

TOWN OF CLARKDALE, ARIZONA

Annual Financial Statements
and Independent Auditors' Report
June 30, 2013

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INDEPENDENT AUDITORS' REPORT

To the Town Council
Town of Clarkdale, Arizona

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Clarkdale, Arizona as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages iv to xix and 31 to 35 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Clarkdale, Arizona's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United

States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2013, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Clarkdale, Arizona's internal control over financial reporting and compliance.

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

November 26, 2013

TOWN OF CLARKDALE, ARIZONA
Management's Discussion and Analysis
June 30, 2013

We, the Town of Clarkdale, Arizona, are pleased to provide an overview of our financial activities for the fiscal year ended June 30, 2013. 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

- ❖ The total net position showed an increase of 14.25%, between fiscal years 2012 and 2013. The 2013 governmental net assets increased 14.33% and the business-type activities increased 14.15%.
- ❖ The Town's total 2013 revenues were \$6,090,109 and expenses totaled \$5,024,251, resulting in an increase in net position of \$1,065,858 or 14.25%.
- ❖ Local sales tax, property tax, and franchise taxes were the largest revenue source for governmental activities, accounting for 43.48% of total governmental activity revenues with state-shared general revenues accounting for 26.47% of total governmental activity revenues.
- ❖ Expenditures for the Town's governmental activities total \$3,127,395. Public Safety activities account for 30.36%, Highway and Streets spent 24.50% of the expenditures, Culture and Recreation 6.98%, and General Government Services accounted for 38.16% of total expenditures for 2013.
- ❖ General Fund revenues of \$2,724,351 were higher than budgeted revenues of \$2,676,106 by \$48,245, or 1.80% while General Fund actual expenditures of \$2,543,033 were lower than budgeted expenditures of \$3,412,043 by \$869,010, or 25.47%.
- ❖ The Town's total governmental funds reported combined ending fund balances of \$2,024,675, an increase of \$258,684 in comparison with the prior year. The Business-type's total net position was \$3,425,765, an increase of \$424,539 from 2012.
- ❖ Long-term obligations outstanding were \$12,528,314, in 2013, an increase of \$4,649,921, up 59.02%. Business-type Activities accounted for 98.07% of the \$12,528,314 due to the WIFA loans for the construction of the Wastewater Treatment Plant and the Twin 5s.
- ❖ Portions of the 10% furlough program for all staff implemented in January of 2009 were reinstated which included a 10% reinstatement for certified Police, 5% for eligible exempt

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and non-exempt employees, keeping the workweek at 36 hours and a reclassification of job positions to reflect current assignments.

- ❖ Clarkdale became the first city or town in Arizona to provide a comprehensive reporting of all its revenues and expenditures through the State of Arizona's official transparency website, www.openbooks.az.gov. A.R.S. 41-725 requires that each local government in Arizona establish and maintain an official internet website that is accessible to the public at no cost and that contains a comprehensive reporting of revenues and expenditures over \$5,000. While the statute only requires reporting of revenues and expenses over \$5,000, the Town of Clarkdale chose to list all revenues and expenses, regardless of the amount.
- ❖ Standard & Poor's Ratings Services raised the bond rating for the Clarkdale Municipal Property Corporation's excise tax revenue bonds from "A" to "AA". According to Standard & Poor's, the rating further reflects their opinion of: Extremely strong maximum annual debt coverage by pledged revenues; the bonds' short amortization period, with final maturity in 2016; the town's moderately concentrated tax base; and, the town's small, limited local economy that is centered on tourism and manufacturing, which has nevertheless generated good revenue performance.
- ❖ Construction of a "recycled" wastewater treatment plant approved by the Water Infrastructure Finance Authority (WIFA) in the amount of \$5,500,000 was underway the entire year. Applying creativity and ingenuity in the face of a new financing challenge, the WIFA loan was structured to maximize use of the Town's existing escrow account in order to reduce the impact on wastewater customers. A rate increase of \$25.00 over five years will cover the debt, the second \$5.00 increase went into effect in December 2012.
- ❖ Received a WIFA loan in the amount of \$1,600,000 for the Twin 5s Water Main Replacement project with \$800,000 forgivable principal under a new program which required significant creativity in order to qualify.

ECONOMIC HIGHLIGHTS

- ❖ 2012 was a year-long celebration of the Centennial of Clarkdale's founding. Events were held throughout the year by the Town of Clarkdale. The dedication of two Centennial Time Capsules which will be unearthed in 2057 (commemorating the Centennial of Clarkdale's incorporation) and 2112 (commemorating Clarkdale's Bicentennial) was the final project.
- ❖ A Sustainable Clarkdale project, the Verde River @ Clarkdale, saw significant support and progress during the year. The Town of Clarkdale entered an agreement with Arizona State Parks to jointly manage approximately 70 acres of river front property surrounding the Tuzigoot Bridge. The TuziRAP (Tuzigoot River Access Point) will provide an anchor location for public access along the 2.2 miles of Verde River located in Clarkdale. The Arizona Game and Fish Department awarded a \$40,500 grant to Clarkdale for handicap accessible improvements at the TuziRAP, and American Rivers, a national non-profit organization, is facilitating an additional grant through the Altria Corporation for trails and boat launch facilities on the Verde River @ Clarkdale. The Town Council accepted a \$420,496 grant from the Walton Family Foundation

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with half that sum dedicated to the Verde River @ Clarkdale project. The Town also entered into an agreement with Freeport McMoRan Copper & Gold for 80 acres of additional public access on the Verde River upstream from Clarkdale to be known as TapcoRAP.

- ❖ Measured signs of a slowly improving economy in Clarkdale resulted in an ability to focus on some capital improvement projects that had been delayed during the past 4 years of recession. grant funds allowed for the installation of sidewalks and solar powered street lights on Broadway, as well as energy efficiency upgrades for the Clark Memorial Clubhouse, Clark Memorial Library and Clarkdale Police Department. The Town was able to put funds back into the Street Improvement fund, allowing for an aggressive crack sealing project across the Town with additional street surfacing projects completed.
- ❖ During Clarkdale's first full year with an Economic Development Director on staff, and the Community and Economic Development Department worked throughout the year to streamline and improve processes. As a result, the Town Council adopted new regulations that allow for Sidewalk Café's in the downtown area, updated our Subdivision Code, Site Plan Code, Sign Code, Wireless Communication Towers and designated the historic downtown area as an "Entertainment District".
- ❖ Two formerly defunct housing developments came back to life during the year in the Crossroads at Mingus Subdivision and the Mountain Gate Subdivision. Both are expected to be in a position to begin developing homes next year.
- ❖ As a result of the Crossroads at Mingus Subdivision, there is now sewer and water service available on 89A, which has resulted in numerous calls from developers who are looking at this commercial area. The Spirit of Joy Lutheran Church was the first new construction to take place in this area.
- ❖ Clarkdale and other cities and towns across Arizona were faced with a series of new laws from the State Legislature that took away decision making and authority at the local level. Our ability to assess Development Impact Fees was severely hampered, resulting in the complete elimination of the fees in Clarkdale.
- ❖ Business and community leaders came together in an effort to raise money to replace and expand the flags on Main Street in Clarkdale. The result was a total of 36 flags that now fly for holidays and special occasions, and a committed group of volunteers, The Clarkdale Flag Corps, who put up and take down the flags on these important days.
- ❖ After a year-long search, Clarkdale filled our vacant Police Chief position by hiring Chief Randy Taylor. Chief Taylor came to Clarkdale with significant education and experience, and is hard at work involving himself in the Clarkdale community and developing a Strategic Plan for the Clarkdale Police Department.
- ❖ The Town of Clarkdale received the International City Manager Association's (ICMA) 2013 Community Sustainability Award which recognizes local government programs or processes that demonstrate innovation, excellence, and success in balancing that community's social,

TOWN OF CLARKDALE, ARIZONA
Management's Discussion and Analysis
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economic, environmental, and cultural needs for our Clark Memorial Clubhouse project "Deploying Geothermal Energy in an Historic Building".

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.

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

The *Statement of Activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash

TOWN OF CLARKDALE, ARIZONA
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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 Fund financial statements can be found on pages 3 and 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 Fund – accounts for specific revenue received from the State of Arizona Highway Revenue Fund which is 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
 - ❖ Court Enhancement Fund

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

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. (The Notes to Financial Statements can be found on pages 11 - 30 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. (Supplementary information and schedules can be found on pages 31 - 35 of this report)

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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Condensed Statement of Net Position

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
ASSETS						
Current and other assets	\$ 2,399,749	\$ 2,017,396	\$ 4,836,985	\$ 4,093,723	\$ 7,236,734	\$ 6,111,119
Capital assets						
Non-depreciable	702,196	583,786	6,596,140	1,539,456	7,298,336	2,123,242
Depreciable (net)	2,586,158	2,364,496	8,161,190	8,454,087	10,747,348	10,818,583
Total assets	5,688,103	4,965,678	19,594,315	14,087,266	25,282,418	19,052,944
LIABILITIES						
Other liabilities	328,647	217,037	3,882,342	3,480,257	4,210,989	3,697,294
Noncurrent liabilities						
Due within one year	80,330	80,708	456,334	65,513	536,664	146,221
Due in more than one year	161,776	191,902	11,829,874	7,540,270	11,991,650	7,732,172
Total liabilities	570,753	489,647	16,168,550	11,086,040	16,739,303	11,575,687
NET POSITION						
Invested in capital assets, net of related debt	3,153,354	2,783,282	4,451,854	4,638,766	7,605,208	7,422,048
Restricted	429,398	308,573	2,172,528	856,812	2,601,926	1,165,385
Unrestricted	1,534,598	1,384,176	(3,198,617)	(2,494,352)	(1,664,019)	(1,110,176)
Total net position	\$ 5,117,350	\$ 4,476,031	\$ 3,425,765	\$ 3,001,226	\$ 8,543,115	\$ 7,477,257
CHANGE IN NET POSITION	\$ 641,319	\$ 1,142,861	\$ 424,539	\$ 271,021	\$ 1,065,858	\$ 1,413,882
PERCENTAGE CHANGE IN NET POSITION	14.33%	34.29%	14.15%	9.93%	14.25%	23.32%

Net Position: Net position may serve over time as a useful indicator of a government's financial position. The table above reflects the Condensed Statement of Net Position of the Town showing that net position increased 14.25%, between fiscal years 2012 and 2013. The 2013 governmental net assets increased 14.33% and the business-type activities increased 14.15%.

Net position consists 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 Position

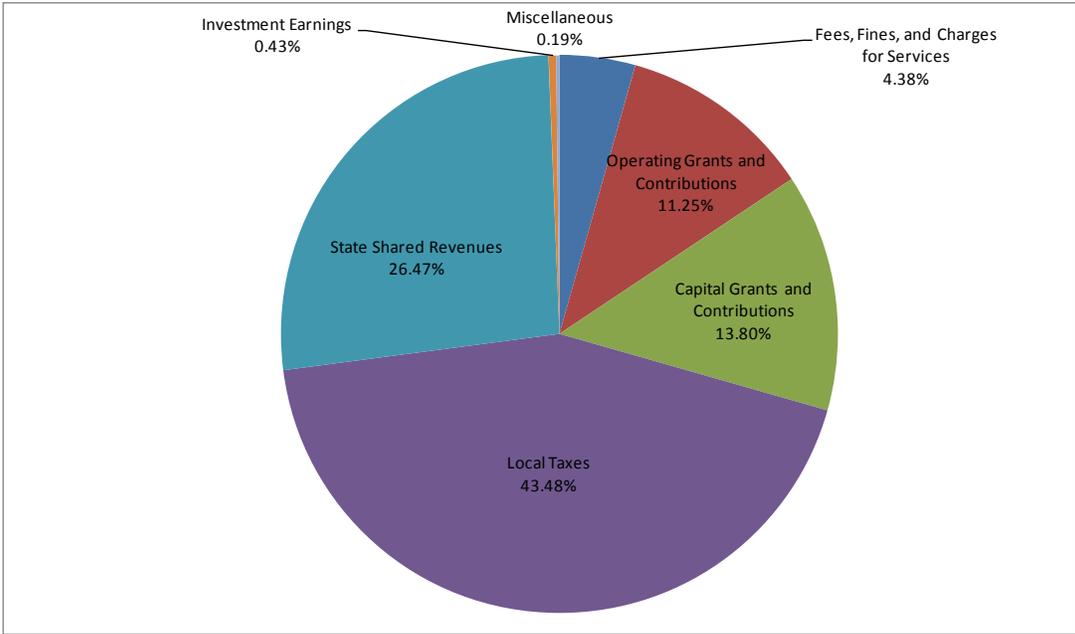
	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues						
Program revenues						
Fees, fines, and charges for services	\$ 158,792	\$ 89,121	\$ 2,161,948	\$ 2,009,577	\$ 2,320,740	\$ 2,098,698
Operating grants and contributions	407,375	581,724	6,961	-	414,336	581,724
Capital grants and contributions	500,034	1,000,300	290,258	168,622	790,292	1,168,922
General revenues						
Local taxes	1,574,805	1,437,156	-	-	1,574,805	1,437,156
State shared revenues	958,930	885,174	-	-	958,930	885,174
Investment earnings	15,564	4,245	8,637	4,432	24,201	8,677
Miscellaneous	6,805	13,231	-	-	6,805	13,231
Total revenues	3,622,305	4,010,951	2,467,804	2,182,631	6,090,109	6,193,582
Expenses						
General government	1,193,391	1,641,032	-	-	1,193,391	1,641,032
Public safety	949,464	834,244	-	-	949,464	834,244
Highways and streets	766,257	334,626	-	-	766,257	334,626
Culture and recreation	218,283	200,421	-	-	218,283	200,421
Wastewater	-	-	479,327	364,449	479,327	364,449
Sanitation	-	-	255,841	228,170	255,841	228,170
Water	-	-	1,114,498	1,138,370	1,114,498	1,138,370
Cemetery	-	-	47,190	38,388	47,190	38,388
Total expenses	3,127,395	3,010,323	1,896,856	1,769,377	5,024,251	4,779,700
Change in net position before transfers	494,910	1,000,628	570,948	413,254	1,065,858	1,413,882
Transfers	146,409	142,233	(146,409)	(142,233)	-	-
Change in net position	641,319	1,142,861	424,539	271,021	1,065,858	1,413,882
Net position, beginning of year	4,476,031	3,333,170	3,001,227	2,730,206	7,477,258	6,063,376
Net position, end of year	\$ 5,117,350	\$ 4,476,031	\$ 3,425,766	\$ 3,001,227	\$ 8,543,116	\$ 7,477,258

Change in Net Position: The Town's total 2013 revenues were \$6,090,109 and expenses total \$5,024,251, resulting in an increase in net assets of \$1,065,858 or 14.25%.

Revenues for the Town's governmental activities totaled \$3,622,305, a 9.69% decrease from 2012. Local taxes are the largest revenue source for governmental activities, accounting for 43.48% of total revenues. State-shared revenues account for 26.47% of the total revenues. Local taxes increased 9.58% from 2012 due to a large construction project at Yavapai College along with State Shared Revenues also increasing 8.33%. Operating and capital grants decreased 42.64% which was mainly due to the dedicated Mountain Gate Development streets in 2012. Charges for services contribute 4.38% of the total revenues, along with operating grants, which are comprised mostly of HURF and the GITEM revenues, contributing 11.25% of the total revenues. Yavapai County Flood Control and CDBG Broadway project made up the majority of the capital grants and contributions which was 13.80% of total revenues. Miscellaneous revenues and investment earnings make up .62%.

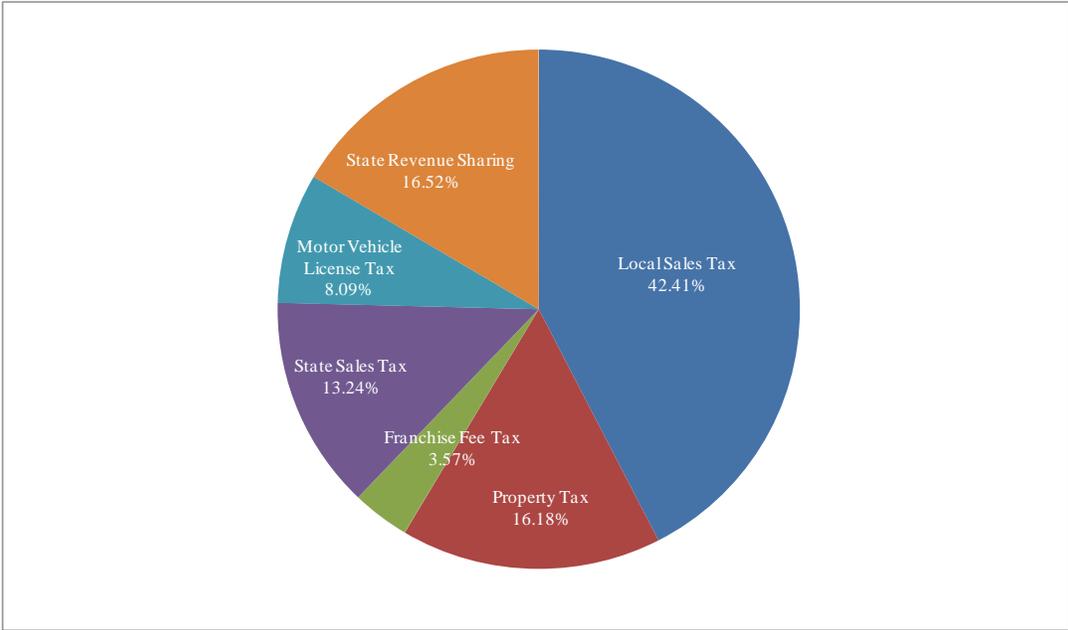
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Governmental Activity Revenue



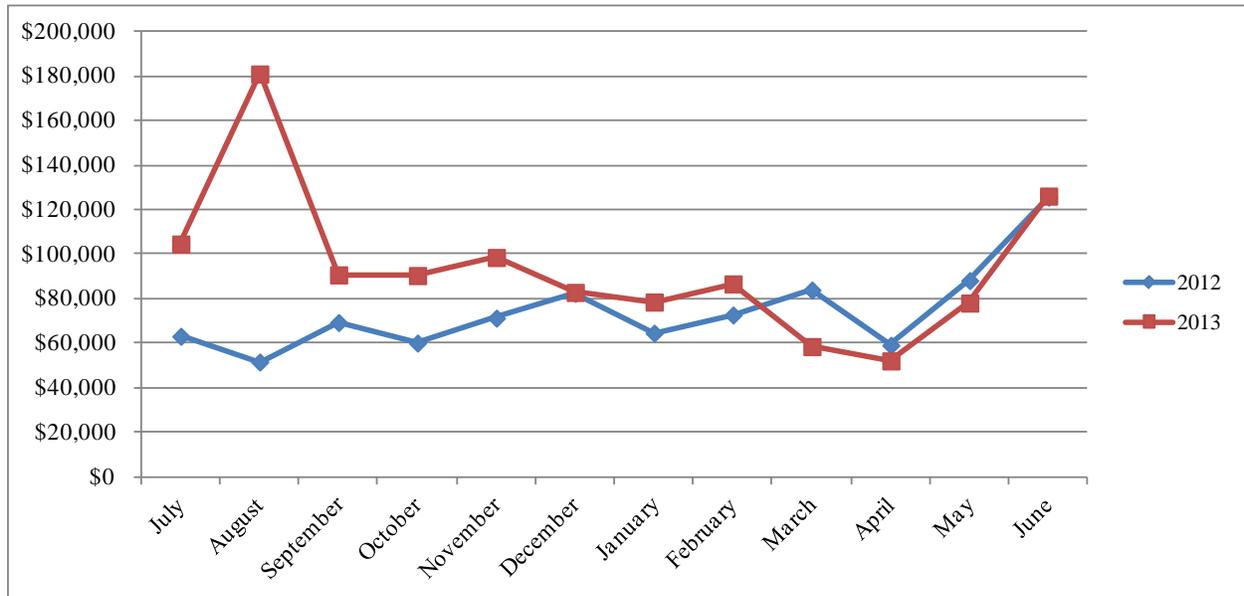
The revenue sources of local taxes and state-shared revenues with \$2,533,735 represented 69.95% of all revenues in governmental activities. The local tax revenue consists of local sales tax, property tax, and franchise taxes. The state-shared revenues consist of state revenue sharing, state sales tax, and motor vehicle tax.

Tax Distributions



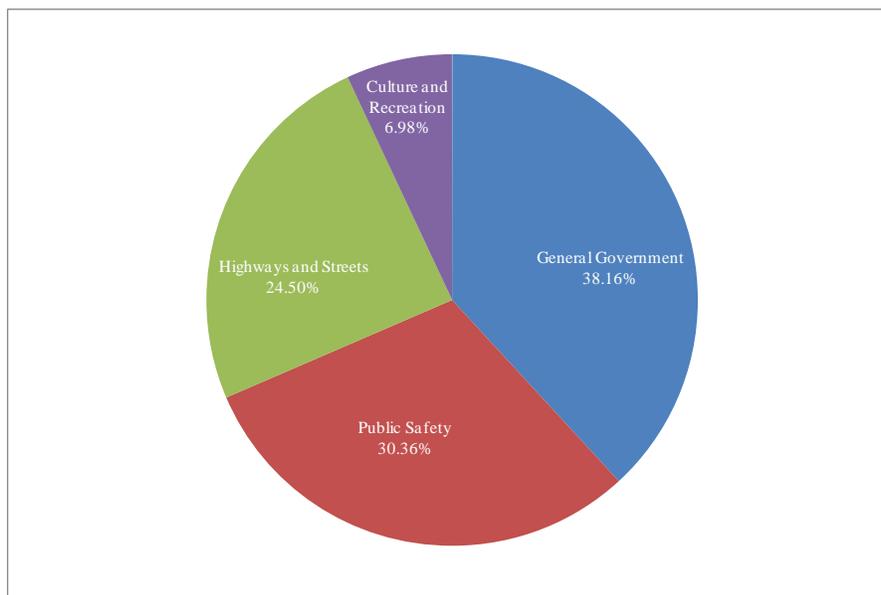
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Local Sales Tax Collection Comparison



Government Activity Expense

Expenditures for the Town's governmental activities total \$3,127,395. Public Safety activities account for 30.36%, Highway and Streets spent 24.50% of the expenditures, Culture and Recreation 6.98%, and General Government services accounted for 38.16% of total expenditures for 2013. General Government services include Administration, Community Services, Community Development and Finance.



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Net Cost of Town of Clarkdale Activities

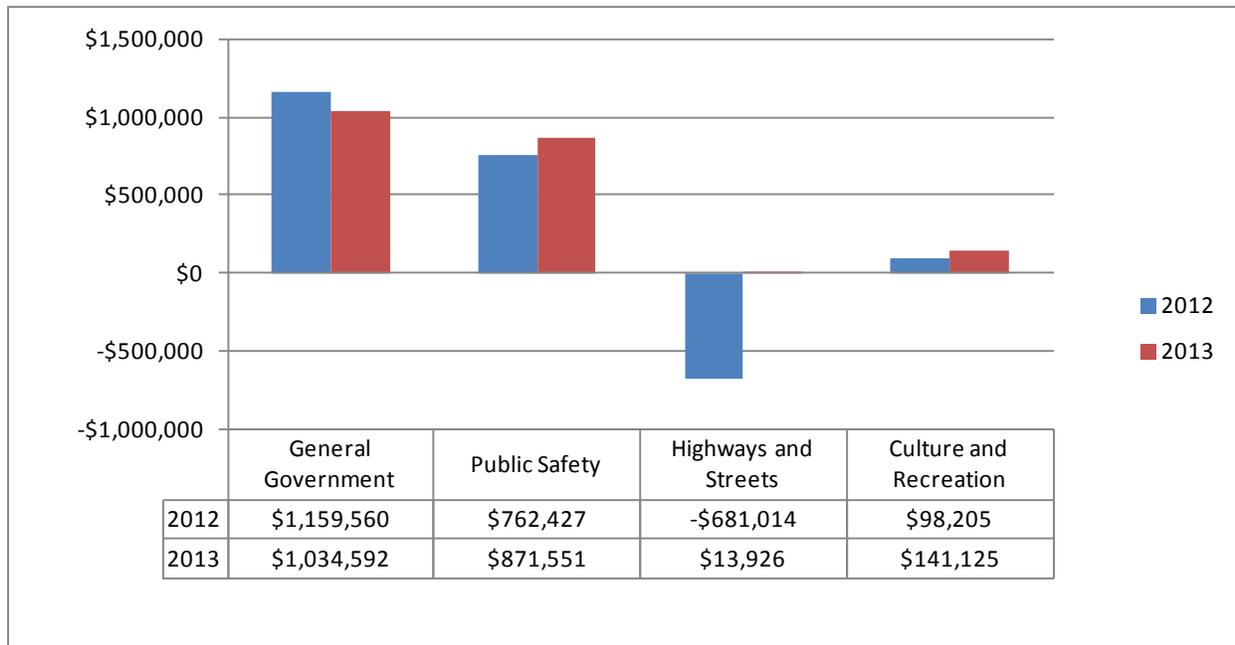
Governmental Activities

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 2013 was \$2,061,194 which is 53.91% more than in 2012 which is a result of the direct revenues of \$1,066,201 which had a decrease of 36.20% from 2012. This was mainly a result of the increased street expenses for completing street projects that had been on hold from 2012 and comparison to the dedicated Mountain Gate Development streets in 2012.

Net Cost of Services – Governmental Activities

	Cost of Services		Direct Revenues		Net Cost of Services	
	2013	2012	2013	2012	2013	2012
General Government	\$ 1,193,391	\$ 1,641,032	\$ 158,799	\$ 481,472	\$ 1,034,592	\$ 1,159,560
Public Safety	949,464	834,244	77,913	71,817	871,551	762,427
Highways and Streets	766,257	334,626	752,331	1,015,640	13,926	(681,014)
Culture and Recreation	218,283	200,421	77,158	102,216	141,125	98,205
Total revenues	3,127,395	3,010,323	1,066,201	1,671,145	2,061,194	1,339,178

Net Cost of Services – Governmental Activities



TOWN OF CLARKDALE, ARIZONA
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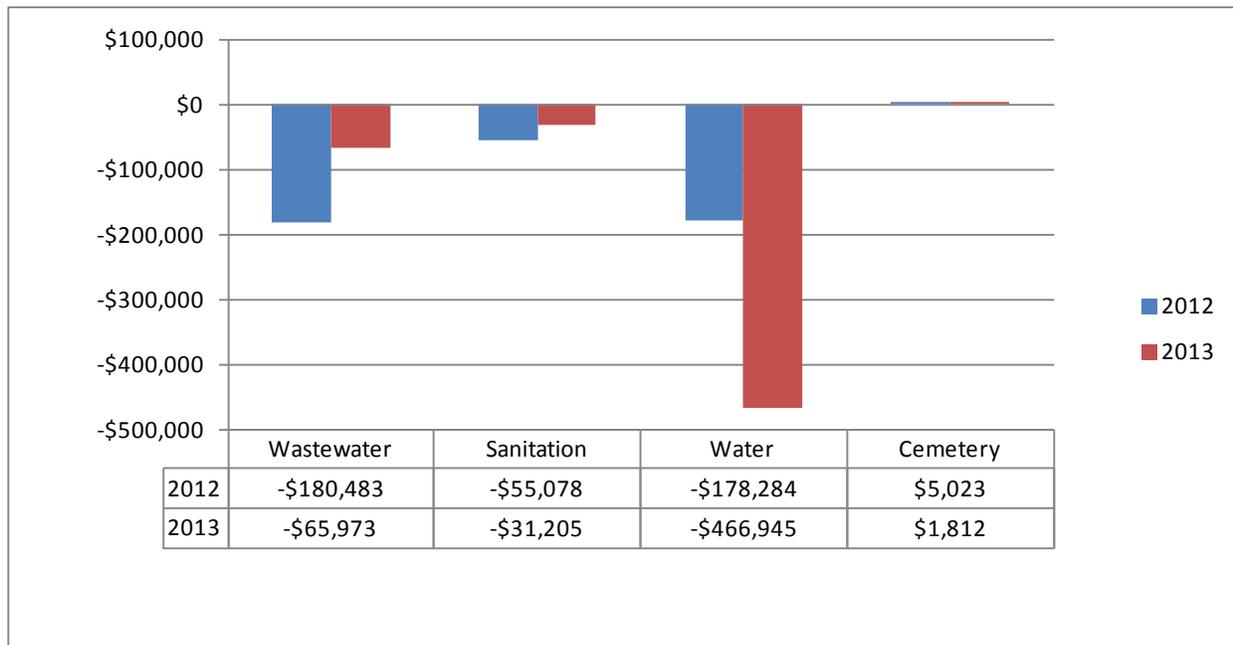
Net Cost of Service – Business-Type Activities

Business-type Activities

The wastewater program net income decreased from \$180,483 in 2012 to \$65,973. The decrease was a result of operating revenues increasing due to the wastewater rate increase in December of 2012 and no proceeds from developers for capital improvements as there were in 2012 along with additional expense in the cost of service increase due to wages and operational expenses. Net income of the water program increased to \$466,945 in 2013 from \$178,284 in 2012. This was a result of capital grants and contributions from Developers. The cemetery program net income increase was due to comparison of last year that had new equipment purchases.

	Cost of Services		Direct Revenues		Net Cost of Services	
	2013	2012	2013	2012	2013	2012
Wastewater	\$ 479,327	\$ 364,449	\$ 545,300	\$ 544,932	\$ (65,973)	\$ (180,483)
Sanitation	255,841	228,170	287,046	283,248	(31,205)	(55,078)
Water	1,114,498	1,138,370	1,581,443	1,316,654	(466,945)	(178,284)
Cemetery	47,190	38,388	45,378	33,365	1,812	5,023
Total revenues	\$ 1,896,856	\$ 1,769,377	\$ 2,459,167	\$ 2,178,199	\$ (562,311)	\$ (408,822)

Net Cost of Service – Business-Type Activities



TOWN OF CLARKDALE, ARIZONA
Management's Discussion and Analysis
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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 \$3,288,354 in the governmental activities and \$14,757,330 in the business-type activities for a total of \$18,045,684 at the end of 2013. The largest investment in capital assets was the wastewater plant and equipment. Of the total capital assets, the governmental activities account for 18.22% and the business-type activities total 81.78%. The business-type activities represent the water utility with 38.18% of the business-type capital assets and the sewer utility having 61.82% of the business-type 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 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 included under the construction in progress for business type which includes the wastewater treatment plant and Twin 5s water line projects.

Capital Assets

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Capital Assets Not Depreciated						
Land	\$ 630,001	\$ 583,786	\$ 491,929	\$ 491,929	\$ 1,121,930	\$ 1,075,715
Construction in Progress	72,195	-	6,104,211	1,047,527	6,176,406	1,047,527
Total Capital Assets Not Depreciated	702,196	583,786	6,596,140	1,539,456	7,298,336	2,123,242
Capital Assets Depreciated						
Buildings and Improvements	1,941,343	1,919,980	-	-	1,941,343	1,919,980
Infrastructure	1,967,733	1,541,197	-	-	1,967,733	1,541,197
Machinery and Equipment	758,890	728,281	-	-	758,890	728,281
Vehicles	388,811	415,381	-	-	388,811	415,381
Sewer Plant and Equipment	-	-	5,164,831	5,164,831	5,164,831	5,164,831
Water Distribution System	-	-	5,943,250	5,938,650	5,943,250	5,938,650
Total Capital Assets Depreciated	5,056,777	4,604,839	11,108,081	11,103,481	16,164,858	15,708,320
Accumulated Depreciation						
Buildings and Improvements	(1,308,179)	(1,258,034)	-	-	(1,308,179)	(1,258,034)
Infrastructure	(343,278)	(240,532)	-	-	(343,278)	(240,532)
Machinery and Equipment	(502,171)	(435,652)	-	-	(502,171)	(435,652)
Vehicles	(316,991)	(306,125)	-	-	(316,991)	(306,125)
Sewer Plant and Equipment	-	-	(1,095,736)	(1,014,123)	(1,095,736)	(1,014,123)
Water Distribution System	-	-	(1,851,155)	(1,635,271)	(1,851,155)	(1,635,271)
Total Accumulated Depreciation	(2,470,619)	(2,240,343)	(2,946,891)	(2,649,394)	(5,417,510)	(4,889,737)
Net Total Capital Assets Depreciated	2,586,158	2,364,496	8,161,190	8,454,087	10,747,348	10,818,583
Net Total Capital Assets	\$ 3,288,354	\$ 2,948,282	\$ 14,757,330	\$ 9,993,543	\$ 18,045,684	\$ 12,941,825

TOWN OF CLARKDALE, ARIZONA
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Long-Term Liabilities

The Town of Clarkdale had total long-term obligations outstanding of \$12,528,314 in 2013, an increase of \$4,649,921, or 59.02%. Business-type activities accounted for 98.07% of the \$12,528,314. The increase was due to the WIFA loans for the construction of the wastewater treatment plant and the Twin 5s water main. 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.

Long-Term Liabilities

	<u>2013</u>	<u>2012</u>	<u>Change</u>
Governmental Activities			
Compensated absences	\$ 107,106	\$ 107,610	\$ (504)
Capital leases payable	-	-	-
Notes payable	<u>135,000</u>	<u>165,000</u>	<u>(30,000)</u>
Total Long-Term Liabilities, Governmental Activities	<u>242,106</u>	<u>272,610</u>	<u>(30,504)</u>
Business-type Activities			
Compensated absences	33,225	35,776	(2,551)
Capital leases payable	27,881	40,399	(12,518)
Bonds payable	190,000	215,000	(25,000)
Notes payable	11,866,200	7,138,029	4,728,171
Deferred amount on premium	<u>168,902</u>	<u>176,579</u>	<u>(7,677)</u>
Total Long-Term Liabilities, Business- type Activities	<u>12,286,208</u>	<u>7,605,783</u>	<u>4,680,425</u>
Total Long-Term Liabilities	<u>\$ 12,528,314</u>	<u>\$ 7,878,393</u>	<u>\$ 4,649,921</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 \$2,024,675, an increase of \$258,684 in comparison with the prior year. The increase is due to the additional collection of tax dollars during the year which was designated by the Council for 2014 projects. The business-type's total net position was \$3,425,765, an increase of \$424,539 from 2012.

TOWN OF CLARKDALE, ARIZONA
Management's Discussion and Analysis
June 30, 2013

Change in Fund Balances/Net Position

	2013	2012	Change
Governmental			
General Fund	\$ 995,535	\$ 749,893	\$ 245,642
HURF Fund	262,133	261,567	566
Developer Reimbursement Fund	603,313	573,304	30,009
Grants Fund	15,252	33,206	(17,954)
Other Governmental Funds	148,442	148,021	421
Total Governmental Fund Balances	2,024,675	1,765,991	258,684
Business-type			
Wastewater Fund	2,347,926	2,219,402	128,524
Sanitation Fund	13,676	45,854	(32,178)
Water Fund	1,060,301	735,566	324,735
Cemetery Fund	3,862	404	3,458
Total Business-type Net Position	3,425,765	3,001,226	424,539
Total Fund Balances/Net Position	\$ 5,450,440	\$ 4,767,217	\$ 683,223

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 31-35. These statements compare the original adopted budget, the budget if amended throughout the fiscal year, and the actual expenditures.

General Fund revenues of \$2,724,351 were higher than budgeted revenues of \$2,676,106 by \$48,245, or 1.80% while General Fund expenditures of \$2,543,033 were lower than budgeted expenditures of \$3,412,043 by \$869,010, or 25.47%. General Fund expenditures during the year are monitored with actual revenues.

ECONOMIC FACTORS FOR NEXT YEAR

The Clarkdale Town Council, Town Manager and Department Heads continued focus at their annual Strategic Planning on Ensuring Financial Sustainability for the Town of Clarkdale.

During the 2013 Strategic Planning session Council requested that reinstatement of the 40-hour work week (or salary reinstatement for those already working 40 hours) be the highest budget and strategic planning priority for next year. They were very clear that they want to "make whole" the cuts that were made in January, 2009, during the next budget year and expressed support for a modified 40-hour schedule, where town offices would be open Monday-Thursday from 8am-5:30pm, and Fridays from 8am-12pm.

TOWN OF CLARKDALE, ARIZONA
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We expect a big transition year for economic development in downtown Clarkdale with the opening of the private Copper Art Museum and the first wine tasting room on Main Street along with other new businesses moving to town and expansion of current businesses.

Improvements at several access points along the Verde River should start to emerge at both the TuziRAP site, a Town owned site on the west side of the Verde River, upstream from the Tuzigoot Bridge, and the TapcoRAP site. Public input will be crucial throughout the year for this project as master plans are developed for multiple access sites and funding/fee structure discussions get underway.

The Wastewater Treatment Plant will be completed and operational early next year along with the Twin 5's Water Main Project, two projects that will transform the water and wastewater utilities in the Town of Clarkdale which have taken years of planning and construction.

The completion of switching out all old water meters to an automated meter reading system should generate income, distribute water and sewer costs fairly, conserve water, and are tools that provide system analysis. They will save a lot of staff time reading meters, have leak detection, low flow detection, tampering, and data profiling capabilities.

A Walton Family Foundation Grant will allow the Town to pursue the development of a Water Resource Management Program. Working with the Water Resource Research Center and Lacher Hydrological Consulting, the team will explore the Town's long-range water supply and demands for water and will use a series of water expert meetings to determine possible approaches to creating water policy that achieves a sustainable water supply for our community.

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 Position
June 30, 2013

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 2,155,246	\$ 2,445,023	\$ 4,600,269
Cash and cash equivalents - restricted	-	1,736,340	1,736,340
Accounts receivable - net	-	126,472	126,472
Taxes receivable	125,398	-	125,398
Due from other governments	117,450	-	117,450
Other accounts receivable	1,655	95,045	96,700
Bond issue costs, net	-	2,965	2,965
Deferred charges, net	-	431,140	431,140
Capital assets, not being depreciated	702,196	6,596,140	7,298,336
Capital assets, being depreciated, net	<u>2,586,158</u>	<u>8,161,190</u>	<u>10,747,348</u>
Total assets	<u>5,688,103</u>	<u>19,594,315</u>	<u>25,282,418</u>
LIABILITIES			
Accounts payable	124,219	554,925	679,144
Accrued expenses	37,304	10,391	47,695
Interest payable	-	65,048	65,048
Deferred revenue	167,124	3,200,874	3,367,998
Funds held in trust	-	10,054	10,054
Refundable deposits	-	41,050	41,050
Noncurrent liabilities			
Due within 1 year	80,330	456,334	536,664
Due in more than 1 year	<u>161,776</u>	<u>11,829,874</u>	<u>11,991,650</u>
Total liabilities	<u>570,753</u>	<u>16,168,550</u>	<u>16,739,303</u>
NET POSITION			
Invested in capital assets, net of related debt	3,153,354	4,451,854	7,605,208
Restricted	429,398	2,172,528	2,601,926
Unrestricted (deficit)	<u>1,534,598</u>	<u>(3,198,617)</u>	<u>(1,664,019)</u>
Total net position	<u>\$ 5,117,350</u>	<u>\$ 3,425,765</u>	<u>\$ 8,543,115</u>

The accompanying notes are an integral part of these financial statements

TOWN OF CLARKDALE, ARIZONA
Statement of Activities
Year Ended June 30, 2013

Functions / Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
		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	\$ 1,193,391	\$ 121,483	\$ 37,316	\$ -	\$ (1,034,592)	\$ -	\$ (1,034,592)
Public safety	949,464	30,368	34,346	13,199	(871,551)	-	(871,551)
Highways and streets	766,257	3,000	283,859	465,472	(13,926)	-	(13,926)
Culture and recreation	218,283	3,941	51,854	21,363	(141,125)	-	(141,125)
Total governmental activities	3,127,395	158,792	407,375	500,034	(2,061,194)	-	(2,061,194)
Business-type activities							
Wastewater	479,327	545,300	-	-	-	65,973	65,973
Sanitation	255,841	287,046	-	-	-	31,205	31,205
Water	1,114,498	1,284,224	6,961	290,258	-	466,945	466,945
Cemetery	47,190	45,378	-	-	-	(1,812)	(1,812)
Total business-type activities	1,896,856	2,161,948	6,961	290,258	-	562,311	562,311
Total primary government	\$ 5,024,251	\$ 2,320,740	\$ 414,336	\$ 790,292	(2,061,194)	562,311	(1,498,883)
General revenue:							
Taxes:							
Sales Taxes					1,074,539	-	1,074,539
Property taxes					409,880	-	409,880
Franchise tax					90,386	-	90,386
State sales tax revenue sharing					335,347	-	335,347
Auto lieu tax revenue sharing					205,083	-	205,083
State revenue sharing					418,500	-	418,500
Investment income					15,564	8,637	24,201
Miscellaneous					6,805	-	6,805
Transfers					146,409	(146,409)	-
Total general revenue					2,702,513	(137,772)	2,564,741
Change in net position					641,319	424,539	1,065,858
Net position, beginning of year, as restated					4,476,031	3,001,226	7,477,257
Net position, end of year					\$ 5,117,350	\$ 3,425,765	\$ 8,543,115

The accompanying notes are an integral part of these financial statements

TOWN OF CLARKDALE, ARIZONA
Balance Sheet
Governmental Funds
June 30, 2013

	General Fund	HURF Fund	Developer Reimbursement Fund	Grants Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 940,650	\$ 284,590	\$ 637,846	\$ 144,764	\$ 147,396	\$ 2,155,246
Taxes receivable	125,398	-	-	-	-	125,398
Due from other governments	37,687	27,238	-	49,929	2,596	117,450
Other receivable	-	-	1,655	-	-	1,655
Total assets	<u>1,103,735</u>	<u>311,828</u>	<u>639,501</u>	<u>194,693</u>	<u>149,992</u>	<u>2,399,749</u>
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	63,287	47,932	3,118	9,307	575	124,219
Accrued expenses	34,364	1,763	237	665	275	37,304
Deferred revenue	10,549	-	32,833	169,469	700	213,551
Total liabilities	<u>108,200</u>	<u>49,695</u>	<u>36,188</u>	<u>179,441</u>	<u>1,550</u>	<u>375,074</u>
Fund balances						
Restricted	61,432	262,133	-	57,735	48,098	429,398
Assigned	363,009	-	603,313	-	-	966,322
Unassigned	571,094	-	-	(42,483)	100,344	628,955
Total fund balances	<u>995,535</u>	<u>262,133</u>	<u>603,313</u>	<u>15,252</u>	<u>148,442</u>	<u>2,024,675</u>
Total liabilities and fund balances	<u>\$ 1,103,735</u>	<u>\$ 311,828</u>	<u>\$ 639,501</u>	<u>\$ 194,693</u>	<u>\$ 149,992</u>	<u>\$ 2,399,749</u>

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 Position
Governmental Funds
June 30, 2013

Fund balances--total governmental funds		\$ 2,024,675
<p>Amounts reported for governmental activities in the Statement of Net Position 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	5,758,972	
Less accumulated depreciation	<u>(2,470,618)</u>	
		3,288,354
<p>Some receivables are not available to pay for current-period expenditures and therefore, are deferred in the funds.</p>		
Reimbursable grant expenditures	35,878	
Property taxes	<u>10,549</u>	
		46,427
<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	(107,106)	
Notes payable	<u>(135,000)</u>	
		<u>(242,106)</u>
Net position of governmental activities		<u><u>\$ 5,117,350</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, 2013

	General Fund	HURF Fund	Developer Reimbursement Fund	Grants Fund	Other Governmental Funds	Total Governmental Fund
Revenue						
Taxes	\$ 1,577,611	\$ -	\$ -	\$ -	\$ -	\$ 1,577,611
Intergovernmental	1,025,738	283,859	-	514,548	-	1,824,145
Fines and forfeitures	33,084	-	-	-	-	33,084
Licenses and permits	33,452	-	-	-	-	33,452
Charges for services	2,594	-	-	-	8,876	11,470
Rental income	9,112	3,000	-	-	-	12,112
Contributions	20,192	-	-	-	-	20,192
Investment income	11,859	3,587	-	-	91	15,537
Other revenue	10,709	190	71,744	-	-	82,643
Total revenue	<u>2,724,351</u>	<u>290,636</u>	<u>71,744</u>	<u>514,548</u>	<u>8,967</u>	<u>3,610,246</u>
Expenditures						
Current						
General government	1,053,380	-	41,735	17,638	-	1,112,753
Public safety	900,938	-	-	16,369	2,546	919,853
Highways and streets	354,479	277,800	-	-	-	632,279
Culture and recreation	188,290	-	-	11,007	-	199,297
Capital outlay	9,075	109,002	-	478,841	-	596,918
Debt service						
Principal	30,000	-	-	-	-	30,000
Interest	6,871	-	-	-	-	6,871
Total expenditures	<u>2,543,033</u>	<u>386,802</u>	<u>41,735</u>	<u>523,855</u>	<u>2,546</u>	<u>3,497,971</u>
Excess (deficiency) of revenue over (under) expenditures	<u>181,318</u>	<u>(96,166)</u>	<u>30,009</u>	<u>(9,307)</u>	<u>6,421</u>	<u>112,275</u>
Other financing sources						
Transfers in (out)	<u>64,324</u>	<u>96,732</u>	<u>-</u>	<u>(8,647)</u>	<u>(6,000)</u>	<u>146,409</u>
Net change in fund balances	245,642	566	30,009	(17,954)	421	258,684
Fund balances, July 1, 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>
Fund balances, June 30, 2013	<u>\$ 995,535</u>	<u>\$ 262,133</u>	<u>\$ 603,313</u>	<u>\$ 15,252</u>	<u>\$ 148,442</u>	<u>\$ 2,024,675</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, 2013

Net change in fund balances--total governmental funds		\$ 258,684
<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	596,918	
Depreciation expense	<u>(256,846)</u>	340,072
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Grant revenues	14,865	
Property taxes	<u>(2,806)</u>	12,059
<p>Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.</p>		
		30,000
<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		<u>504</u>
Change in net position of governmental activities		<u><u>\$ 641,319</u></u>

The accompanying notes are an integral part of these financial statements

TOWN OF CLARKDALE, ARIZONA
Statement of Net Position
Proprietary Funds
June 30, 2013

	Business-type Activities--Enterprise Funds				
	Wastewater Fund	Sanitation Fund	Water Fund	Cemetery Fund	Total
ASSETS					
Current assets					
Cash and cash equivalents	\$ 358,717	\$ 31,711	\$ 1,924,978	\$ 129,617	\$ 2,445,023
Cash and cash equivalents - restricted	973,247	-	763,093	-	1,736,340
Accounts receivable - net	28,630	15,100	81,647	1,095	126,472
Other accounts receivable	-	-	95,045	-	95,045
Total current assets	1,360,594	46,811	2,864,763	130,712	4,402,880
Noncurrent assets					
Bond issue costs, net	2,965	-	-	-	2,965
Deferred charges, net	-	-	431,140	-	431,140
Capital assets, net of accumulated depreciation, where applicable:					
Land	208,560	-	283,369	-	491,929
Buildings, net	115,867	-	-	-	115,867
Utility systems, net	8,798,683	-	5,308,183	-	14,106,866
Equipment, net	-	-	42,668	-	42,668
Capital assets, net	9,123,110	-	5,634,220	-	14,757,330
Total noncurrent assets	9,126,075	-	6,065,360	-	15,191,435
Total assets	10,486,669	46,811	8,930,123	130,712	19,594,315
LIABILITIES					
Current liabilities					
Accounts payable	316,895	17,328	220,488	214	554,925
Accrued expenses	3,888	575	5,575	353	10,391
Interest payable	65,048	-	-	-	65,048
Deferred revenue	3,068,618	1,130	6,993	124,133	3,200,874
Funds held in trust	10,054	-	-	-	10,054
Refundable deposits	-	-	41,050	-	41,050
Compensated absences, current	2,238	10,577	10,492	1,613	24,920
Bonds payable, current	30,000	-	-	-	30,000
Leases payable, current	-	-	14,250	-	14,250
Notes payable, current	193,616	-	193,548	-	387,164
Total current liabilities	3,690,357	29,610	492,396	126,313	4,338,676
Noncurrent liabilities					
Compensated absences	746	3,525	3,497	537	8,305
Bonds payable	160,000	-	-	-	160,000
Leases payable	-	-	13,631	-	13,631
Notes payable	4,287,640	-	7,360,298	-	11,647,938
Total noncurrent liabilities	4,448,386	3,525	7,377,426	537	11,829,874
Total liabilities	8,138,743	33,135	7,869,822	126,850	16,168,550
Net position					
Invested in capital assets, net of related debt	4,451,854	-	-	-	4,451,854
Restricted	1,396,935	-	775,593	-	2,172,528
Unrestricted (deficit)	(3,500,863)	13,676	284,708	3,862	(3,198,617)
Total net position	\$ 2,347,926	\$ 13,676	\$ 1,060,301	\$ 3,862	\$ 3,425,765

The accompanying notes are an integral part of these financial statements

TOWN OF CLARKDALE, ARIZONA
Statement of Revenue, Expenses, and Changes in Fund Net Position
Proprietary Funds
Year Ended June 30, 2013

	Business-type Activities--Enterprise Funds				Total
	Wastewater Fund	Sanitation Fund	Water Fund	Cemetery Fund	
Operating revenue					
Charges for services	\$ 545,300	\$ 287,046	\$ 1,284,224	\$ 45,378	\$ 2,161,948
Other revenue	-	-	-	-	-
Total operating revenue	545,300	287,046	1,284,224	45,378	2,161,948
Operating expenses					
Personnel	159,079	44,059	309,208	19,374	531,720
Depreciation	81,613	-	215,884	-	297,497
Repairs and maintenance	13,468	1,341	116,702	8,633	140,144
Professional services	3,709	203,321	10,217	-	217,247
Utilities	55,527	454	85,742	1,544	143,267
Chemical tests	24,962	-	-	-	24,962
Materials and supplies	34,300	3,741	19,366	4,959	62,366
Amortization	988	-	19,597	-	20,585
Sludge removal	-	-	-	-	-
Other	3,186	2,925	18,981	10,012	35,104
Insurance	8,936	-	10,861	2,668	22,465
Total operating expenses	385,768	255,841	806,558	47,190	1,495,357
Operating income (loss)	159,532	31,205	477,666	(1,812)	666,591
Nonoperating revenue (expenses)					
Grant	-	-	6,961	-	6,961
Investment income	2,954	246	2,331	3,106	8,637
Interest expense	(93,559)	-	(307,940)	-	(401,499)
Total nonoperating revenue (expenses)	(90,605)	246	(298,648)	3,106	(385,901)
Income (loss) before contributions, gains, losses, and transfers	68,927	31,451	179,018	1,294	280,690
Capital contribution	-	-	290,258	-	290,258
Transfers in (out)	59,597	(63,629)	(144,541)	2,164	(146,409)
Increase (decrease) in net position	128,524	(32,178)	324,735	3,458	424,539
Total net position, July 1, 2012, as restated	2,219,402	45,854	735,566	404	3,001,226
Total net position, June 30, 2013	\$ 2,347,926	\$ 13,676	\$ 1,060,301	\$ 3,862	\$ 3,425,765

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, 2013

	Business-type Activities--Enterprise Funds				
	Wastewater Fund	Sanitation Fund	Water Fund	Cemetery Fund	Total
Cash flows from operating activities:					
Receipts from customers	\$ 532,010	\$ 287,672	\$ 1,288,351	\$ 40,503	\$ 2,148,536
Payments to suppliers and providers of goods and services	(206,089)	(220,915)	(359,987)	(34,260)	(821,251)
Payments to employees	(102,227)	(20,458)	(209,071)	(10,904)	(342,660)
Net cash provided by (used by) operating activities	<u>223,694</u>	<u>46,299</u>	<u>719,293</u>	<u>(4,661)</u>	<u>984,625</u>
Cash flows from noncapital financing activities:					
Transfers (to)/from other funds	59,597	(63,629)	(144,541)	2,164	(146,409)
Funds held in trust	10,054	-	-	-	10,054
Proceeds from noncapital grants	-	-	35,000	-	35,000
Net cash provided by (used by) noncapital financing activities	<u>69,651</u>	<u>(63,629)</u>	<u>(109,541)</u>	<u>2,164</u>	<u>(101,355)</u>
Cash flows from capital and related financing activities:					
Purchase of capital assets	(3,621,487)	-	(1,094,957)	-	(4,716,444)
Interest paid	(41,863)	-	(307,940)	-	(349,803)
Principal paid on long-term debt	(25,000)	-	(175,195)	-	(200,195)
Proceeds from capital grants	-	-	285,658	-	285,658
Proceeds from notes payable	3,928,227	-	954,944	-	4,883,171
Net cash provided by (used by) capital and related financing activities	<u>239,877</u>	<u>-</u>	<u>(337,490)</u>	<u>-</u>	<u>(97,613)</u>
Cash flows from investing activities:					
Interest received on investments	2,954	246	2,331	3,106	8,637
Net cash provided by (used by) investing activities	<u>2,954</u>	<u>246</u>	<u>2,331</u>	<u>3,106</u>	<u>8,637</u>
Net increase (decrease) in cash and cash equivalents	536,176	(17,084)	274,593	609	794,294
Cash and cash equivalents, July 1, 2012	<u>795,788</u>	<u>48,795</u>	<u>2,413,478</u>	<u>129,008</u>	<u>3,387,069</u>
Cash and cash equivalents, June 30, 2013	<u>\$ 1,331,964</u>	<u>\$ 31,711</u>	<u>\$ 2,688,071</u>	<u>\$ 129,617</u>	<u>\$ 4,181,363</u>
Cash	\$ 358,717	\$ 31,711	\$ 1,924,978	\$ 129,617	\$ 2,445,023
Cash - restricted	973,247	-	763,093	-	1,736,340
Cash and cash equivalents, June 30, 2013	<u>\$ 1,331,964</u>	<u>\$ 31,711</u>	<u>\$ 2,688,071</u>	<u>\$ 129,617</u>	<u>\$ 4,181,363</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, 2013
(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)	\$ 159,532	\$ 31,205	\$ 477,666	\$ (1,812)	\$ 666,591
Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating activities:					
Amortization	988	-	19,597	-	20,585
Depreciation	81,613	-	215,884	-	297,497
(Increase) decrease in:					
Accounts receivable	(3,235)	626	5,017	-	2,408
Increase (decrease) in:					
Accounts payable	10,468	295	4,337	(153)	14,947
Accrued expenses	729	71	139	29	968
Deferred revenue	(10,055)	-	210	(4,875)	(14,720)
Refundable deposits	-	-	(1,100)	-	(1,100)
Compensated absences	(16,346)	14,102	(2,457)	2,150	(2,551)
Net cash provided by (used by)					
operating activities	<u>\$ 223,694</u>	<u>\$ 46,299</u>	<u>\$ 719,293</u>	<u>\$ (4,661)</u>	<u>\$ 984,625</u>

NONCASH INVESTING, CAPITAL, AND NON CAPITAL FINANCING ACTIVITIES:

The Town purchased \$299,011 and \$163,799 of capital assets with accounts payable in the Wastewater and Water Funds, respectively. The Town also received a donated vehicle in the Water Fund with a fair value of \$4,600.

The accompanying notes are an integral part of these financial statements

TOWN OF CLARKDALE, ARIZONA
Notes to Financial Statements
June 30, 2013

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 position 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, 2013

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, 2013

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.

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.

TOWN OF CLARKDALE, ARIZONA
Notes to Financial Statements
June 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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, 2013 in the Wastewater, Sanitation, Water, and Cemetery Funds were \$5,000, \$2,637, \$14,257, 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.

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

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

TOWN OF CLARKDALE, ARIZONA
Notes to Financial Statements
June 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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.

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

TOWN OF CLARKDALE, ARIZONA
Notes to Financial Statements
June 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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.

K. Impact of Recently Issued Accounting Principles

In December 2010, the GASB issued Statement 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASB 62 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the American Institute of Certified Public Accountants'(AICPA) Committee on Accounting Procedure. This statement is effective for periods beginning after December 15, 2011. The adoption of GASB 62 does not have any impact on the Town's financial statements.

In June 2011, the GASB issued Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The statement of net position is renamed the statement of net position and includes four components: assets, deferred outflows of resources, liabilities, and deferred inflows of resources. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011.

TOWN OF CLARKDALE, ARIZONA
Notes to Financial Statements
June 30, 2013

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, 2013, the carrying amount of the Town’s total cash in bank was \$5,081,133, and the bank balance was \$5,165,042. 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.

Deposits and investments at June 30, 2013 consist of the following:

Deposits		
Cash on hand	\$	798
Cash in bank		5,081,133
Cash held by trustee		824,536
Investments		
State Treasurer's Investment Pool		430,142
Total deposits and investments		6,336,609
Cash - restricted		(1,736,340)
Total cash and cash equivalents	\$	4,600,269

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

	Wastewater Fund	Water Fund	Total
Debt Service	\$ 870,755	\$ 531,982	\$ 1,402,737
Clarkdale Water Trust Fund	-	190,061	190,061
MPC Trust	102,492	-	102,492
Customer deposits	-	41,050	41,050
	\$ 973,247	\$ 763,093	\$ 1,736,340

TOWN OF CLARKDALE, ARIZONA
Notes to Financial Statements
June 30, 2013

NOTE 2 – DEPOSITS AND INVESTMENTS – Continued

Investments—At June 30, 2013, 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.

NOTE 3 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013, was as follows:

	<u>Balance</u> <u>July 01, 2012</u>	<u>Increase</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2013</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 583,786	\$ 46,215	\$ -	\$ 630,001
Construction in progress	-	72,195	-	72,195
Total capital assets not being depreciated	<u>583,786</u>	<u>118,410</u>	<u>-</u>	<u>702,196</u>
Capital assets being depreciated:				
Buildings and improvements	1,919,980	21,363	-	1,941,343
Infrastructure	1,541,197	426,536	-	1,967,733
Machinery and equipment	728,281	30,609	-	758,890
Vehicles	415,381	-	(26,570)	388,811
Total	<u>4,604,839</u>	<u>478,508</u>	<u>(26,570)</u>	<u>5,056,777</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,258,034)	(50,145)	-	(1,308,179)
Infrastructure	(240,532)	(102,746)	-	(343,278)
Machinery and equipment	(435,652)	(66,519)	-	(502,171)
Vehicles	(306,125)	(37,436)	26,570	(316,991)
Total	<u>(2,240,343)</u>	<u>(256,846)</u>	<u>26,570</u>	<u>(2,470,619)</u>
Total capital assets being depreciated, net	<u>2,364,496</u>	<u>221,662</u>	<u>-</u>	<u>2,586,158</u>
Governmental activities capital assets, net	<u>\$ 2,948,282</u>	<u>\$ 340,072</u>	<u>\$ -</u>	<u>\$ 3,288,354</u>

TOWN OF CLARKDALE, ARIZONA
Notes to Financial Statements
June 30, 2013

NOTE 3 – CAPITAL ASSETS – Continued

	Balance <u>July 01, 2012</u>	Increase	Decreases	Balance <u>June 30, 2013</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 491,929	\$ -	\$ -	\$ 491,929
Construction in progress	<u>1,047,527</u>	<u>5,056,684</u>	<u>-</u>	<u>6,104,211</u>
Total capital assets not being depreciated	<u>1,539,456</u>	<u>5,056,684</u>	<u>-</u>	<u>6,596,140</u>
Capital assets being depreciated:				
Sewer plant and equipment	5,164,831	-	-	5,164,831
Water distribution system	<u>5,938,650</u>	<u>4,600</u>	<u>-</u>	<u>5,943,250</u>
Total	<u>11,103,481</u>	<u>4,600</u>	<u>-</u>	<u>11,108,081</u>
Less accumulated depreciation for:				
Sewer plant and equipment	(1,014,123)	(81,613)	-	(1,095,736)
Water distribution system	<u>(1,635,271)</u>	<u>(215,884)</u>	<u>-</u>	<u>(1,851,155)</u>
Total	<u>(2,649,394)</u>	<u>(297,497)</u>	<u>-</u>	<u>(2,946,891)</u>
Total capital assets being depreciated, net	<u>8,454,087</u>	<u>(292,897)</u>	<u>-</u>	<u>8,161,190</u>
Business-type activities capital assets, net	<u>\$ 9,993,543</u>	<u>\$ 4,763,787</u>	<u>\$ -</u>	<u>\$ 14,757,330</u>

Depreciation expense was charged to each function as follows:

Governmental activities:	
General government	\$ 73,893
Public safety	29,737
Highways and streets	134,104
Culture and recreation	<u>19,112</u>
Total governmental activities depreciation expense	<u>\$ 256,846</u>
Business-type activities:	
Wastewater	\$ 81,613
Water	<u>215,884</u>
Total business-type activities depreciation expense	<u>\$ 297,497</u>

TOWN OF CLARKDALE, ARIZONA
Notes to Financial Statements
June 30, 2013

NOTE 4 – DUE FROM OTHER GOVERNMENTS

Amounts due from other governments at June 30, 2013 consisted of the following:

State shared revenues:	
Highway user revenue fund	\$ 27,238
State sales tax	29,197
Auto lieu tax	8,490
State of Arizona grant revenues	52,525
	\$ 117,450

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, 2013.

<i>Government-wide and Proprietary funds</i>	Governmental Activities	Business-type Activities				Total
		Wastewater Fund	Sanitation Fund	Water Fund	Cemetery Fund	
Builder advanced construction and planning costs	\$ -	\$ 2,001,946	\$ -	\$ -	\$ -	\$ 2,001,946
Phelps Dodge effluent water credit	-	1,066,337	-	-	-	1,066,337
Unapplied credits	-	335	1,130	6,993	124,133	132,591
Prepaid contract reimbursable	31,178	-	-	-	-	31,178
Grant advances	135,946	-	-	-	-	135,946
	\$ 167,124	\$ 3,068,618	\$ 1,130	\$ 6,993	\$ 124,133	\$ 3,367,998

<i>Governmental funds</i>	General Fund	Developer Reimbursement Fund	Grants Fund	Non-major SRO Fund	Total
				Fund	
Developer reimbursable	\$ -	\$ 32,833	\$ -	\$ -	\$ 32,833
Grant receivables	-	-	169,469	700	170,169
Property tax receivables	10,549	-	-	-	10,549
	\$ 10,549	\$ 32,833	\$ 169,469	\$ 700	\$ 213,551

TOWN OF CLARKDALE, ARIZONA
Notes to Financial Statements
June 30, 2013

NOTE 6 – LONG-TERM LIABILITIES

The following schedule details the Town’s long-term liability and obligation activity for the year ended June 30, 2013.

	Balance July 1, 2012	Additions	Reductions	Balance June 30, 2013	Due within 1 year
Governmental activities:					
Compensated absences	\$ 107,610	\$ 109,200	\$ 109,704	\$ 107,106	\$ 80,330
Notes payable	165,000	-	30,000	135,000	-
Governmental activities long-term liabilities	<u>\$ 272,610</u>	<u>\$ 109,200</u>	<u>\$ 139,704</u>	<u>\$ 242,106</u>	<u>\$ 80,330</u>
Business-type activities:					
Compensated absences	\$ 35,776	\$ 22,750	\$ 25,301	\$ 33,225	\$ 24,920
Capital leases payable	40,399	-	12,518	27,881	14,250
Bonds payable	215,000	-	25,000	190,000	30,000
Notes payable	7,138,029	4,883,171	155,000	11,866,200	379,487
Plus: deferred amount on premium	176,579	-	7,677	168,902	7,677
Business-type activities long-term liabilities	<u>\$ 7,605,783</u>	<u>\$ 4,905,921</u>	<u>\$ 225,496</u>	<u>\$ 12,286,208</u>	<u>\$ 456,334</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, 2013, were as follows:

Description	Original Amount	Maturity Ranges	Interest Rates	Outstanding Principal
Revenue Bonds, Series 1996	<u>\$ 500,000</u>	1997- 2016	4.50-6.35%	<u>\$ 190,000</u>

TOWN OF CLARKDALE, ARIZONA
Notes to Financial Statements
June 30, 2013

NOTE 6 – LONG-TERM LIABILITIES – Continued

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

	Governmental Activities	Business-type Activities
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%.	\$ 135,000	\$ -
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%.	-	6,430,000
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%.	-	4,481,256
Note payable to Water Infrastructure Finance Authority of Arizona (WIFA) requiring repayments of interest due semiannually beginning July 1, 2013 and principal payments due annually beginning July 1, 2013 with final payment due July 1, 2032. The annual interest rate is 2.625%.	-	954,944
	\$ 135,000	\$ 11,866,200

The following schedule details debt service requirements to maturity for the Town’s bond and notes payable at June 30, 2013.

Year Ending June 30	Governmental Activities		Business-type Activities			
	Notes Payable		Notes Payable		Bonds Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ -	\$ 6,271	\$ 387,164	\$ 479,093	\$ 30,000	\$ 10,113
2015	30,000	5,071	398,669	466,458	30,000	8,238
2016	35,000	3,745	430,305	452,601	35,000	6,033
2017	35,000	2,275	442,130	436,079	95,000	-
2018	35,000	766	459,154	418,854	-	-
2019-23	-	-	2,558,382	1,843,626	-	-
2024-28	-	-	3,036,846	1,334,195	-	-
2029-33	-	-	2,992,096	617,619	-	-
2034-38	-	-	1,330,356	68,000	-	-
Total	\$ 135,000	\$ 18,128	\$ 12,035,102	\$ 6,116,525	\$ 190,000	\$ 24,384

TOWN OF CLARKDALE, ARIZONA
Notes to Financial Statements
June 30, 2013

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	(29,969)
Carrying value	\$ 38,068

The following schedule details debt service requirements to maturity for the Town’s capital leases payable at June 30, 2013.

Year Ending June 30	Business-type Activities
2014	\$ 15,202
2015	13,936
Total minimum lease payments	29,138
Less amount representing interest	(1,257)
Present value of net minimum lease payments	\$ 27,881

Interest expense – The total amount of interest expense included as direct functional expenses on the government-wide financial statements is \$6,871. \$6,871 was included as a direct functional of the general government.

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.

TOWN OF CLARKDALE, ARIZONA
Notes to Financial Statements
June 30, 2013

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 retirement benefits are generally paid at a percentage, based on years of service, of the retirees’ average compensation. Long-term disability benefits vary by circumstance, but generally pay a percentage of the employee’s monthly compensation. Health insurance premium benefits are generally paid as a flat dollar amount per month towards the retiree’s health care insurance premiums, in amounts based on whether the benefit is for the retiree or for the retiree and dependents

The *Arizona State Retirement System* (ASRS) administers cost-sharing multiple-employer defined benefit pension, health insurance premium, and long-term disability plans that cover employees of the State of Arizona and participating political subdivisions and school districts. 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 system issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by writing to the Arizona State Retirement System, 3300 N. Central Ave., P.O. Box 33910, Phoenix, Arizona, 85067-3910 or by calling (602) 240-2000 or (800) 621-3778.

The *Public Safety Personnel Retirement System* (PSPRS) administers agent multiple-employer defined benefit pension and health insurance premium plans that cover 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. The PSPRS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by writing to the Public Safety Personnel Retirement System, 3010 East Camelback Road, Suite 200, Phoenix, Arizona 85016-4416, or by calling (602) 255-5575.

Funding Policy – The Arizona State Legislature establishes and may amend active plan members’ and the Town’s contribution rates for both ASRS and PSPRS.

Cost-sharing plans – For the year ended June 30, 2013, active ASRS members and the Town were each required by statute to contribute at the actuarially determined rate of 11.14 percent (10.90 percent for retirement and 0.24 percent for long-term disability) of the members’ annual covered payroll. The Town’s contributions to ASRS for the years ended June 30, 2013, 2012, and 2011, were \$134,665, \$124,427, and \$114,782, respectively, which were equal to the required contributions for the year.

TOWN OF CLARKDALE, ARIZONA
Notes to Financial Statements
June 30, 2013

NOTE 8 – RETIREMENT PLANS – Continued

Agent plans – For the year ended June 30, 2013, active PSPRS members were required by statute to contribute 9.55 percent of the members’ annual covered payroll, and the Town was required to contribute at the actuarially determined rate of 20.16 percent, of which 2.07 percent was the health insurance premium portion.

The contribution requirements for the year ended June 30, 2013, were established by the June 30, 2013 actuarial valuations, and those actuarial valuations were based on the following actuarial methods and assumptions.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plans and the annual required contributions are subject to continual revision as actual results are compared to past expectations and new estimates are made. The required schedule of funding status presented below provides multiyear trend information that shows whether the actuarial value of the plans’ assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Projections of benefits are based on 1) the plans as understood by the Town of Clarkdale, Arizona and plan members and include the types of benefits in force at the valuation date, and 2) the pattern of sharing benefit costs between the Town and plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The significant actuarial methods and assumptions used to establish the fiscal year 2013 contribution requirements are as follows:

Actuarial valuation date	June 30, 2013
Actuarial cost method	Entry Age Normal
Amortization method	Level percent-of-pay closed
Remaining amortization period	23 years for underfunded actuarial liability, 20 years for overfunded
Asset valuation method	7-year smoothed market
Actuarial assumptions:	
Investment rate of return	7.85%
Projected salary increases	4.50% - 8.50%
Payroll growth	4.50%

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

TOWN OF CLARKDALE, ARIZONA
Notes to Financial Statements
June 30, 2013

NOTE 8 – RETIREMENT PLANS – Continued

Plan	Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
Pension	2013	\$ 44,744	100 %	\$ -
	2012	47,024	100	-
	2011	66,383	100	-
Health Insurance	2013	\$ -	100 %	\$ -
	2012	-	100	-
	2011	-	100	-

Schedules of Funded Status – Following are the schedules of funded status of the plans as of the most recent valuation date, June 30, 2013, and the previous two fiscal years. The fiscal year 2013 actuarial methods and assumptions used for the schedules are not significantly different than the fiscal year 2012 actuarial methods and assumptions as described on page above.

Pension

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Funding (Liability) Excess (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded Liability as Percentage of Covered Payroll ([a-b]/c)
6/30/2013	\$ 1,842,193	\$ 2,338,151	\$ 495,958	78.8 %	\$ 346,915	143.0 %
6/30/2012	1,889,335	2,256,436	367,101	83.7	216,113	169.9
6/30/2011	1,859,765	2,065,108	205,343	90.1	231,778	88.6

Health Insurance

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Funding (Liability) Excess (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded Liability as Percentage of Covered Payroll ([a-b]/c)
6/30/2013	\$ -	\$ 85,606	\$ 85,606	0.0 %	\$ 346,915	24.7 %
6/30/2012	-	81,414	81,414	0.0	216,113	37.7
6/30/2011	-	79,062	79,062	0.0	231,778	34.1

TOWN OF CLARKDALE, ARIZONA
Notes to Financial Statements
June 30, 2013

NOTE 9 – INTERFUND BALANCES AND ACTIVITY

Interfund transfers – During the year ended June 30, 2013, 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 Fund	Wastewater Fund	Cemetery Fund	
General Fund	\$ -	\$ 94,459	\$ -	\$ -	\$ 94,459
HURF/LTAF Fund	37,727	-	-	-	37,727
Grants Fund	8,647	-	-	-	8,647
Perpetual Care Fund	-	-	-	6,000	6,000
Wastewater Fund	30,403	-	-	-	30,403
Sanitation Fund	23,629	40,000	-	-	63,629
Water Fund	54,541	-	90,000	-	144,541
Cemetery Fund	3,836	-	-	-	3,836
Total	<u>\$ 158,783</u>	<u>\$ 134,459</u>	<u>\$ 90,000</u>	<u>\$ 6,000</u>	<u>\$ 389,242</u>

NOTE 10 – RESTATEMENT OF BEGINNING NET POSITION

In prior periods, the Town had incorrectly recognized \$208,123 of developer reimbursements as revenue in the Wastewater Fund. In addition, the Town incorrectly deferred the recognition of revenue related to a \$118,776 developer reimbursements that should have been recorded as revenue in the Wastewater Fund. The total net adjustment in the Wastewater Fund is a decrease of \$89,347 in beginning net position and an increase in beginning deferred revenue.

TOWN OF CLARKDALE, ARIZONA
Notes to Financial Statements
June 30, 2013

NOTE 11 – GOVERNMENTAL FUND BALANCE/NET ASSET COMPONENTS

The Town’s restrictions on net position in the government-wide statement of net position are as follows:

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Ending net position, June 30, 2013			
Restricted for:			
Highway User Revenues	\$ 262,133	\$ -	\$ 262,133
RICO	57,735	-	57,735
Debt service	-	969,016	969,016
System improvements	-	190,061	190,061
Water Resource Development	-	489,727	489,727
Gila River Adjudication	-	51,057	51,057
Water Conservation	-	21,191	21,191
Regional Water Committees	-	12,979	12,979
Yavapai-Apache Gaming Compact:			
Clubhouse upgrades	5,000	-	5,000
EC Dev. Marketing	4,400	-	4,400
TapcoRAP	4,350	-	4,350
Impact fees:			
Civic	15,290	-	15,290
Park	13,809	-	13,809
Library	2,064	-	2,064
Police	3,185	-	3,185
Wastewater	-	427,919	427,919
Water	-	10,578	10,578
Donations:			
HCB	5,480	-	5,480
Library	5,801	-	5,801
Parks and recreation	42,636	-	42,636
Public safety	3,697	-	3,697
Memorials	578	-	578
Capital improvements	3,240	-	3,240
Total restricted	\$ 429,398	\$ 2,172,528	\$ 2,601,926

TOWN OF CLARKDALE, ARIZONA
Notes to Financial Statements
June 30, 2013

NOTE 11 – GOVERNMENTAL FUND BALANCE/NET ASSET COMPONENTS – Continued

The components of governmental fund balances are as follows:

	General Fund	HURF/LTAF Fund	Developer Reimbursement Fund	Grants Fund	Non-Major Govt'l Funds	Total Govt'l Funds
Ending fund balances, June 30, 2013						
Restricted for:						
Highways and streets	\$ -	\$ 262,133	\$ -	\$ -	\$ -	\$ 262,133
RICO	-	-	-	57,735	-	57,735
Yavapai-Apache Gaming Compact						
Clubhouse upgrades	-	-	-	-	5,000	5,000
EC Dev. marketing	-	-	-	-	4,400	4,400
TapcoRAP	-	-	-	-	4,350	4,350
Impact fees:						
Civic	-	-	-	-	15,290	15,290
Park	-	-	-	-	13,809	13,809
Library	-	-	-	-	2,064	2,064
Police	-	-	-	-	3,185	3,185
Donations:						
HCB	5,480	-	-	-	-	5,480
Library	5,801	-	-	-	-	5,801
Parks and recreation	42,636	-	-	-	-	42,636
Public safety	3,697	-	-	-	-	3,697
Memorials	578	-	-	-	-	578
Capital improvements	3,240	-	-	-	-	3,240
Total restricted	<u>61,432</u>	<u>262,133</u>	<u>-</u>	<u>57,735</u>	<u>48,098</u>	<u>429,398</u>
Assigned for:						
Highways and streets	75,000	-	-	-	-	75,000
Park land	10,270	-	-	-	-	10,270
Pool plastering	14,119	-	-	-	-	14,119
Police services	86,600	-	-	-	-	86,600
Special development	-	-	603,313	-	-	603,313
Clubhouse upgrades	30,000	-	-	-	-	30,000
Men's lounge upgrades	5,000	-	-	-	-	5,000
Verde Valley Senior Citizens	5,000	-	-	-	-	5,000
Streetscape - Main	40,000	-	-	-	-	40,000
Mongini park	15,000	-	-	-	-	15,000
Main Steet park	10,900	-	-	-	-	10,900
EC Dev. marketing	10,000	-	-	-	-	10,000
Go local platform	5,000	-	-	-	-	5,000
Tapco park improvements	4,100	-	-	-	-	4,100
VR@C	10,000	-	-	-	-	10,000
Wayfinding signs	25,000	-	-	-	-	25,000
TuziRAP	10,000	-	-	-	-	10,000
TapcoRAP	7,020	-	-	-	-	7,020
Total assigned	<u>363,009</u>	<u>-</u>	<u>603,313</u>	<u>-</u>	<u>-</u>	<u>966,322</u>
Unassigned:	<u>571,094</u>	<u>-</u>	<u>-</u>	<u>(42,483)</u>	<u>100,344</u>	<u>628,955</u>
Total fund balances	<u>\$ 995,535</u>	<u>\$ 262,133</u>	<u>\$ 603,313</u>	<u>\$ 15,252</u>	<u>\$ 148,442</u>	<u>\$ 2,024,675</u>

TOWN OF CLARKDALE, ARIZONA
Notes to Financial Statements
June 30, 2013

NOTE 11 – GOVERNMENTAL FUND BALANCE/NET ASSET COMPONENTS – Continued

The components of proprietary fund net position are as follows:

	Wastewater Fund	Water Fund	Total Proprietary Funds
Ending net position, June 30, 2013			
Restricted for:			
WIFA debt service	\$ 969,016	\$ -	\$ 969,016
CWW trust	-	190,061	190,061
Impact fees	427,919	10,578	438,497
Water Resource Development	-	489,727	489,727
Gila River Adjudication	-	51,057	51,057
Water Conservation	-	21,191	21,191
Regional Water Committees	-	12,979	12,979
Total restricted	\$ 1,396,935	\$ 775,593	\$ 2,172,528

TOWN OF CLARKDALE, ARIZONA
Required Supplementary Information
Budgetary Comparison Schedules
General Fund
Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenue				
Taxes	\$ 1,387,391	\$ 1,387,391	\$ 1,577,611	\$ 190,220
Intergovernmental	1,018,315	1,018,315	1,025,738	7,423
Fines and forfeitures	51,454	51,454	33,084	(18,370)
Licenses and permits	27,050	27,050	33,452	6,402
Charges for services	200	200	2,594	2,394
Rental income	3,000	3,000	9,112	6,112
Contributions	175,595	175,595	20,192	(155,403)
Investment income	950	950	11,859	10,909
Other revenue	12,151	12,151	10,709	(1,442)
Total revenue	<u>2,676,106</u>	<u>2,676,106</u>	<u>2,724,351</u>	<u>48,245</u>
Expenditures				
Current				
General government	1,766,858	1,766,858	1,053,380	713,478
Public safety	931,224	931,224	900,938	30,286
Highways and streets	347,682	347,682	354,479	(6,797)
Culture and recreation	328,779	328,779	188,290	140,489
Capital outlay	-	-	9,075	(9,075)
Debt service				
Principal and interest	30,000	30,000	30,000	-
Interest	7,500	7,500	6,871	629
Total expenditures	<u>3,412,043</u>	<u>3,412,043</u>	<u>2,543,033</u>	<u>869,010</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(735,937)</u>	<u>(735,937)</u>	<u>181,318</u>	<u>917,255</u>
Other financing sources (uses)				
Transfers in (out)	<u>(77,440)</u>	<u>(77,440)</u>	<u>64,324</u>	<u>141,764</u>
Net change in fund balances	<u>(813,377)</u>	<u>(813,377)</u>	<u>245,642</u>	<u>1,059,019</u>
Fund balances, July 1, 2012	<u>749,893</u>	<u>749,893</u>	<u>749,893</u>	<u>-</u>
Fund balances, June 30, 2013	<u><u>\$ (63,484)</u></u>	<u><u>\$ (63,484)</u></u>	<u><u>\$ 995,535</u></u>	<u><u>\$ 1,059,019</u></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, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenue				
Intergovernmental	\$ 282,000	\$ 282,000	\$ 283,859	\$ 1,859
Rental income	3,000	3,000	3,000	-
Investment income	500	500	3,587	3,087
Other revenue	-	-	190	190
Total revenue	<u>285,500</u>	<u>285,500</u>	<u>290,636</u>	<u>5,136</u>
Expenditures				
Current				
Highways and streets	643,056	643,056	277,800	365,256
Capital outlay	-	-	109,002	(109,002)
Total expenditures	<u>643,056</u>	<u>643,056</u>	<u>386,802</u>	<u>256,254</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(357,556)</u>	<u>(357,556)</u>	<u>(96,166)</u>	<u>261,390</u>
Other financing sources (uses)				
Transfers in (out)	85,273	85,273	96,732	11,459
Net change in fund balances	<u>(272,283)</u>	<u>(272,283)</u>	<u>566</u>	<u>272,849</u>
Fund balances, July 1, 2012	<u>261,567</u>	<u>261,567</u>	<u>261,567</u>	<u>-</u>
Fund balances, June 30, 2013	<u><u>\$ (10,716)</u></u>	<u><u>\$ (10,716)</u></u>	<u><u>\$ 262,133</u></u>	<u><u>\$ 272,849</u></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, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenue				
Other revenue	\$ 600,000	\$ 600,000	\$ 71,744	\$ (528,256)
Expenditures				
Current				
General government	600,000	600,000	41,735	558,265
Net change in fund balances	-	-	30,009	30,009
Fund balances, July 1, 2012	573,304	573,304	573,304	-
Fund balances, June 30, 2013	<u>\$ 573,304</u>	<u>\$ 573,304</u>	<u>\$ 603,313</u>	<u>\$ 30,009</u>

See accompanying notes to budgetary comparison schedule.

TOWN OF CLARKDALE, ARIZONA
Required Supplementary Information
Budgetary Comparison Schedules
Grants Fund
Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenue				
Intergovernmental	\$ 9,926,819	\$ 9,926,819	\$ 514,548	\$ (9,412,271)
Expenditures				
Current				
General government	-	-	17,638	(17,638)
Public safety	4,268,091	4,268,091	16,369	4,251,722
Culture and recreation	-	-	11,007	(11,007)
Capital outlay	1,993,364	1,993,364	478,841	1,514,523
Total expenditures	<u>6,261,455</u>	<u>6,261,455</u>	<u>523,855</u>	<u>5,737,600</u>
Excess (deficiency) of revenue over (under) expenditures	<u>3,665,364</u>	<u>3,665,364</u>	<u>(9,307)</u>	<u>(3,674,671)</u>
Other financing sources (uses)				
Transfers in (out)	<u>(6,364)</u>	<u>(6,364)</u>	<u>(8,647)</u>	<u>(2,283)</u>
Net change in fund balances	3,659,000	3,659,000	(17,954)	(3,676,954)
Fund balances, July 1, 2012	<u>33,206</u>	<u>33,206</u>	<u>33,206</u>	<u>-</u>
Fund balances, June 30, 2013	<u><u>\$ 3,692,206</u></u>	<u><u>\$ 3,692,206</u></u>	<u><u>\$ 15,252</u></u>	<u><u>\$ (3,676,954)</u></u>

See accompanying notes to budgetary comparison schedule.

TOWN OF CLARKDALE, ARIZONA
Required Supplementary Information
Notes to Budgetary Comparison Schedules
June 30, 2013

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.

SINGLE AUDIT ACT REPORTS SECTION



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

To the Town Council
Town of Clarkdale, Arizona

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Clarkdale, Arizona, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Town of Clarkdale, Arizona's basic financial statements, and have issued our report thereon dated November 26, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Town of Clarkdale, Arizona's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Clarkdale, Arizona's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Clarkdale, Arizona's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did

not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Clarkdale, Arizona's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

November 26, 2013



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE REQUIRED BY OMB
CIRCULAR A-133**

To the Town Council
Town of Clarkdale, Arizona

Report on Compliance for Each Major Federal Program

We have audited Town of Clarkdale, Arizona's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Town of Clarkdale, Arizona's major federal programs for the year ended June 30, 2013. Town of Clarkdale, Arizona's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Town of Clarkdale, Arizona's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Town of Clarkdale, Arizona's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Town of Clarkdale, Arizona's compliance.

Opinion on Each Major Federal Program

In our opinion, Town of Clarkdale, Arizona, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of Town of Clarkdale, Arizona, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Town of Clarkdale, Arizona's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Town of Clarkdale, Arizona's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



November 26, 2013

TOWN OF CLARKDALE, ARIZONA
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass through Grantor's Number	Disbursements/ Expenditures
<u>U.S. Environmental Protection Agency</u>			
Passed through Water Infrastructure Finance Authority of Arizona:			
Capitalization Grants for Drinking Water State Revolving Funds	66.458	910152-12	\$ 2,139,989
Capitalization Grants for Drinking Water State Revolving Funds	66.458	920235-13	<u>954,944</u>
Total U.S. Environmental Protection Agency			<u>3,094,933</u>
<u>U.S. Department of Transportation</u>			
Passed through Arizona Department of Transportation:			
Highway Planning and Construction Cluster:			
Highway Planning and Construction	20.205		56,371
Highway Research and Development Program	20.200	PSRTS11C	15,951
Passed through AZ Governor's Office of Highway Safety:			
Highway Safety Cluster:			
State and Community Highway Safety	20.600	2013-AL-030	<u>2,701</u>
Total U.S. Department of Transportation			<u>75,023</u>
<u>U.S. Department of Housing and Urban Development</u>			
Passed through Arizona Department of Housing:			
CDBG - State-Administered CDBG Cluster:			
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	101-11	<u>306,390</u>
Total Federal Assistance			<u>\$ 3,476,346</u>

The accompanying notes are an integral part of this schedule.

TOWN OF CLARKDALE, ARIZONA
Notes to Schedule of Expenditures of Federal Awards
June 30, 2013

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Town of Clarkdale, Arizona, and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

TOWN OF CLARKDALE, ARIZONA
Schedule of Findings and Questioned Costs
June 30, 2013

Section 1	Summary Of Auditors' Results
<i>Financial Statements</i>	
1. Type of auditor's report issued	Unqualified
2. Internal control over financial reporting:	
a. Material weaknesses?	No
b. Significant deficiencies identified not considered to be material weaknesses?	No
c. Noncompliance material to the financial statements noted?	No
<i>Federal Awards</i>	
1. Internal control over major program:	
a. Material weaknesses identified?	No
b. Significant deficiencies identified not considered to be material weaknesses?	No
2. Type of auditor's report issued on compliance for major program:	Unqualified
3. Any audit findings disclosed that are required to be reported in accordance with Circular OMB A-133, Section 510 (a)?	None
4. Identification of major program:	
<u>Name of Federal Program</u>	<u>CFDA Number</u>
Capitalization Grants for Drinking Water State Revolving Funds	66.458
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228
5. Dollar threshold used to distinguish between Type A and Type B programs:	\$ 300,000
6. Auditee qualified as a low-risk auditee under OMB Circular A-133, Section 530?	No

TOWN OF CLARKDALE, ARIZONA
Schedule of Findings and Questioned Costs
June 30, 2013

Financial Statement Findings

None

Federal Award Findings and Questioned Costs

None

TOWN OF CLARKDALE, ARIZONA
Summary Schedule of Prior Audit Findings
June 30, 2013

The status of audit findings from the prior year is as follows:

No prior year audit findings.



COLBY &
POWELL, PLC

CERTIFIED PUBLIC ACCOUNTANTS

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

To the Town Council
Town of Clarkdale, Arizona

We have audited, in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and aggregate remaining fund information of the Town of Clarkdale as of and for the year ended June 30, 2013, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated November 26, 2013.

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.

November 26, 2013