 5,023 | 19,181 |
| Total revenues | <u>1,769,377</u> | <u>2,001,508</u> | <u>2,178,199</u> | <u>2,022,041</u> | <u>(408,822)</u> | <u>(20,533)</u> |

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 \$2,948,282 in the governmental activities and \$9,993,543 in the business-type activities for a total of \$12,941,825 at the end of 2012. The largest investment in capital assets was the wastewater plant and equipment. Of the total capital assets, the governmental activities account for 22.78% and the business-type activities total 77.22%. The business-type activities represent the water utility with 50.90% of the business-type net capital assets and the sewer utility having 49.10% 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. Governmental fund financial

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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.

Capital Assets

| | Governmental Activities | | Business-type Activities | | Total | |
|---|--------------------------------|---------------------|---------------------------------|---------------------|----------------------|----------------------|
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| Capital Assets Not Depreciated | | | | | | |
| Land | \$ 583,786 | \$ 563,785 | \$ 491,929 | \$ 491,929 | \$ 1,075,715 | \$ 1,055,714 |
| Construction in Progress | - | - | 1,047,527 | - | 1,047,527 | - |
| Total Capital Assets Not Depreciated | 583,786 | 563,785 | 1,539,456 | 491,929 | 2,123,242 | 1,055,714 |
| Capital Assets Depreciated | | | | | | |
| Buildings and Improvements | 1,919,980 | 1,919,980 | - | - | 1,919,980 | 1,919,980 |
| Infrastructure | 1,541,197 | 871,119 | - | - | 1,541,197 | 871,119 |
| Machinery and Equipment | 728,281 | 634,827 | - | - | 728,281 | 634,827 |
| Vehicles | 415,381 | 481,583 | - | - | 415,381 | 481,583 |
| Sewer Plant and Equipment | - | - | 5,164,831 | 5,164,831 | 5,164,831 | 5,164,831 |
| Water Distribution System | - | - | 5,938,650 | 5,343,265 | 5,938,650 | 5,343,265 |
| Total Capital Assets Depreciated | 4,604,839 | 3,907,509 | 11,103,481 | 10,508,096 | 15,708,320 | 14,415,605 |
| Accumulated Depreciation | | | | | | |
| Buildings and Improvements | (1,258,034) | (1,207,890) | - | - | (1,258,034) | (1,207,890) |
| Infrastructure | (240,532) | (182,458) | - | - | (240,532) | (182,458) |
| Machinery and Equipment | (435,652) | (395,479) | - | - | (435,652) | (395,479) |
| Vehicles | (306,125) | (322,949) | - | - | (306,125) | (322,949) |
| Sewer Plant and Equipment | - | - | (1,014,123) | (927,219) | (1,014,123) | (927,219) |
| Water Distribution System | - | - | (1,635,271) | (1,403,859) | (1,635,271) | (1,403,859) |
| Total Accumulated Depreciation | (2,240,343) | (2,108,776) | (2,649,394) | (2,331,078) | (4,889,737) | (4,439,854) |
| Net Total Capital Assets Depreciated | 2,364,496 | 1,798,733 | 8,454,087 | 8,177,018 | 10,818,583 | 9,975,751 |
| Net Total Capital Assets | \$ 2,948,282 | \$ 2,362,518 | \$ 9,993,543 | \$ 8,668,947 | \$ 12,941,825 | \$ 11,031,465 |

Long-Term Liabilities

At the end of the current fiscal year, the Town of Clarkdale had total long-term obligations outstanding of \$7,878,393, of which Governmental Activities were 3.46% and Business-type Activities accounted for 96.54%. All notes and bonds payable are secured by pledges of specific revenue sources of the Town, with the Business-type Activities' liabilities payable by revenues from user fees of those funds.

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Long-Term Liabilities

| | <u>2012</u> | <u>2011</u> | <u>Change</u> |
|---|---------------------|---------------------|-------------------|
| Governmental Activities | | | |
| Compensated absences | \$ 107,610 | \$ 89,186 | \$ 18,424 |
| Capital leases payable | - | 26,663 | (26,663) |
| Notes payable | <u>165,000</u> | <u>195,000</u> | <u>(30,000)</u> |
| Total Long-Term Liabilities, Governmental Activities | <u>272,610</u> | <u>310,849</u> | <u>(38,239)</u> |
| Business-type Activities | | | |
| Compensated absences | 35,776 | 32,360 | 3,416 |
| Capital leases payable | 40,399 | 54,550 | (14,151) |
| Bonds payable | 215,000 | 240,000 | (25,000) |
| Notes payable | 7,138,029 | 6,745,000 | 393,029 |
| Deferred amount on premium | <u>176,579</u> | <u>184,256</u> | <u>(7,677)</u> |
| Total Long-Term Liabilities, Business- type Activities | <u>7,605,783</u> | <u>7,256,166</u> | <u>349,617</u> |
| Total Long-Term Liabilities | <u>\$ 7,878,393</u> | <u>\$ 7,567,015</u> | <u>\$ 311,378</u> |

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, unassigned 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 \$1,765,991, an increase of \$504,675 in comparison with the prior year. The General Fund fund balance increased by \$362,222 and the HURF/LTAF Fund fund balance increased \$122,356 which will fund planned projects in 2013.

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At fiscal year-end fund balances were as follows:

Change in Fund Balances/Net Assets

| | 2012 | 2011 | Change |
|---|---------------------|---------------------|-------------------|
| Governmental | | | |
| General Fund | \$ 749,893 | \$ 387,671 | \$ 362,222 |
| HURF Fund | 261,567 | 139,211 | 122,356 |
| Developer Reimbursement Fund | 573,304 | 573,304 | - |
| Grants Fund | 33,206 | 29,767 | 3,439 |
| Other Governmental Funds | 148,021 | 131,363 | 16,658 |
| Total Governmental Fund Balances | 1,765,991 | 1,261,316 | 504,675 |
| Business-type | | | |
| Wastewater Fund | 2,308,750 | 2,156,028 | 152,722 |
| Sanitation Fund | 45,854 | 128,966 | (83,112) |
| Water Fund | 735,566 | 611,004 | 124,562 |
| Cemetery Fund | 404 | (76,445) | 76,849 |
| Total Business-type Net Assets | 3,090,574 | 2,819,553 | 271,021 |
| Total Fund Balances/Net Assets | \$ 4,856,565 | \$ 4,080,869 | \$ 775,696 |

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 28 - 32. These statements compare the original adopted budget, the budget if amended throughout the fiscal year, and the actual expenditures.

General Fund revenues of \$2,454,366 were lower than budgeted revenues of \$2,564,261 by \$109,895, or 4.29% while General Fund expenditures of \$2,253,181 were lower than budgeted expenditures of \$2,814,114 by \$560,933, or 19.93%. The revenue variances were primarily due to the continued economic downturn with building permits being lower than expected along with unfunded donation budgets. Expenditures continued to be reduced mainly through the continued implementation a 10% furlough program and vacant positions.

ECONOMIC FACTORS FOR NEXT YEAR

The Clarkdale Town Council, Town Manager and Department Heads focused their annual Strategic Planning on Ensuring Financial Sustainability for the Town of Clarkdale through the Government Finance Officers Association's "Stages of Financial Recovery".

Clarkdale now considers itself to be in the Reforming and Transforming phases. As part of the Reform phase, the Clarkdale Town Council adopted a strategic vision and mission in 2011,

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which was a critical step on the path towards financial sustainability. The adopted vision and mission set the platform for the 2012 Strategic Planning session to focus on the development of long-term financial goals and strategies. The goals and objectives that were developed are an important step in the process to ensure that Clarkdale becomes not only financially sustainable, but resilient and adaptable in the face of the new economic reality.

The focus of the discussion during the 2012 Strategic Planning session spanned a period from 1 to 5 years, and the Clarkdale Town Council identified the following three priority focus areas:

- ❖ Workforce/Human Capital
- ❖ Deferred Maintenance
- ❖ Economic Development

Workforce/Human Capital – the Council identified the importance of delivering the level and quality of services that Clarkdale residents need, want and expect, and the necessity of a quality Town staff to do so. They spoke to the need for Clarkdale to offer competitive salaries and benefits in order to retain and attract a qualified and experienced workforce. They also noted their desire to restore the 10% reduction in pay/hours that was implemented in January 2009 as soon as financially possible.

Deferred Maintenance – Throughout the downturn in the economy, the Town had to defer routine maintenance on facilities and infrastructure due to severely reduced revenue. Capital improvement projects that did not have an outside source of funding (such as grants or reserved capital funds) were suspended. The Council made clear that maintaining the Town's capital was a high priority, and the first area of focus should be to remedy issues that have resulted from deferred maintenance. In the longer term, Clarkdale should focus on factoring in the true cost of our capital into our asset management practices and maximize the productivity of the assets that we do have.

Economic Development – The 2011 establishment of the Town's first Economic Development Director was an important step in that process. While there is forward momentum on the economic development front in Clarkdale, the Council felt strongly that another important early step is to define economic development in Clarkdale in a way that is broadly supported by the community. The Council expects that this will take place through the Focused Future II process that is currently underway and should be complete by the end of 2012.

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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.gov>

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, 2012

| | Primary Government | | |
|--|----------------------------|-----------------------------|---------------------|
| | Governmental Activities | Business-type Activities | Total |
| ASSETS | | | |
| Cash and cash equivalents | \$ 1,701,031 | \$ 1,840,089 | \$ 3,541,120 |
| Cash and cash equivalents - restricted | - | 1,546,980 | 1,546,980 |
| Accounts receivable - net | - | 128,880 | 128,880 |
| Taxes receivable | 143,657 | - | 143,657 |
| Due from other governments | 171,053 | 28,039 | 199,092 |
| Other accounts receivable | 1,655 | 95,045 | 96,700 |
| Bond issue costs, net | - | 3,953 | 3,953 |
| Deferred charges, net | - | 450,737 | 450,737 |
| Capital assets, not being depreciated | 583,786 | 1,539,456 | 2,123,242 |
| Capital assets, being depreciated, net | <u>2,364,496</u> | <u>8,454,087</u> | <u>10,818,583</u> |
| Total assets | <u>4,965,678</u> | <u>14,087,266</u> | <u>19,052,944</u> |
| LIABILITIES | | | |
| Accounts payable | 112,733 | 199,738 | 312,471 |
| Accrued expenses | 31,131 | 9,423 | 40,554 |
| Interest payable | - | 13,352 | 13,352 |
| Deferred revenue | 73,173 | 2,997,238 | 3,070,411 |
| Refundable deposits | - | 171,158 | 171,158 |
| Noncurrent liabilities | | | |
| Due within 1 year | 80,708 | 65,513 | 146,221 |
| Due in more than 1 year | <u>191,902</u> | <u>7,540,270</u> | <u>7,732,172</u> |
| Total liabilities | <u>489,647</u> | <u>10,996,692</u> | <u>11,486,339</u> |
| NET ASSETS | | | |
| Invested in capital assets, net of related debt | 2,783,282 | 4,638,766 | 7,422,048 |
| Restricted for: | | | |
| Debt service | - | 651,290 | 651,290 |
| Development | 84,184 | - | 84,184 |
| Highways and streets | 224,389 | - | 224,389 |
| System improvements | - | 205,522 | 205,522 |
| Unrestricted (deficit) | <u>1,384,176</u> | <u>(2,405,004)</u> | <u>(1,020,828)</u> |
| Total net assets | <u>\$ 4,476,031</u> | <u>\$ 3,090,574</u> | <u>\$ 7,566,605</u> |

The accompanying notes are an integral part of these financial statements

TOWN OF CLARKDALE, ARIZONA
Statement of Activities
Year Ended June 30, 2012

| 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 | \$ 1,641,032 | \$ 30,185 | \$ 272,652 | \$ 178,635 | \$ (1,159,560) | \$ - | \$ (1,159,560) |
| Public safety | 834,244 | 36,161 | 8,058 | 27,598 | (762,427) | - | (762,427) |
| Highways and streets | 334,626 | 18,944 | 260,137 | 736,559 | 681,014 | - | 681,014 |
| Culture and recreation | 200,421 | 3,831 | 40,877 | 57,508 | (98,205) | - | (98,205) |
| Total governmental activities | 3,010,323 | 89,121 | 581,724 | 1,000,300 | (1,339,178) | - | (1,339,178) |
| Business-type activities | | | | | | | |
| Wastewater | 364,449 | 406,189 | - | 138,743 | - | 180,483 | 180,483 |
| Sanitation | 228,170 | 283,248 | - | - | - | 55,078 | 55,078 |
| Water | 1,138,370 | 1,286,775 | - | 29,879 | - | 178,284 | 178,284 |
| Cemetery | 38,388 | 33,365 | - | - | - | (5,023) | (5,023) |
| Total business-type activities | 1,769,377 | 2,009,577 | - | 168,622 | - | 408,822 | 408,822 |
| Total primary government | \$ 4,779,700 | \$ 2,098,698 | \$ 581,724 | \$ 1,168,922 | (1,339,178) | 408,822 | (930,356) |
| General revenue: | | | | | | | |
| Taxes: | | | | | | | |
| Sales Taxes | | | | | 934,344 | - | 934,344 |
| Property taxes | | | | | 412,534 | - | 412,534 |
| Franchise tax | | | | | 90,278 | - | 90,278 |
| State sales tax revenue sharing | | | | | 320,141 | - | 320,141 |
| Auto lieu tax revenue sharing | | | | | 219,243 | - | 219,243 |
| State revenue sharing | | | | | 345,790 | - | 345,790 |
| Investment income | | | | | 4,245 | 4,432 | 8,677 |
| Miscellaneous | | | | | 14,217 | - | 14,217 |
| Loss on disposal of capital assets | | | | | (986) | - | (986) |
| Transfers | | | | | 142,233 | (142,233) | - |
| Total general revenue | | | | | 2,482,039 | (137,801) | 2,344,238 |
| Change in net assets | | | | | 1,142,861 | 271,021 | 1,413,882 |
| Net assets, July 1, 2011, restated | | | | | 3,333,170 | 2,819,553 | 6,152,723 |
| Net assets, June 30, 2012 | | | | | \$ 4,476,031 | \$ 3,090,574 | \$ 7,566,605 |

The accompanying notes are an integral part of these financial statements

TOWN OF CLARKDALE, ARIZONA
Balance Sheet
Governmental Funds
June 30, 2012

| | General Fund | HURF/LTAF Fund | Developer Reimbursement Fund | Grants Fund | Other Governmental Funds | Total Governmental Funds |
|--|-------------------|-------------------|------------------------------------|------------------|--------------------------------|--------------------------------|
| ASSETS | | | | | | |
| Cash and cash equivalents | \$ 662,191 | \$ 246,077 | \$ 646,713 | \$ - | \$ 146,050 | \$ 1,701,031 |
| Taxes receivable | 143,657 | - | - | - | - | 143,657 |
| Due from other governments | 44,595 | 26,675 | - | 97,187 | 2,596 | 171,053 |
| Other receivable | - | - | 1,655 | - | - | 1,655 |
| Due from other funds | 12,454 | - | - | - | - | 12,454 |
| Total assets | \$ 862,897 | \$ 272,752 | \$ 648,368 | \$ 97,187 | \$ 148,646 | \$ 2,029,850 |
| LIABILITIES AND FUND BALANCES | | | | | | |
| Liabilities | | | | | | |
| Accounts payable | \$ 73,491 | \$ 8,680 | \$ - | \$ 30,287 | \$ 275 | \$ 112,733 |
| Accrued expenses | 26,158 | 2,505 | 236 | 1,882 | 350 | 31,131 |
| Deferred revenue | 13,355 | - | 74,828 | 19,358 | - | 107,541 |
| Due to other funds | - | - | - | 12,454 | - | 12,454 |
| Total liabilities | 113,004 | 11,185 | 75,064 | 63,981 | 625 | 263,859 |
| Fund balances | | | | | | |
| Restricted for: | | | | | | |
| Highways and streets | - | 224,389 | - | - | - | 224,389 |
| Civic development | - | - | - | - | 15,259 | 15,259 |
| Wastewater development | - | - | - | - | 6,447 | 6,447 |
| Water development | - | - | - | - | 8,213 | 8,213 |
| Park development | - | - | - | - | 12,936 | 12,936 |
| Police development | - | - | - | 33,206 | 6,065 | 39,271 |
| Library development | - | - | - | - | 2,058 | 2,058 |
| Assigned for: | | | | | | |
| Special development | - | - | 573,304 | - | - | 573,304 |
| Perpetual care | - | - | - | - | 97,043 | 97,043 |
| Highways and streets | 75,000 | 37,178 | - | - | - | 112,178 |
| Culture and recreation | 51,936 | - | - | - | - | 51,936 |
| Park land | 10,251 | - | - | - | - | 10,251 |
| Pool plastering | 14,090 | - | - | - | - | 14,090 |
| Police | 52,133 | - | - | - | - | 52,133 |
| Unassigned | 546,483 | - | - | - | - | 546,483 |
| Total fund balances | 749,893 | 261,567 | 573,304 | 33,206 | 148,021 | 1,765,991 |
| Total liabilities and fund balances | \$ 862,897 | \$ 272,752 | \$ 648,368 | \$ 97,187 | \$ 148,646 | \$ 2,029,850 |

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, 2012

| | | |
|--|--------------------|----------------------------|
| Fund balances--total governmental funds | | \$ 1,765,991 |
| <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 | 5,188,625 | |
| Less accumulated depreciation | <u>(2,240,343)</u> | 2,948,282 |
| <p>Some receivables are not available to pay for current-period expenditures and therefore, are deferred in the funds.</p> | | |
| Reimbursable grant expenditures | 21,013 | |
| Property taxes | <u>13,355</u> | 34,368 |
| <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 | (107,610) | |
| Notes payable | <u>(165,000)</u> | (272,610) |
| Net assets of governmental activities | | <u><u>\$ 4,476,031</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, 2012

| | General Fund | HURF/LTAF Fund | Developer Reimbursement Fund | Grants Fund | Other Governmental Funds | Total Governmental Fund |
|---|-------------------|-------------------|------------------------------------|------------------|--------------------------------|-------------------------------|
| Revenue | | | | | | |
| Taxes | \$ 1,435,637 | \$ - | \$ - | \$ - | \$ 25,348 | \$ 1,460,985 |
| Intergovernmental | 915,787 | 260,137 | - | 484,899 | - | 1,660,823 |
| Fines and forfeitures | 35,538 | - | - | - | - | 35,538 |
| Licenses and permits | 21,769 | - | - | - | - | 21,769 |
| Charges for services | 961 | - | - | - | 1,900 | 2,861 |
| Rental income | 7,601 | 18,944 | - | - | - | 26,545 |
| Contributions | 19,466 | - | - | - | - | 19,466 |
| Investment income | 2,890 | 1,296 | - | - | 59 | 4,245 |
| Other revenue | 14,717 | 3,024 | 136,303 | - | - | 154,044 |
| Total revenue | <u>2,454,366</u> | <u>283,401</u> | <u>136,303</u> | <u>484,899</u> | <u>27,307</u> | <u>3,386,276</u> |
| Expenditures | | | | | | |
| Current | | | | | | |
| General government | 1,219,863 | - | 96,303 | 230,665 | - | 1,546,831 |
| Public safety | 793,881 | - | - | 3,451 | - | 797,332 |
| Highways and streets | - | 174,959 | - | 61,007 | - | 235,966 |
| Culture and recreation | 171,150 | - | - | 13,553 | - | 184,703 |
| Capital outlay | 30,216 | - | - | 169,878 | - | 200,094 |
| Debt service | | | | | | |
| Principal | 30,000 | 26,663 | - | - | - | 56,663 |
| Interest | 8,071 | 535 | - | - | - | 8,606 |
| Total expenditures | <u>2,253,181</u> | <u>202,157</u> | <u>96,303</u> | <u>478,554</u> | <u>-</u> | <u>3,030,195</u> |
| Excess (deficiency) of revenue over (under) expenditures | <u>201,185</u> | <u>81,244</u> | <u>40,000</u> | <u>6,345</u> | <u>27,307</u> | <u>356,081</u> |
| Other financing sources | | | | | | |
| Sale of capital assets | 6,361 | - | - | - | - | 6,361 |
| Transfers in (out) | 154,676 | 41,112 | (40,000) | (2,906) | (10,649) | 142,233 |
| Total other financing sources | <u>161,037</u> | <u>41,112</u> | <u>(40,000)</u> | <u>(2,906)</u> | <u>(10,649)</u> | <u>148,594</u> |
| Net change in fund balances | <u>362,222</u> | <u>122,356</u> | <u>-</u> | <u>3,439</u> | <u>16,658</u> | <u>504,675</u> |
| Fund balances, July 1, 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> |
| Fund balances, June 30, 2012 | <u>\$ 749,893</u> | <u>\$ 261,567</u> | <u>\$ 573,304</u> | <u>\$ 33,206</u> | <u>\$ 148,021</u> | <u>\$ 1,765,991</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, 2012

| | | |
|---|-----------|--------------|
| Net change in fund balances--total governmental funds | | \$ 504,675 |
| <p>Amounts reported for governmental activities in the Statement of Activities are different because:</p> | | |
| <p>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.</p> | | |
| Capital outlay | 200,094 | |
| Depreciation expense | (218,461) | |
| | | (18,367) |
| <p>In the Statement of Activities, only the gain/loss on the sale of capital assets is reported whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differ from the change in fund balance by the book value of capital assets sold.</p> | | |
| | | (7,347) |
| <p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.</p> | | |
| Contributed capital assets | 611,478 | |
| Grant revenues | 12,665 | |
| Property taxes | 1,518 | |
| | | 625,661 |
| <p>Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.</p> | | |
| | | 56,663 |
| <p>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.</p> | | |
| Change in compensated absences | | (18,424) |
| Change in net assets of governmental activities | | \$ 1,142,861 |

The accompanying notes are an integral part of these financial statements

TOWN OF CLARKDALE, ARIZONA
Statement of Net Assets
Proprietary Funds
June 30, 2012

| | Business-type Activities--Enterprise Funds | | | | |
|--|--|--------------------|-------------------|------------------|---------------------|
| | Wastewater Fund | Sanitation Fund | Water Fund | Cemetery Fund | Total |
| ASSETS | | | | | |
| Current assets | | | | | |
| Cash and cash equivalents | \$ 144,498 | \$ 48,795 | \$ 1,646,796 | \$ - | \$ 1,840,089 |
| Cash and cash equivalents - restricted | 651,290 | - | 766,682 | 129,008 | 1,546,980 |
| Accounts receivable - net | 25,395 | 15,726 | 86,664 | 1,095 | 128,880 |
| Other accounts receivable | - | - | 123,084 | - | 123,084 |
| Total current assets | 821,183 | 64,521 | 2,623,226 | 130,103 | 3,639,033 |
| Noncurrent assets | | | | | |
| Bond issue costs, net | 3,953 | - | - | - | 3,953 |
| Deferred charges, net | - | - | 450,737 | - | 450,737 |
| Capital assets, net of accumulated depreciation, where applicable: | | | | | |
| Land | 208,560 | - | 283,369 | - | 491,929 |
| Buildings, net | 120,501 | - | - | - | 120,501 |
| Utility systems, net | 5,075,689 | - | 4,255,591 | - | 9,331,280 |
| Equipment, net | 2,045 | - | 47,788 | - | 49,833 |
| Capital assets, net | 5,406,795 | - | 4,586,748 | - | 9,993,543 |
| Total noncurrent assets | 5,410,748 | - | 5,037,485 | - | 10,448,233 |
| Total assets | 6,231,931 | 64,521 | 7,660,711 | 130,103 | 14,087,266 |
| LIABILITIES | | | | | |
| Current liabilities | | | | | |
| Accounts payable | 129,986 | 17,033 | 52,352 | 367 | 199,738 |
| Accrued expenses | 3,159 | 504 | 5,436 | 324 | 9,423 |
| Interest payable | 13,352 | - | - | - | 13,352 |
| Deferred revenue | 2,989,325 | 1,130 | 6,783 | - | 2,997,238 |
| Refundable deposits | - | - | 42,150 | 129,008 | 171,158 |
| Compensated absences, current | 14,498 | - | 12,334 | - | 26,832 |
| Bonds payable, current | 25,000 | - | - | - | 25,000 |
| Leases payable, current | - | - | 13,681 | - | 13,681 |
| Total current liabilities | 3,175,320 | 18,667 | 132,736 | 129,699 | 3,456,422 |
| Noncurrent liabilities | | | | | |
| Compensated absences | 4,832 | - | 4,112 | - | 8,944 |
| Bonds payable | 190,000 | - | - | - | 190,000 |
| Leases payable | - | - | 26,718 | - | 26,718 |
| Notes payable | 553,029 | - | 6,761,579 | - | 7,314,608 |
| Total noncurrent liabilities | 747,861 | - | 6,792,409 | - | 7,540,270 |
| Total liabilities | 3,923,181 | 18,667 | 6,925,145 | 129,699 | 10,996,692 |
| Net assets | | | | | |
| Invested in capital assets, net of related debt | 4,638,766 | - | - | - | 4,638,766 |
| Restricted for: | | | | | |
| Debt service | 651,290 | - | - | - | 651,290 |
| System improvements | - | - | 205,522 | - | 205,522 |
| Unrestricted (deficit) | (2,981,306) | 45,854 | 530,044 | 404 | (2,405,004) |
| Total net assets | \$ 2,308,750 | \$ 45,854 | \$ 735,566 | \$ 404 | \$ 3,090,574 |

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, 2012

| | Business-type Activities--Enterprise Funds | | | | |
|---|--|--------------------|-------------------|------------------|---------------------|
| | Wastewater Fund | Sanitation Fund | Water Fund | Cemetery Fund | Total |
| Operating revenue | | | | | |
| Charges for services | \$ 406,189 | \$ 283,248 | \$ 1,286,775 | \$ 33,365 | \$ 2,009,577 |
| Total operating revenue | <u>406,189</u> | <u>283,248</u> | <u>1,286,775</u> | <u>33,365</u> | <u>2,009,577</u> |
| Operating expenses | | | | | |
| Personnel | 152,104 | 20,627 | 294,752 | 25,862 | 493,345 |
| Depreciation | 86,904 | - | 231,412 | - | 318,316 |
| Repairs and maintenance | 16,756 | 1,588 | 126,177 | 3,514 | 148,035 |
| Professional services | - | 199,282 | 18,636 | - | 217,918 |
| Utilities | 16,984 | 489 | 89,034 | 1,453 | 107,960 |
| Chemical tests | 25,779 | - | - | - | 25,779 |
| Materials and supplies | 22,244 | 3,560 | 13,332 | 4,262 | 43,398 |
| Amortization | 991 | - | 19,597 | - | 20,588 |
| Other | 12,763 | 2,624 | 21,530 | 310 | 37,227 |
| Insurance | 9,817 | - | 11,994 | 2,987 | 24,798 |
| Total operating expenses | <u>344,342</u> | <u>228,170</u> | <u>826,464</u> | <u>38,388</u> | <u>1,437,364</u> |
| Operating income (loss) | <u>61,847</u> | <u>55,078</u> | <u>460,311</u> | <u>(5,023)</u> | <u>572,213</u> |
| Nonoperating revenue (expenses) | | | | | |
| Grant | - | - | 28,039 | - | 28,039 |
| Investment income | 2,121 | 110 | 2,079 | 122 | 4,432 |
| Interest expense | (20,107) | - | (311,906) | - | (332,013) |
| Total nonoperating revenue (expenses) | <u>(17,986)</u> | <u>110</u> | <u>(281,788)</u> | <u>122</u> | <u>(299,542)</u> |
| Income (loss) before contributions, gains, losses, and transfers | 43,861 | 55,188 | 178,523 | (4,901) | 272,671 |
| Capital contribution | 138,743 | - | 1,840 | - | 140,583 |
| Transfers in (out) | (29,882) | (138,300) | (55,801) | 81,750 | (142,233) |
| Increase (decrease) in net assets | 152,722 | (83,112) | 124,562 | 76,849 | 271,021 |
| Total net assets, July 1, 2011, restated | <u>2,156,028</u> | <u>128,966</u> | <u>611,004</u> | <u>(76,445)</u> | <u>2,819,553</u> |
| Total net assets, June 30, 2012 | <u>\$ 2,308,750</u> | <u>\$ 45,854</u> | <u>\$ 735,566</u> | <u>\$ 404</u> | <u>\$ 3,090,574</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, 2012

| | Business-type Activities--Enterprise Funds | | | | |
|--|--|--------------------|---------------------|-------------------|---------------------|
| | Wastewater Fund | Sanitation Fund | Water Fund | Cemetery Fund | Total |
| Cash flows from operating activities: | | | | | |
| Receipts from customers | \$ 396,505 | \$ 278,590 | \$ 1,252,590 | \$ 35,203 | \$ 1,962,888 |
| Payments to suppliers and providers of goods and services | (147,104) | (212,426) | (335,196) | (21,815) | (716,541) |
| Payments to employees | (102,770) | (15,154) | (203,870) | (16,654) | (338,448) |
| Net cash provided by (used by) operating activities | 146,631 | 51,010 | 713,524 | (3,266) | 907,899 |
| Cash flows from noncapital financing activities: | | | | | |
| Loans (to)/from other funds | 76,421 | - | - | (76,421) | - |
| Transfers (to)/from other funds | (29,882) | (138,300) | (55,801) | 81,750 | (142,233) |
| Net cash provided by (used by) noncapital financing activities | 46,539 | (138,300) | (55,801) | 5,329 | (142,233) |
| Cash flows from capital and related financing activities: | | | | | |
| Purchase of capital assets | (371,927) | - | (595,386) | - | (967,313) |
| Interest paid | (14,273) | - | (311,906) | - | (326,179) |
| Principal paid on long-term debt | (25,000) | - | (181,828) | - | (206,828) |
| Impact fees received | - | - | 1,840 | - | 1,840 |
| Net cash provided by (used by) capital and related financing activities | (411,200) | - | (1,087,280) | - | (1,498,480) |
| Cash flows from investing activities: | | | | | |
| Interest received on investments | 2,121 | 110 | 2,079 | 122 | 4,432 |
| Net cash provided by (used by) investing activities | 2,121 | 110 | 2,079 | 122 | 4,432 |
| Net increase (decrease) in cash and cash equivalents | (215,909) | (87,180) | (427,478) | 2,185 | (728,382) |
| Cash and cash equivalents, July 1, 2011 | 1,011,697 | 135,975 | 2,840,956 | 126,823 | 4,115,451 |
| Cash and cash equivalents, June 30, 2012 | \$ 795,788 | \$ 48,795 | \$ 2,413,478 | \$ 129,008 | \$ 3,387,069 |
| Cash | \$ 144,498 | \$ 48,795 | \$ 1,646,796 | \$ - | \$ 1,840,089 |
| Cash - restricted | 651,290 | - | 766,682 | 129,008 | 1,546,980 |
| Cash and cash equivalents, June 30, 2012 | \$ 795,788 | \$ 48,795 | \$ 2,413,478 | \$ 129,008 | \$ 3,387,069 |

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, 2012
(Continued)

| | Business-type Activities--Enterprise Funds | | | | Total |
|--|--|--------------------|-------------------|-------------------|-------------------|
| | Wastewater Fund | Sanitation Fund | Water Fund | Cemetery Fund | |
| Reconciliation of operating income | | | | | |
| (loss) to net cash provided by | | | | | |
| (used by) operating activities: | | | | | |
| Operating income (loss) | \$ 61,847 | \$ 55,078 | \$ 460,311 | \$ (5,023) | \$ 572,213 |
| Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating activities: | | | | | |
| Amortization | 991 | - | 19,597 | - | 20,588 |
| Depreciation | 86,904 | - | 231,412 | - | 318,316 |
| (Increase) decrease in: | | | | | |
| Accounts receivable | (9,684) | (4,658) | (40,442) | (347) | (55,131) |
| Increase (decrease) in: | | | | | |
| Accounts payable | 2,907 | 588 | 38,305 | (21) | 41,779 |
| Accrued expenses | 78 | 2 | (1,744) | (60) | (1,724) |
| Deferred revenue | - | - | (468) | - | (468) |
| Refundable deposits | - | - | 6,725 | 2,185 | 8,910 |
| Compensated absences | 3,588 | - | (172) | - | 3,416 |
| Net cash provided by (used for) | | | | | |
| operating activities | <u>\$ 146,631</u> | <u>\$ 51,010</u> | <u>\$ 713,524</u> | <u>\$ (3,266)</u> | <u>\$ 907,899</u> |

NONCASH INVESTING, CAPITAL, AND NON CAPITAL FINANCING ACTIVITIES:

The Town purchased \$675,599 of capital assets with accounts payable and notes payable.

The accompanying notes are an integral part of these financial statements

TOWN OF CLARKDALE, ARIZONA
Notes to Financial Statements
June 30, 2012

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, 2012

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, 2012

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 before 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, 2012

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.

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, 2012 in the Wastewater, Sanitation, Water, and Cemetery Funds were \$4,404, \$2,710, \$9,644, 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, 2012

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:

| | <u>Capitalization Threshold</u> | <u>Depreciation Method</u> | <u>Estimated Useful Life (years)</u> |
|--|-------------------------------------|--------------------------------|--|
| 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, 2012

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.

The Town has not formally adopted deposit and investment policies that limit the Town's allowable deposits or investments and which address the specific types of risk to which the Town is exposed such as interest rate risk, credit risk, and custodial credit risk.

Deposits—At June 30, 2012, the carrying amount of the Town's total cash in bank was \$4,036,206, and the bank balance was \$4,275,989. 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, 2012

NOTE 2 – DEPOSITS AND INVESTMENTS – Continued

Deposits and investments at June 30, 2012 consist of the following:

| | |
|-----------------------------------|----------------------------|
| Deposits | |
| Cash on hand | \$ 799 |
| Cash in bank | 4,036,206 |
| Cash held by trustee | 822,793 |
| Investments | |
| State Treasurer's Investment Pool | <u>228,302</u> |
| Total deposits and investments | 5,088,100 |
| Cash - restricted | <u>(1,546,980)</u> |
| Total cash and cash equivalents | <u><u>\$ 3,541,120</u></u> |

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

| | |
|----------------------------|----------------------------|
| Water System Improvements | \$ 553,029 |
| Water System Debt Reserve | 532,212 |
| Clarkdale Water Trust Fund | 192,320 |
| MPC Trust | 98,261 |
| Customer deposits | <u>171,158</u> |
| | <u><u>\$ 1,546,980</u></u> |

Investments—At June 30, 2012, the Town’s investments were reported at fair value. The Town’s investments consisted of the State Treasurer’s Local Government Investment (LGIP) Pool 7. LGIP Pool 7 is a short-term fund that invests in only products backed by the full faith and credit of the United State Government. LGIP Pool 7 is unrated.

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, 2012

NOTE 3 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012, was as follows:

| | Balance July 1, 2011 | Increase | Decreases | Balance June 30, 2012 |
|--|-------------------------|-------------------|-------------------|--------------------------|
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 563,786 | \$ 20,000 | \$ - | \$ 583,786 |
| Total capital assets not being depreciated | 563,786 | 20,000 | - | 583,786 |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | 1,919,980 | - | - | 1,919,980 |
| Infrastructure | 871,119 | 670,078 | - | 1,541,197 |
| Machinery and equipment | 634,827 | 121,494 | (28,040) | 728,281 |
| Vehicles | 481,583 | - | (66,202) | 415,381 |
| Total | 3,907,509 | 791,572 | (94,242) | 4,604,839 |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | (1,207,890) | (50,144) | - | (1,258,034) |
| Infrastructure | (182,458) | (58,074) | - | (240,532) |
| Machinery and equipment | (395,479) | (60,866) | 20,693 | (435,652) |
| Vehicles | (322,950) | (49,377) | 66,202 | (306,125) |
| Total | (2,108,777) | (218,461) | 86,895 | (2,240,343) |
| Total capital assets being depreciated, net | 1,798,732 | 573,111 | (7,347) | 2,364,496 |
| Governmental activities capital assets, net | \$ 2,362,518 | \$ 593,111 | \$ (7,347) | \$ 2,948,282 |

TOWN OF CLARKDALE, ARIZONA
Notes to Financial Statements
June 30, 2012

NOTE 3 – CAPITAL ASSETS – Continued

| | Balance July 1, 2011 | Increase | Decreases | Balance June 30, 2012 |
|---|-------------------------|---------------------|-------------|--------------------------|
| Business-type activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 491,929 | \$ - | \$ - | \$ 491,929 |
| Construction in progress | - | 1,047,527 | - | 1,047,527 |
| Total capital assets not being depreciated | <u>491,929</u> | <u>1,047,527</u> | <u>-</u> | <u>1,539,456</u> |
| Capital assets being depreciated: | | | | |
| Sewer plant and equipment | 5,164,831 | - | - | 5,164,831 |
| Water distribution system | 5,343,265 | 595,385 | - | 5,938,650 |
| Total | <u>10,508,096</u> | <u>595,385</u> | <u>-</u> | <u>11,103,481</u> |
| Less accumulated depreciation for: | | | | |
| Sewer plant and equipment | (927,219) | (86,904) | - | (1,014,123) |
| Water distribution system | (1,403,859) | (231,412) | - | (1,635,271) |
| Total | <u>(2,331,078)</u> | <u>(318,316)</u> | <u>-</u> | <u>(2,649,394)</u> |
| Total capital assets being depreciated, net | <u>8,177,018</u> | <u>277,069</u> | <u>-</u> | <u>8,454,087</u> |
| Business-type activities capital assets, net | <u>\$ 8,668,947</u> | <u>\$ 1,324,596</u> | <u>\$ -</u> | <u>\$ 9,993,543</u> |

Depreciation expense was charged to each function as follows:

| | |
|---|-------------------|
| Governmental activities: | |
| General government | \$ 81,524 |
| Public safety | 32,306 |
| Highways and streets | 93,519 |
| Culture and recreation | 11,112 |
| Total governmental activities depreciation expense | <u>\$ 218,461</u> |
| Business-type activities: | |
| Wastewater | \$ 86,904 |
| Water | 231,412 |
| Total business-type activities depreciation expense | <u>\$ 318,316</u> |

TOWN OF CLARKDALE, ARIZONA
Notes to Financial Statements
June 30, 2012

NOTE 4 – DUE FROM OTHER GOVERNMENTS

Amounts due from other governments at June 30, 2012 consisted of the following:

| | |
|---------------------------------|------------|
| State shared revenues: | |
| Highway user revenue fund | \$ 26,675 |
| State sales tax | 27,187 |
| Auto lieu tax | 17,408 |
| State of Arizona grant revenues | 99,783 |
| | \$ 171,053 |

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, 2012.

| <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 | \$ - | \$ 1,803,877 | \$ - | \$ - | \$ 1,803,877 |
| Phelps Dodge effluent water credit | - | 1,066,337 | - | - | 1,066,337 |
| Builder advanced capacity fee | - | 118,776 | - | - | 118,776 |
| Unapplied credits | - | 335 | 1,130 | 6,783 | 8,248 |
| Prepaid contract reimbursable | 73,173 | - | - | - | 73,173 |
| | \$ 73,173 | \$ 2,989,325 | \$ 1,130 | \$ 6,783 | \$ 3,070,411 |

| <i>Governmental funds</i> | General Fund | Developer | | Total |
|---------------------------|-----------------|-----------------------|----------------|------------|
| | | Reimbursement Fund | Grants Fund | |
| Developer reimbursable | \$ - | \$ 74,828 | \$ - | \$ 74,828 |
| Grant receivables | - | - | 19,358 | 19,358 |
| Property tax receivables | 13,355 | - | - | 13,355 |
| | \$ 13,355 | \$ 74,828 | \$ 19,358 | \$ 107,541 |

TOWN OF CLARKDALE, ARIZONA
Notes to Financial Statements
June 30, 2012

NOTE 6 – LONG-TERM LIABILITIES

The following schedule details the Town’s long-term liability and obligation activity for the year ended June 30, 2012.

| | Balance July 1, 2011 | Additions | Reductions | Balance June 30, 2012 | Due within 1 year |
|---|-------------------------|-------------------|-------------------|--------------------------|----------------------|
| Governmental activities: | | | | | |
| Compensated absences | \$ 89,186 | \$ 109,200 | \$ 90,776 | \$ 107,610 | \$ 80,708 |
| Capital leases payable | 26,663 | - | 26,663 | - | - |
| Notes payable | 195,000 | - | 30,000 | 165,000 | - |
| Governmental activities long-term liabilities | <u>\$ 310,849</u> | <u>\$ 109,200</u> | <u>\$ 147,439</u> | <u>\$ 272,610</u> | <u>\$ 80,708</u> |
| Business-type activities: | | | | | |
| Compensated absences | \$ 32,360 | \$ 22,750 | \$ 19,334 | \$ 35,776 | \$ 26,832 |
| Capital leases payable | 54,550 | - | 14,151 | 40,399 | 13,681 |
| Bonds payable | 240,000 | - | 25,000 | 215,000 | 25,000 |
| Notes payable | 6,745,000 | 553,029 | 160,000 | 7,138,029 | - |
| Plus: deferred amount on premium | 184,256 | - | 7,677 | 176,579 | - |
| Business-type activities long-term liabilities | <u>\$ 7,256,166</u> | <u>\$ 575,779</u> | <u>\$ 226,162</u> | <u>\$ 7,605,783</u> | <u>\$ 65,513</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, 2012, were as follows:

| <u>Description</u> | <u>Original Amount</u> | <u>Maturity Ranges</u> | <u>Interest Rates</u> | <u>Outstanding Principal</u> |
|----------------------------|----------------------------|----------------------------|---------------------------|----------------------------------|
| Revenue Bonds, Series 1996 | <u>\$ 500,000</u> | 1997- 2016 | 4.50-6.35% | <u>\$ 215,000</u> |

TOWN OF CLARKDALE, ARIZONA
Notes to Financial Statements
June 30, 2012

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> | \$ 165,000 | \$ - |
| <p>Note payable to Water Infrastructure Finance Authority of Arizona (WIFA) requiring repayments of interest due semiannually beginning July 1, 2012 and principal payments due annually beginning July 1, 2013 with final payment due July 1, 2033. The annual interest rate is 2.912%.</p> | - | 553,029 |
| <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> | - | 6,585,000 |
| | \$ 165,000 | \$ 7,138,029 |

The following schedule details debt service requirements to maturity for the Town’s bond and notes payable at June 30, 2012.

| Year Ending June 30 | Governmental Activities | | Business-type Activities | | | |
|---------------------------|-------------------------|-----------|--------------------------|-------------|---------------|-----------|
| | Notes Payable | | Notes Payable | | Bonds Payable | |
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2013 | - | 7,471 | - | 328,237 | 25,000 | 11,973 |
| 2014 | 30,000 | 6,271 | 348,617 | 314,860 | 30,000 | 10,113 |
| 2015 | 30,000 | 5,071 | 359,255 | 303,057 | 30,000 | 8,238 |
| 2016 | 35,000 | 3,745 | 345,157 | 291,353 | 35,000 | 6,033 |
| 2017 | 35,000 | 2,275 | 190,000 | 281,853 | 95,000 | - |
| 2018-22 | 35,000 | 766 | 1,100,000 | 1,271,025 | - | - |
| 2023-27 | - | - | 1,360,000 | 998,550 | - | - |
| 2028-32 | - | - | 1,720,000 | 609,500 | - | - |
| 2033-37 | - | - | 1,715,000 | 133,750 | - | - |
| Total | \$ 165,000 | \$ 25,599 | \$7,138,029 | \$4,532,185 | \$ 215,000 | \$ 36,355 |

TOWN OF CLARKDALE, ARIZONA
Notes to Financial Statements
June 30, 2012

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:

| | Business-type Activities |
|--------------------------------|-----------------------------|
| Equipment | \$ 68,037 |
| Less: accumulated depreciation | (20,249) |
| Carrying value | \$ 47,788 |

The following schedule details debt service requirements to maturity for the Town’s capital leases payable at June 30, 2012.

| Year Ending June 30 | Business-type Activities |
|---|-----------------------------|
| 2013 | \$ 15,202 |
| 2014 | 15,202 |
| 2015 | 13,936 |
| Total minimum lease payments | 44,340 |
| Less amount representing interest | (3,941) |
| Present value of net minimum lease payments | \$ 40,399 |

Interest expense – The total amount of interest expense included as direct functional expenses on the government-wide financial statements is \$8,606. \$8,071 was included as a direct functional of the general government and \$535 was included as a direct functional expense of highways and streets.

TOWN OF CLARKDALE, ARIZONA
Notes to Financial Statements
June 30, 2012

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, 2012, active ASRS members and the Town were each required by statute to contribute at the actuarially determined rate of 10.74 percent (10.50 percent retirement and 0.24 percent long-term disability) of the members' annual covered payroll. The Town's contributions to ASRS for the years ended June 30, 2012, 2011 and 2010, were \$124,688, \$114,782, and \$113,288, respectively, which were equal to the required contributions for the year.

TOWN OF CLARKDALE, ARIZONA
Notes to Financial Statements
June 30, 2012

NOTE 8 – RETIREMENT PLANS – Continued

Agent plans – For the year ended June 30, 2012, active PSPRS members were required by statute to contribute 8.65 percent of the members’ annual covered payroll, and the Town was required to contribute at the actuarially determined rate of 16.80 percent.

Annual Pension Cost – The Town’s pension cost for the agent plan for the year ended June 30, 2012, and related information follows.

| | PSPRS |
|---------------------|-----------|
| Contribution rates: | |
| City | 16.80% |
| Plan members | 8.65% |
| Annual pension cost | \$ 37,835 |
| Contributions made | \$ 37,835 |

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 | 06/30/11 |
| Actuarial cost method | Entry Age Normal |
| Actuarial assumptions: | |
| Investment rate of return | 8.25% |
| Projected salary increases | 5.00%-8.00% |
| Includes inflation at | 5.00% |
| Cost-of-living adjustments | None |
| Amortization method | Level percent-of-pay closed |
| Remaining amortization period | 25 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 | 2012 | \$ 37,835 | 100 % | \$ - |
| | 2011 | 66,383 | 100 % | - |
| | 2010 | 51,422 | 100 % | - |

TOWN OF CLARKDALE, ARIZONA
Notes to Financial Statements
June 30, 2012

NOTE 9 – INTERFUND BALANCES AND ACTIVITY

Interfund borrowings - At June 30, 2012 the Grants Fund had borrowed a total of \$12,454 from the General Fund. The interfund receivable and payable are due to short-term borrowings of the Town's pooled cash.

Interfund transfers – During the year ended June 30, 2012, 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 | |
| General Fund | \$ - | \$ 3,087 | \$ - | \$ - | \$ 3,087 |
| HURF/LTAF Fund | - | - | 1,975 | - | 1,975 |
| Developer Reimbursement Fund | 40,000 | - | - | - | 40,000 |
| Grants Fund | 4,881 | - | - | - | 4,881 |
| Other Governmental Fund | - | - | - | 10,649 | 10,649 |
| Wastewater Fund | 29,882 | - | - | - | 29,882 |
| Sanitation Fund | 23,550 | 40,000 | - | 74,750 | 138,300 |
| Water Fund | 55,801 | - | - | - | 55,801 |
| Cemetery Fund | 3,649 | - | - | - | 3,649 |
| Total | <u>\$ 157,763</u> | <u>\$ 43,087</u> | <u>\$ 1,975</u> | <u>\$ 85,399</u> | <u>\$ 288,224</u> |

NOTE 10 – RESTATEMENT OF BEGINNING NET ASSETS

In prior periods, the Town had recognized internment and other cemetery revenues which it had not yet earned but had collected. The Town reduced the beginning net assets of the Cemetery Fund and the Business-type Activities by \$96,219. Beginning accounts receivable were decreased by \$21,681 and beginning refundable deposits were increased by \$74,538. In addition, beginning restricted cash was increased by \$74,538 and beginning due to other funds was increased by \$74,538.

TOWN OF CLARKDALE, ARIZONA
Required Supplementary Information
Budgetary Comparison Schedules
General Fund
Year Ended June 30, 2012

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget |
|---|------------------|------------------|-------------------|-------------------------------|
| | Original | Final | | |
| Revenue | | | | |
| Taxes | \$ 1,222,395 | \$ 1,222,395 | \$ 1,435,637 | \$ 213,242 |
| Intergovernmental | 874,569 | 874,569 | 915,787 | 41,218 |
| Fines and forfeitures | 50,000 | 50,000 | 35,538 | (14,462) |
| Licenses and permits | 28,500 | 28,500 | 21,769 | (6,731) |
| Charges for services | 800 | 800 | 961 | 161 |
| Rental income | 2,500 | 2,500 | 7,601 | 5,101 |
| Contributions | 254,500 | 254,500 | 19,466 | (235,034) |
| Investment income | 300 | 300 | 2,890 | 2,590 |
| Other revenue | 130,697 | 130,697 | 14,717 | (115,980) |
| Total revenue | <u>2,564,261</u> | <u>2,564,261</u> | <u>2,454,366</u> | <u>(109,895)</u> |
| Expenditures | | | | |
| Current | | | | |
| General government | 1,176,091 | 1,176,091 | 1,219,863 | (43,772) |
| Public safety | 885,613 | 885,613 | 793,881 | 91,732 |
| Highways and streets | 358,504 | 358,504 | - | 358,504 |
| Culture and recreation | 393,906 | 393,906 | 171,150 | 222,756 |
| Capital outlay | - | - | 30,216 | (30,216) |
| Debt service | | | | |
| Principal and interest | - | - | 30,000 | (30,000) |
| Interest | - | - | 8,071 | (8,071) |
| Total expenditures | <u>2,814,114</u> | <u>2,814,114</u> | <u>2,253,181</u> | <u>560,933</u> |
| Excess (deficiency) of revenue over (under) expenditures | <u>(249,853)</u> | <u>(249,853)</u> | <u>201,185</u> | <u>451,038</u> |
| Other financing sources | | | | |
| Sale of capital assets | - | - | 6,361 | 6,361 |
| Transfers in (out) | (83,301) | (83,301) | 154,676 | 237,977 |
| Total other financing sources | <u>(83,301)</u> | <u>(83,301)</u> | <u>161,037</u> | <u>244,338</u> |
| Net change in fund balances | <u>(333,154)</u> | <u>(333,154)</u> | <u>362,222</u> | <u>695,376</u> |
| Fund balances, July 1, 2011 | <u>387,671</u> | <u>387,671</u> | <u>387,671</u> | <u>-</u> |
| Fund balances, June 30, 2012 | <u>\$ 54,517</u> | <u>\$ 54,517</u> | <u>\$ 749,893</u> | <u>\$ 695,376</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, 2012

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget |
|---|--------------------|--------------------|-------------------|-------------------------------|
| | Original | Final | | |
| Revenue | | | | |
| Intergovernmental | \$ 255,000 | \$ 255,000 | \$ 260,137 | \$ 5,137 |
| Rental income | 12,000 | 12,000 | 18,944 | 6,944 |
| Investment income | - | - | 1,296 | 1,296 |
| Other revenue | - | - | 3,024 | 3,024 |
| Total revenue | <u>267,000</u> | <u>267,000</u> | <u>283,401</u> | <u>16,401</u> |
| Expenditures | | | | |
| Current | | | | |
| Highways and streets | 693,370 | 693,370 | 174,959 | 518,411 |
| Debt service | | | | |
| Principal and interest | - | - | 26,663 | (26,663) |
| Interest | - | - | 535 | (535) |
| Total expenditures | <u>693,370</u> | <u>693,370</u> | <u>202,157</u> | <u>491,213</u> |
| Excess (deficiency) of revenue over (under) expenditures | <u>(426,370)</u> | <u>(426,370)</u> | <u>81,244</u> | <u>507,614</u> |
| Other financing sources | | | | |
| Transfers in (out) | <u>243,086</u> | <u>243,086</u> | <u>41,112</u> | <u>(201,974)</u> |
| Total other financing sources | <u>243,086</u> | <u>243,086</u> | <u>41,112</u> | <u>(201,974)</u> |
| Net change in fund balances | (183,284) | (183,284) | 122,356 | 305,640 |
| Fund balances, July 1, 2011 | <u>139,211</u> | <u>139,211</u> | <u>139,211</u> | <u>-</u> |
| Fund balances, June 30, 2012 | <u>\$ (44,073)</u> | <u>\$ (44,073)</u> | <u>\$ 261,567</u> | <u>\$ 305,640</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, 2012

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget |
|---|--------------------------|--------------------------|--------------------------|-------------------------------|
| | Original | Final | | |
| Revenue | | | | |
| Other revenue | \$ 1,872,500 | \$ 1,872,500 | \$ 136,303 | \$ (1,736,197) |
| Total revenue | <u>1,872,500</u> | <u>1,872,500</u> | <u>136,303</u> | <u>(1,736,197)</u> |
| Expenditures | | | | |
| Current | | | | |
| General government | 2,138,530 | 2,138,530 | 96,303 | 2,042,227 |
| Total expenditures | <u>2,138,530</u> | <u>2,138,530</u> | <u>96,303</u> | <u>2,042,227</u> |
| Excess (deficiency) of revenue over (under) expenditures | <u>(266,030)</u> | <u>(266,030)</u> | <u>40,000</u> | <u>306,030</u> |
| Other financing sources | | | | |
| Transfers in (out) | <u>(40,000)</u> | <u>(40,000)</u> | <u>(40,000)</u> | <u>-</u> |
| Total other financing sources | <u>(40,000)</u> | <u>(40,000)</u> | <u>(40,000)</u> | <u>-</u> |
| Net change in fund balances | <u>(306,030)</u> | <u>(306,030)</u> | <u>-</u> | <u>306,030</u> |
| Fund balances, July 1, 2011 | <u>573,304</u> | <u>573,304</u> | <u>573,304</u> | <u>-</u> |
| Fund balances, June 30, 2012 | <u><u>\$ 267,274</u></u> | <u><u>\$ 267,274</u></u> | <u><u>\$ 573,304</u></u> | <u><u>\$ 306,030</u></u> |

See accompanying notes to budgetary comparison schedule.

TOWN OF CLARKDALE, ARIZONA
Required Supplementary Information
Budgetary Comparison Schedules
Grants Fund
Year Ended June 30, 2012

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget |
|---|----------------------------|----------------------------|-------------------------|-------------------------------|
| | Original | Final | | |
| Revenue | | | | |
| Intergovernmental | \$ 16,468,391 | \$ 16,468,391 | \$ 484,899 | \$ (15,983,492) |
| Total revenue | <u>16,468,391</u> | <u>16,468,391</u> | <u>484,899</u> | <u>(15,983,492)</u> |
| Expenditures | | | | |
| Current | | | | |
| General government | - | - | 230,665 | (230,665) |
| Public safety | - | - | 3,451 | (3,451) |
| Highways and streets | - | - | 61,007 | (61,007) |
| Culture and recreation | - | - | 13,553 | (13,553) |
| Capital outlay | 16,648,362 | 16,648,362 | 169,878 | 16,478,484 |
| Total expenditures | <u>16,648,362</u> | <u>16,648,362</u> | <u>478,554</u> | <u>16,169,808</u> |
| Excess (deficiency) of revenue over (under) expenditures | <u>(179,971)</u> | <u>(179,971)</u> | <u>6,345</u> | <u>186,316</u> |
| Other financing sources | | | | |
| Transfers in (out) | <u>(6,413)</u> | <u>(6,413)</u> | <u>(2,906)</u> | <u>3,507</u> |
| Total other financing sources | <u>(6,413)</u> | <u>(6,413)</u> | <u>(2,906)</u> | <u>3,507</u> |
| Net change in fund balances | <u>(186,384)</u> | <u>(186,384)</u> | <u>3,439</u> | <u>189,823</u> |
| Fund balances, July 1, 2011 | <u>29,767</u> | <u>29,767</u> | <u>29,767</u> | <u>-</u> |
| Fund balances, June 30, 2012 | <u><u>\$ (156,617)</u></u> | <u><u>\$ (156,617)</u></u> | <u><u>\$ 33,206</u></u> | <u><u>\$ 189,823</u></u> |

See accompanying notes to budgetary comparison schedule.

TOWN OF CLARKDALE, ARIZONA
Required Supplementary Information
Notes to Budgetary Comparison Schedules
June 30, 2012

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, 2012

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) |
|--------------------------------|--|--|---|--------------------------|-------------------------------------|--|
| 06/30/11 | \$1,859,765 | \$2,065,108 | \$(205,343) | 90.1 % | \$231,778 | 88.6 % |
| 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 |



COLBY &
POWELL, PLC

CERTIFIED PUBLIC ACCOUNTANTS

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

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

**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, 2012, which collectively comprise the Town of Clarkdale, Arizona's basic financial statements and have issued our report thereon dated December 3, 2012. 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

Management of the Town of Clarkdale, Arizona is responsible for establishing and maintaining effective 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 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*.

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 3, 2012



COLBY &
POWELL, PLC

CERTIFIED PUBLIC ACCOUNTANTS

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

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

**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, 2012, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated December 3, 2012.

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.

December 3, 2012