

**TOWN OF CLARKDALE, ARIZONA**

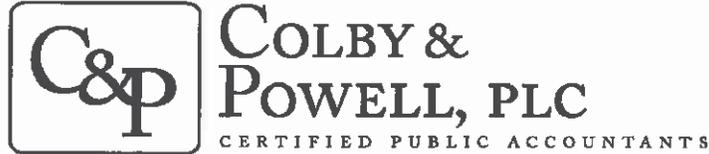
**Annual Financial Statements  
and Independent Auditors' Report  
June 30, 2014**

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

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

## **INDEPENDENT AUDITORS' REPORT**

To the Town Council  
Town of Clarkdale, Arizona

### **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 the Town of Clarkdale, Arizona, as of and for the year ended June 30, 2014, 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, and each major fund of the Town of Clarkdale, Arizona, as of June 30, 2014, 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, budgetary comparison information, and schedule of funding progress on pages iv to xix, 32 to 36, and page 37 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 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 October 24, 2014, 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 the Town of Clarkdale, Arizona's internal control over financial reporting and compliance.

**Other Reporting Required by Arizona Revised Statutes**

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.

*Colby J. Powell*

October 24, 2014

**TOWN OF CLARKDALE, ARIZONA**  
**Management's Discussion and Analysis**  
**June 30, 2014**

We, the Town of Clarkdale, Arizona, are pleased to provide an overview of our financial activities for the fiscal year ended June 30, 2014. 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 17.36%, between fiscal years 2013 and 2014. The 2014 governmental net position increased .55% and the business-type activities increased 46.11%.
- ❖ The Town's total 2014 revenues were \$6,952,399 and expenses totaled \$5,544,535, resulting in an increase in net position of \$1,407,864 or 17.36%.
- ❖ The revenue sources of local taxes and state-shared revenues with \$2,398,262 represented 72.58% of all revenues in governmental activities. The local tax revenue consists of local sales tax, property tax, and franchise taxes and were the largest revenue source for governmental activities, accounting for 41.13% of total governmental activity revenues. The state-shared revenues consist of state revenue sharing, state sales tax, and motor vehicle tax and accounted for 31.46% of total governmental activity revenues.
- ❖ Expenses for the Town's governmental activities total \$3,426,425. Public Safety activities account for 32.04%, Highway and Streets spent 25.25% of the expenditures, Culture and Recreation 6.31%, and General Government Services accounted for 36.40% of total expenditures for 2014.
- ❖ General Fund revenues of \$2,641,526 were lower than budgeted revenues of \$4,199,198 by \$1,557,672, or 37.09% while General Fund actual expenditures of \$2,793,322 were lower than budgeted expenditures of \$4,812,052 by \$2,018,730, or 41.95%.
- ❖ The Town's total governmental funds reported combined ending fund balances of \$2,055,457, an increase of \$30,782 in comparison with the prior year. The Business-type's total net position was \$4,371,181, an increase of \$1,379,520 from 2013.
- ❖ Long-term obligations outstanding were \$12,513,510, in 2014, a decrease of \$14,804, or .12%. Business-type Activities accounted for 98.25% of the \$12,513,510. The debt of the

**TOWN OF CLARKDALE, ARIZONA**  
**Management's Discussion and Analysis**  
**June 30, 2014**

Business-type Activities is made up of mainly the WIFA loans for the construction of the wastewater treatment plant and the Twin 5s water main.

**ECONOMIC HIGHLIGHTS**

- ❖ The Water Infrastructure Finance Authority of Arizona (WIFA) awarded the Town of Clarkdale both of WIFA's Project of the Year awards. This was the first time in WIFA's history that both the Clean Water (for wastewater infrastructure) and Drinking Water Project of the Year awards went to the same entity.
  - The 2013 Clean Water Project of the Year was for Clarkdale's Broadway Reclamation Facility, a \$5.5 million infrastructure project to replace an outdated lagoon treatment system with a recycled and refurbished mechanical wastewater treatment facility. "What an incredibly innovative and sustainable solution to improve water infrastructure and protect water quality," said WIFA Board Chairman Henry Darwin, who is also Director of the Arizona Department of Environmental Quality. The project was selected based on the significant improvements made to protect water quality, the highly innovative practices employed and excellent project management.
  - The 2013 Drinking Water Project of the Year award was for Clarkdale's Twin 5s Water Main Replacement project. Clarkdale borrowed \$1.6 million from WIFA, which included \$800,000 in forgivable principal. The 90-year old exposed water mains were vulnerable to natural disasters and introduction of chemical or biological agents. By implementing these improvements, the Town eliminated the security risk and resolved operation and maintenance issues. The project was selected for the award based on Clarkdale's exceptional dedication to the project and the significant improvements made to protect public health.
- ❖ Clarkdale was one of seven agencies in Arizona to receive funding from the U.S. Department of Justice's Community Oriented Policing Services grant program (COPS). The \$125,000 over a three year period will fund restoring the School Resource Officer position at the Clarkdale-Jerome School.
- ❖ With funding provided by the Walton Family Foundation, Clarkdale began a 2-year process to develop a Water Resource Management Plan for the Town. Much of the work during the year focused on community educational workshops/presentations and the adaptation and modification of the USGS Northern Arizona Regional Groundwater Flow Model, to project Clarkdale's water demand out to 2075. Clarkdale 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, while minimizing our impact on the flows of the Verde River.

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- ❖ The Town adopted Clarkdale's Sustainable Economic Development Plan, which was developed after 15 months of public involvement. The plan sets our short-term (0-2 years) and mid-term (2-4 years) goals in four strategic opportunity areas: Sustainable Clarkdale Initiative; Creative Clarkdale; Business Development; and Health Community.
- ❖ The opening of a wine tasting room, the Copper Art Museum, and a private outfitter service offering locals and tourists the opportunity of guided kayak trips on the Verde River highlight the business resurgence in downtown Clarkdale. Existing downtown businesses have made improvements and several other small businesses have opened their doors, making downtown Clarkdale an even more desired destination for dining, entertainment, arts and culture.
- ❖ Sustainable Clarkdale project, the Verde River @ Clarkdale, saw significant support and continued progress during the year. Last year, the Town of Clarkdale entered into an agreement with Arizona State Parks to jointly manage approximately 70 acres of river front property surrounding the Tuzigoot Bridge to be known as TuziRAP and 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. The two "anchor locations" provide public access along the 2.2 miles of Verde River located in Clarkdale. A variety of grant funds and donated items were used during the year to establish both TuziRAP and TapcoRAP.
- ❖ Lower TapcoRAP was dedicated and opened as a Day Use Area with improvements such as directional signs, driveways, parking areas, fencing, portable restroom facilities, rule signage, interpretive kiosks, a "Self-Pay Station", boat launch areas and hired River Ambassadors to supervise the area. This site will serve as the upper anchor of the Verde River @ Clarkdale project, allowing the public to legally access this beautiful stretch of Verde River, providing a public boat launch/landing site for kayakers and canoeists, and giving day-use recreationalists access to approximately 3,500 feet of shoreline for picnicking, birdwatching, photography and general enjoyment of the Verde River and its riparian ecosystem. The purpose of the Town of Clarkdale's Verde River @ Clarkdale (VR@C) project is to demonstrate that improving access and recreation opportunities on the river will give the community an opportunity to personally connect with the river thereby further strengthening their understanding and desire for stewardship of this precious resource.
- ❖ TuziRAP has also had major improvements to the driveway and parking areas, provided through grant funds, along with handicap parking spaces, an accessible walkway to the river with a viewing area and portable restroom facilities.
- ❖ Approximately 80 stakeholders interested in TapcoRAP and TuziRAP attended one of the first meetings facilitated by Gunn Communications, funded by the Walton Family Foundation, in order to discuss possible amenities for each access point as a starting point for the Verde River @ Clarkdale Master Plan.

**TOWN OF CLARKDALE, ARIZONA**  
**Management's Discussion and Analysis**  
**June 30, 2014**

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

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Fund Financial Statements

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

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

*Governmental Funds* – Most of the Town's basic services are included in governmental funds which focus on how cash, and other financial assets that can be 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
  - ❖ Cemetery Perpetual Care Fund
  - ❖ School Officers Fund

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

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**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 - 31 of this report)

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

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

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

**Supplemental Information**

In addition to the basic financial statements and accompanying notes, required supplementary information presents a budgetary comparison schedule for the General Fund and all major special revenue funds to demonstrate compliance with the budget. Additionally, governments are required to disclose certain information about employee pension funds. (Supplementary information and schedules can be found on pages 32 - 37 of this report)

**TOWN OF CLARKDALE, ARIZONA**  
**Management's Discussion and Analysis**  
**June 30, 2014**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Condensed Statement of Net Position

|  | Governmental Activities |              | Business-type Activities |              | Total        |              |
|--|-------------------------|--------------|--------------------------|--------------|--------------|--------------|
|  | 2014                    | 2013         | 2014                     | 2013         | 2014         | 2013         |
| <b>ASSETS</b>                                      |                         |              |                          |              |              |              |
| Current and other assets                           | \$ 2,356,439            | \$ 2,399,749 | \$ 4,366,962             | \$ 4,402,881 | \$ 6,723,401 | \$ 6,802,630 |
| Capital assets                                     |                         |              |                          |              |              |              |
| Non-depreciable                                    | 801,011                 | 702,196      | 491,929                  | 6,596,140    | 1,292,940    | 7,298,336    |
| Depreciable (net)                                  | 2,453,190               | 2,586,158    | 15,192,160               | 8,161,190    | 17,645,350   | 10,747,348   |
| <b>Total assets</b>                                | 5,610,640               | 5,688,103    | 20,051,051               | 19,160,211   | 25,661,691   | 24,848,314   |
| <b>LIABILITIES</b>                                 |                         |              |                          |              |              |              |
| Other liabilities                                  | 245,895                 | 328,647      | 3,385,411                | 3,882,342    | 3,631,306    | 4,210,989    |
| Noncurrent liabilities                             |                         |              |                          |              |              |              |
| Due within one year                                | 85,538                  | 80,330       | 305,181                  | 456,334      | 390,719      | 536,664      |
| Due in more than one year                          | 133,513                 | 161,776      | 11,989,278               | 11,829,874   | 12,122,791   | 11,991,650   |
| <b>Total liabilities</b>                           | 464,946                 | 570,753      | 15,679,870               | 16,168,550   | 16,144,816   | 16,739,303   |
| <b>NET POSITION</b>                                |                         |              |                          |              |              |              |
| Invested in capital assets,<br>net of related debt | 3,149,201               | 3,153,354    | 4,318,440                | 4,451,854    | 7,467,641    | 7,605,208    |
| Restricted   | 545,973                 | 429,398      | 2,662,663                | 2,172,528    | 3,208,636    | 2,601,926    |
| Unrestricted                                       | 1,450,520               | 1,534,598    | (2,609,922)              | (3,632,721)  | (1,159,402)  | (2,098,123)  |
| <b>Total net position</b>                          | \$ 5,145,694            | \$ 5,117,350 | \$ 4,371,181             | \$ 2,991,661 | \$ 9,516,875 | \$ 8,109,011 |
| <b>CHANGE IN NET POSITION</b>                      | \$ 28,344               | \$ 641,319   | \$ 1,379,520             | \$ 445,124   | \$ 1,407,864 | \$ 1,086,443 |
| <b>PERCENTAGE CHANGE<br/>IN NET POSITION</b>       | 0.55%                   | 14.33%       | 46.11%                   | 17.48%       | 17.36%       | 15.47%       |

**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 17.48%, between fiscal years 2013 and 2014. The 2014 Governmental Activities' net position increased .55% and the Business-type Activities' increased 46.11%.

Net position consists of three components. The largest portion of the Town of Clarkdale's net position 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 position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position 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**

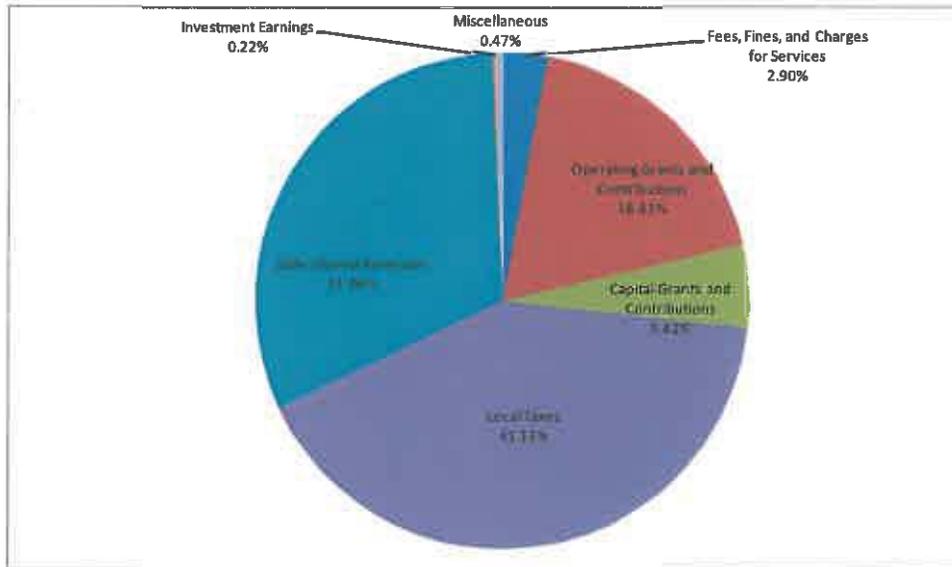
|   | Governmental Activities |                     | Business-type Activities |                     | Total               |                     |
|---|-------------------------|---------------------|--------------------------|---------------------|---------------------|---------------------|
|   | 2014                    | 2013                | 2014                     | 2013                | 2014                | 2013                |
| <b>Revenues</b>                         |                         |                     |                          |                     |                     |                     |
| Program revenues                        |                         |                     |                          |                     |                     |                     |
| Fees, fines, and charges for services   | \$ 95,685               | \$ 158,792          | \$ 2,202,900             | \$ 2,161,948        | \$ 2,298,585        | \$ 2,320,740        |
| Operating grants and contributions      | 608,169                 | 407,375             | -                        | 6,961               | 608,169             | 414,336             |
| Capital grants and contributions        | 179,188                 | 500,034             | 1,487,301                | 290,258             | 1,666,489           | 790,292             |
| General revenues                        |                         |                     |                          |                     |                     |                     |
| Local taxes                             | 1,358,855               | 1,574,805           | -                        | -                   | 1,358,855           | 1,574,805           |
| State shared revenues                   | 1,039,407               | 958,930             | -                        | -                   | 1,039,407           | 958,930             |
| Investment earnings                     | 7,323                   | 15,564              | 7,488                    | 8,637               | 14,811              | 24,201              |
| Miscellaneous                           | 15,510                  | 6,805               | -                        | -                   | 15,510              | 6,805               |
| Loss on disposal of capital assets      | -                       | -                   | (49,427)                 | -                   | (49,427)            | -                   |
| <b>Total revenues</b>                   | <b>3,304,137</b>        | <b>3,622,305</b>    | <b>3,648,262</b>         | <b>2,467,804</b>    | <b>6,952,399</b>    | <b>6,090,109</b>    |
| <b>Expenses</b>                         |                         |                     |                          |                     |                     |                     |
| General government                      | 1,247,195               | 1,193,391           | -                        | -                   | 1,247,195           | 1,193,391           |
| Public safety                           | 1,097,733               | 949,464             | -                        | -                   | 1,097,733           | 949,464             |
| Highways and streets                    | 865,160                 | 766,257             | -                        | -                   | 865,160             | 766,257             |
| Culture and recreation                  | 216,337                 | 218,283             | -                        | -                   | 216,337             | 218,283             |
| Wastewater                              | -                       | -                   | 774,802                  | 478,339             | 774,802             | 478,339             |
| Sanitation                              | -                       | -                   | 248,357                  | 255,841             | 248,357             | 255,841             |
| Water                                   | -                       | -                   | 1,070,373                | 1,094,901           | 1,070,373           | 1,094,901           |
| Cemetery                                | -                       | -                   | 24,578                   | 47,190              | 24,578              | 47,190              |
| <b>Total expenses</b>                   | <b>3,426,425</b>        | <b>3,127,395</b>    | <b>2,118,110</b>         | <b>1,876,271</b>    | <b>5,544,535</b>    | <b>5,003,666</b>    |
| Change in net position before transfers | (122,288)               | 494,910             | 1,530,152                | 591,533             | 1,407,864           | 1,086,443           |
| Transfers                               | 150,632                 | 146,409             | (150,632)                | (146,409)           | -                   | -                   |
| <b>Change in net position</b>           | <b>28,344</b>           | <b>641,319</b>      | <b>1,379,520</b>         | <b>445,124</b>      | <b>1,407,864</b>    | <b>1,086,443</b>    |
| Net position, beginning of year         | 5,117,350               | 4,476,031           | 2,991,661                | 2,546,537           | 8,109,011           | 7,022,568           |
| <b>Net position, end of year</b>        | <b>\$ 5,145,694</b>     | <b>\$ 5,117,350</b> | <b>\$ 4,371,181</b>      | <b>\$ 2,991,661</b> | <b>\$ 9,516,875</b> | <b>\$ 8,109,011</b> |

**Change in Net Position:** The Town's total 2014 revenues were \$6,952,399 and expenses totaled \$5,544,535, resulting in an increase in net position of \$1,407,864 or 17.36%.

**Revenues** for the Town's governmental activities totaled \$3,304,137, a 8.78% decrease from 2013. Local taxes are the largest revenue source for the Governmental Activities, accounting for 41.13% of total revenues which decreased 13.71% from 2013 due to the lack of construction projects. State-shared revenues account for 31.46% of the total revenues and increased 8.39%. Operating and capital grants together contribute 23.83% of the revenues, which decreased 13.23% in 2014 that was mainly due to the closing of the CDBG grant in 2013 being offset by additional GITEM, COPS, Sustainable Clarkdale, Yavapai County Flood Control and various smaller grant revenues in 2014. Charges for services contribute 2.90% of the total revenues while miscellaneous revenues and investment earnings make up only .69%.

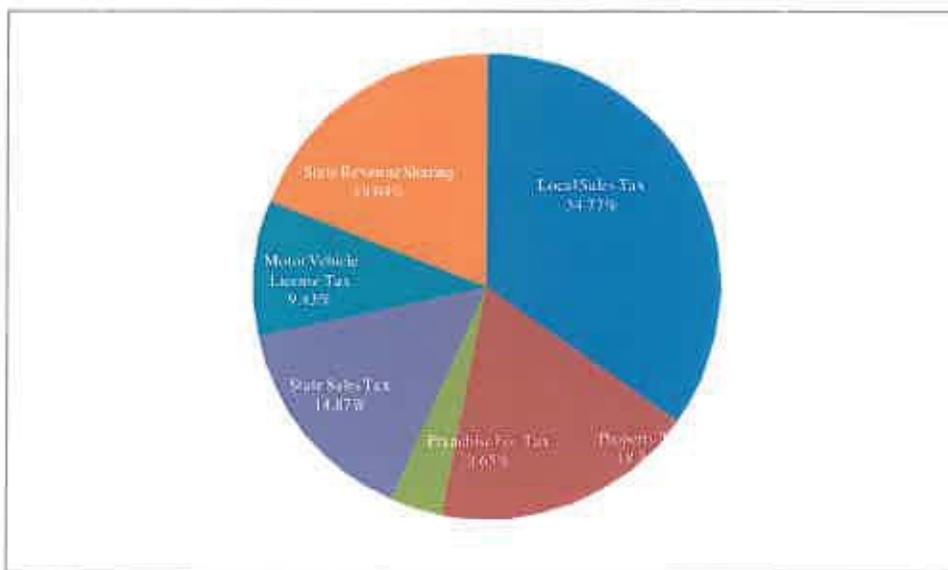
**TOWN OF CLARKDALE, ARIZONA**  
**Management's Discussion and Analysis**  
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**Governmental Activity Revenue**



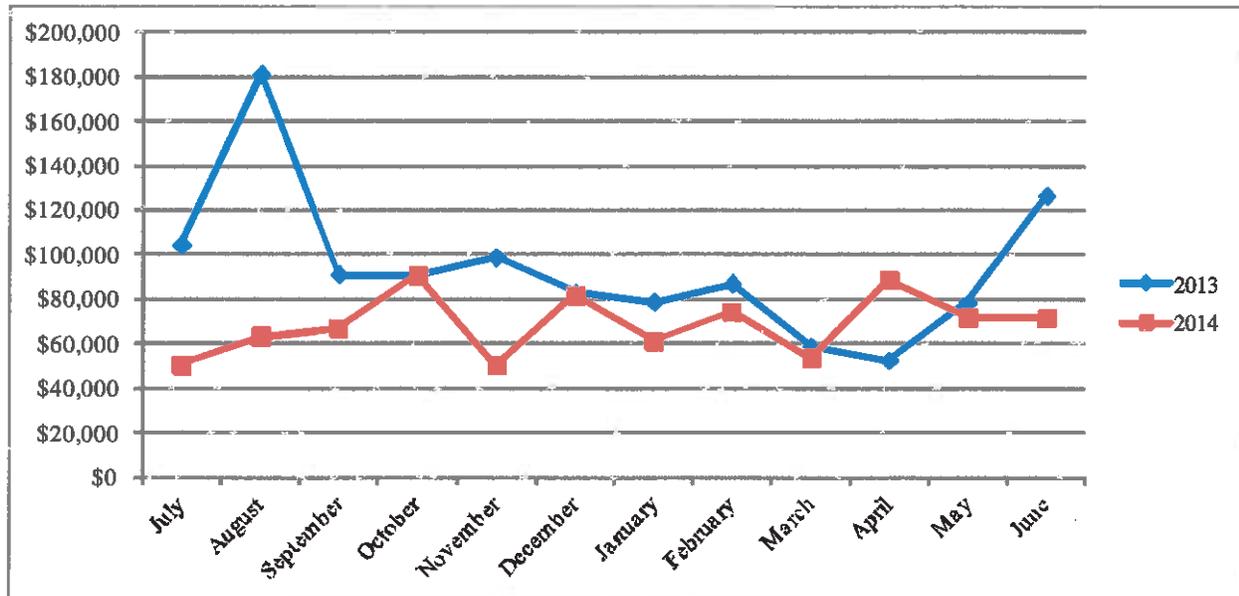
The revenue sources of local taxes and state-shared revenues with \$2,398,262 represented 72.59% of all revenues in the Governmental Activities. The local tax revenue consists of local sales tax, property tax, and franchise taxes and were the largest sources of revenue for the Governmental Activities, accounting for 41.13% of the total Governmental Activities revenue. The state-shared revenues consist of state revenue sharing, state sales tax, and motor vehicle tax and accounted for 31.16% of the total Governmental Activities revenue.

**Tax Distributions**



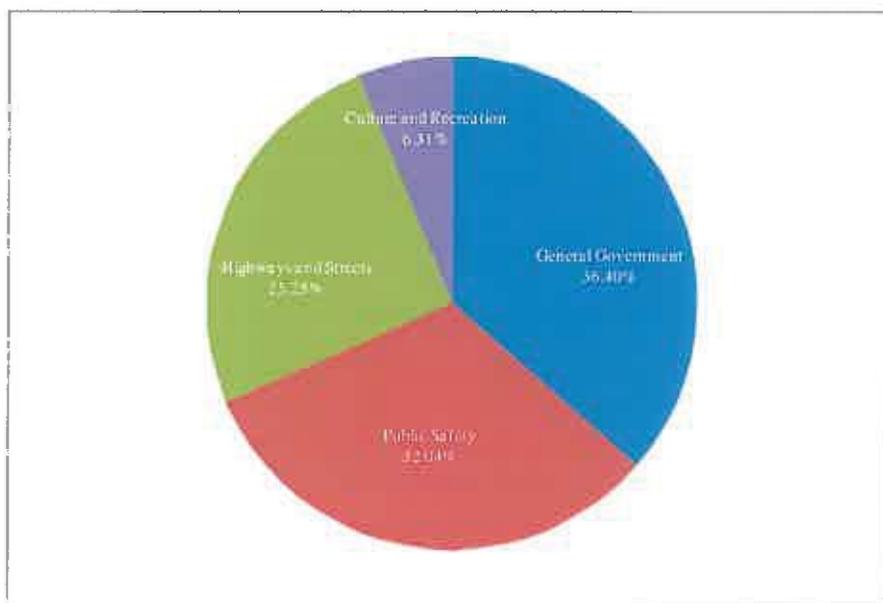
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**Local Sales Tax Collection Comparison**



**Government Activity Expense**

Expenditures for the Town's Governmental Activities total \$3,426,426. Public Safety activities account for 32.04%, Highway and Streets spent 25.25% of the expenditures, Culture and Recreation 6.31%, and General Government services accounted for 36.40% of total expenditures for 2014. General Government services include Administration, Community Services, Community Development and Finance.



**TOWN OF CLARKDALE, ARIZONA**  
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**Net Cost of Town of Clarkdale Activities**

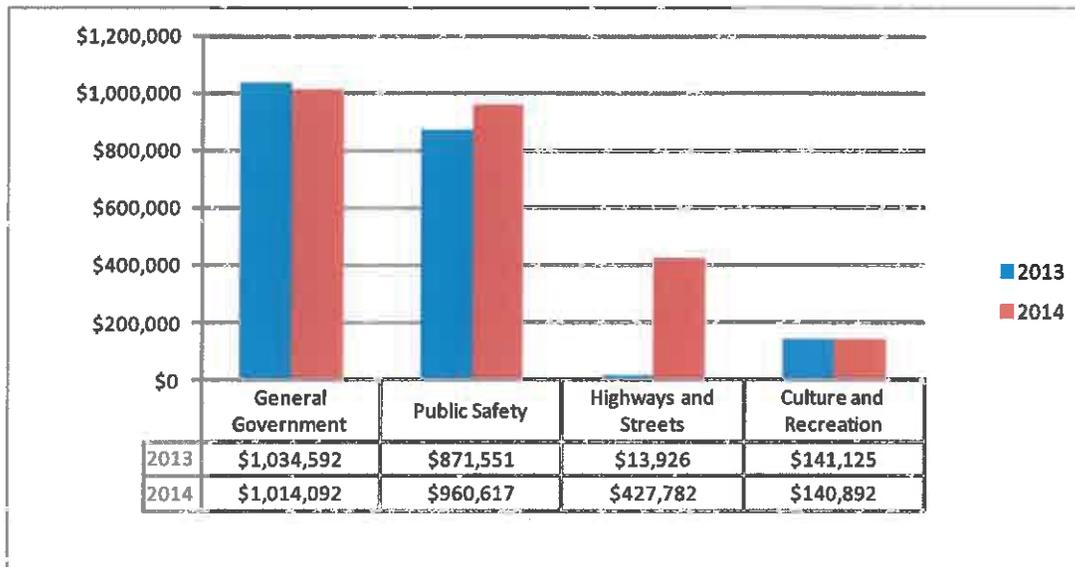
**Governmental Activities**

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 2014 was \$2,543,383 which is 23.39% more than in 2013 which is a result of the direct revenues of \$883,042 which had a decrease of 17.17% from 2013. The increase in General Government, in part, was due to the additional grant project expenses and revenue for the Verde River @ Clarkdale TapcoRAP and TuziRAP projects. The increase in Public Safety (Police) was primarily due to the School Resource Officer/COPS grant and the Gang and Immigration Intelligence Team Enforcement Mission (GIITEM) funding for two police officer positions. Highways and Streets show a tremendous Net Cost of Services increase, which is directly related to the decrease of Direct Revenues due to the final reimbursement of CDBG grant expenses in 2013 and the use of designated funds to complete street projects in 2014.

**Net Cost of Services – Governmental Activities**

|                        | <b>Cost of Services</b> |                     | <b>Direct Revenues</b> |                     | <b>Net Cost of Services</b> |                     |
|------------------------|-------------------------|---------------------|------------------------|---------------------|-----------------------------|---------------------|
|                        | 2014                    | 2013                | 2014                   | 2013                | 2014                        | 2013                |
| General Government     | \$ 1,247,195            | \$ 1,193,391        | \$ 233,103             | \$ 158,799          | \$ 1,014,092                | \$ 1,034,592        |
| Public Safety          | 1,097,733               | 949,464             | 137,116                | 77,913              | 960,617                     | 871,551             |
| Highways and Streets   | 865,160                 | 766,257             | 437,378                | 752,331             | 427,782                     | 13,926              |
| Culture and Recreation | 216,337                 | 218,283             | 75,445                 | 77,158              | 140,892                     | 141,125             |
| <b>Total revenues</b>  | <b>3,426,425</b>        | <b>\$ 3,127,395</b> | <b>\$ 883,042</b>      | <b>\$ 1,066,201</b> | <b>\$ 2,543,383</b>         | <b>\$ 2,061,194</b> |

**Net Cost of Services – Governmental Activities**



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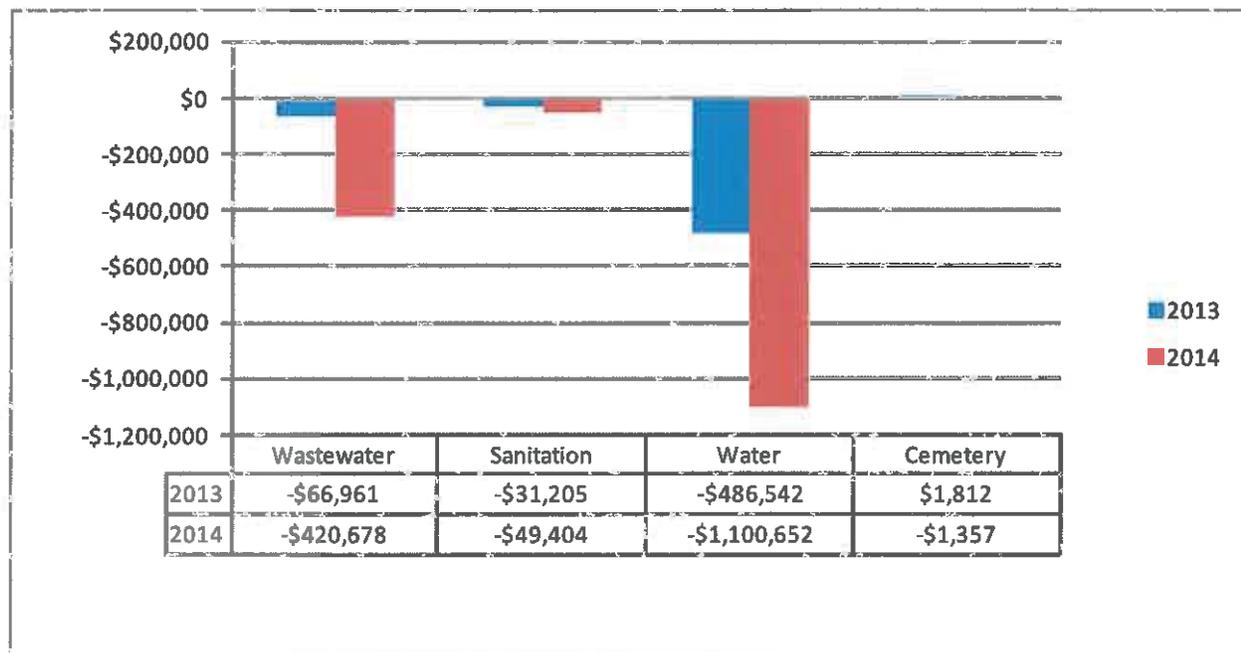
**Net Cost of Service – Business-Type Activities**

**Business-type Activities**

The wastewater program net income increased from \$66,961 in 2013 to \$420,678 in 2014. The increase was the combined result of the additional operational expenses for the new wastewater treatment plant and the proceeds from developers for capital improvements. Net income of the water program increased to \$1,100,652 in 2014 from \$486,542 in 2013. This was a combined result of higher charges for services and capital grants and contribution from WIFA's \$800,000 forgivable principle for the Twin 5's project.

|                       | Cost of Services    |                     | Direct Revenues     |                     | Net Cost of Services  |                     |
|-----------------------|---------------------|---------------------|---------------------|---------------------|-----------------------|---------------------|
|                       | 2014                | 2013                | 2014                | 2013                | 2014                  | 2013                |
| Wastewater            | \$ 774,802          | \$ 478,339          | \$ 1,195,480        | \$ 545,300          | \$ (420,678)          | \$ (66,961)         |
| Sanitation            | 248,357             | 255,841             | 297,761             | 287,046             | (49,404)              | (31,205)            |
| Water                 | 1,070,373           | 1,094,901           | 2,171,025           | 1,581,443           | (1,100,652)           | (486,542)           |
| Cemetery              | 24,578              | 47,190              | 25,935              | 45,378              | (1,357)               | 1,812               |
| <b>Total revenues</b> | <b>\$ 2,118,110</b> | <b>\$ 1,876,271</b> | <b>\$ 3,690,201</b> | <b>\$ 2,459,167</b> | <b>\$ (1,572,091)</b> | <b>\$ (582,896)</b> |

**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 \$3,254,201 in the Governmental Activities and \$15,684,089 in the Business-type Activities for a total of \$18,938,290 at the end of 2014. The largest investment in capital assets was the wastewater plant and equipment. The Business-type Activities represent the water utility with 39.83% of the business-type net capital assets and the sewer utility having 60.17% of the business-type net capital assets. For government-wide financial statement presentation, all depreciable capital assets were depreciated from acquisition date to the end of the current fiscal year. Governmental fund financial statements record capital asset purchases as expenditures. The major capital asset events during the 2013 fiscal year were additions and improvements to the water and wastewater infrastructure located under the construction in progress for business type that included the wastewater treatment plant and Twin 5s water line projects. Both projects were completed and included under the capital assets depreciated in 2014 and there was no construction in progress for 2014.

**Capital Assets**

|   | <u>Governmental Activities</u> |                     | <u>Business-type Activities</u> |                      | <u>Total</u>         |                      |
|---|--------------------------------|---------------------|---------------------------------|----------------------|----------------------|----------------------|
|   | <u>2014</u>                    | <u>2013</u>         | <u>2014</u>                     | <u>2013</u>          | <u>2014</u>          | <u>2013</u>          |
| <b>Capital Assets Not Depreciated</b>       |                                |                     |                                 |                      |                      |                      |
| Land  | \$ 670,001                     | \$ 630,001          | \$ 491,929                      | \$ 491,929           | \$ 1,161,930         | \$ 1,121,930         |
| Construction in Progress                    | 131,010                        | 72,195              | -                               | 6,104,211            | 131,010              | 6,176,406            |
| <b>Total Capital Assets Not Depreciated</b> | <u>801,011</u>                 | <u>702,196</u>      | <u>491,929</u>                  | <u>6,596,140</u>     | <u>1,292,940</u>     | <u>7,298,336</u>     |
| <b>Capital Assets Depreciated</b>           |                                |                     |                                 |                      |                      |                      |
| Buildings and Improvements                  | 1,980,623                      | 1,941,343           | -                               | -                    | 1,980,623            | 1,941,343            |
| Infrastructure                              | 2,032,205                      | 1,967,733           | -                               | -                    | 2,032,205            | 1,967,733            |
| Machinery and Equipment                     | 767,406                        | 758,890             | -                               | -                    | 767,406              | 758,890              |
| Vehicles                                    | 396,811                        | 388,811             | -                               | -                    | 396,811              | 388,811              |
| Sewer Plant and Equipment                   | -                              | -                   | 10,008,948                      | 5,164,831            | 10,008,948           | 5,164,831            |
| Water Distribution System                   | -                              | -                   | 8,033,067                       | 5,943,250            | 8,033,067            | 5,943,250            |
| <b>Total Capital Assets Depreciated</b>     | <u>5,177,045</u>               | <u>5,056,777</u>    | <u>18,042,015</u>               | <u>11,108,081</u>    | <u>23,219,060</u>    | <u>16,164,858</u>    |
| <b>Accumulated Depreciation</b>             |                                |                     |                                 |                      |                      |                      |
| Buildings and Improvements                  | (1,354,110)                    | (1,308,179)         | -                               | -                    | (1,354,110)          | (1,308,179)          |
| Infrastructure                              | (477,548)                      | (343,278)           | -                               | -                    | (477,548)            | (343,278)            |
| Machinery and Equipment                     | (548,399)                      | (502,171)           | -                               | -                    | (548,399)            | (502,171)            |
| Vehicles                                    | (343,798)                      | (316,991)           | -                               | -                    | (343,798)            | (316,991)            |
| Sewer Plant and Equipment                   | -                              | -                   | (781,007)                       | (1,095,736)          | (781,007)            | (1,095,736)          |
| Water Distribution System                   | -                              | -                   | (2,068,848)                     | (1,851,155)          | (2,068,848)          | (1,851,155)          |
| <b>Total Accumulated Depreciation</b>       | <u>(2,723,855)</u>             | <u>(2,470,619)</u>  | <u>(2,849,855)</u>              | <u>(2,946,891)</u>   | <u>(5,573,710)</u>   | <u>(5,417,510)</u>   |
| <b>Net Total Capital Assets Depreciated</b> | <u>2,453,190</u>               | <u>2,586,158</u>    | <u>15,192,160</u>               | <u>8,161,190</u>     | <u>17,645,350</u>    | <u>10,747,348</u>    |
| <b>Net Total Capital Assets</b>             | <u>\$ 3,254,201</u>            | <u>\$ 3,288,354</u> | <u>\$ 15,684,089</u>            | <u>\$ 14,757,330</u> | <u>\$ 18,938,290</u> | <u>\$ 18,045,684</u> |

**TOWN OF CLARKDALE, ARIZONA**  
**Management's Discussion and Analysis**  
**June 30, 2014**

**Long-Term Liabilities**

The Town of Clarkdale had total long-term obligations outstanding of \$12,513,510 in 2014, a decrease of \$14,804, or .12%. Business-type Activities accounted for 98.25% of the \$12,513,510 which represents 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>2014</u>                 | <u>2013</u>                 | <u>Change</u>             |
|---|-----------------------------|-----------------------------|---------------------------|
| <b>Governmental Activities</b>                                    |                             |                             |                           |
| Compensated absences  | \$ 114,051                  | \$ 107,106                  | \$ 6,945                  |
| Notes payable   | <u>105,000</u>              | <u>135,000</u>              | <u>(30,000)</u>           |
| <b>Total Long-Term Liabilities,<br/>Governmental Activities</b>   | <u>219,051</u>              | <u>242,106</u>              | <u>(23,055)</u>           |
| <b>Business-type Activities</b>                                   |                             |                             |                           |
| Compensated absences  | 30,507                      | 33,225                      | (2,718)                   |
| Capital leases payable  | 13,631                      | 27,881                      | (14,250)                  |
| Bonds payable   | 160,000                     | 190,000                     | (30,000)                  |
| Notes payable   | 11,929,096                  | 11,866,200                  | 62,896                    |
| Deferred amount on premium  | <u>161,225</u>              | <u>168,902</u>              | <u>(7,677)</u>            |
| <b>Total Long-Term Liabilities, Business-<br/>type Activities</b> | <u>12,294,459</u>           | <u>12,286,208</u>           | <u>8,251</u>              |
| <b>Total Long-Term Liabilities</b>                                | <u><u>\$ 12,513,510</u></u> | <u><u>\$ 12,528,314</u></u> | <u><u>\$ (14,804)</u></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 \$2,055,457, an increase of \$30,782 in comparison with the prior year. The Business-type Activities' total fund balance was \$4,371,181, an increase of \$1,379,520 from 2014 which represents a combination of accumulated depreciation costs for water, accumulating WIFA required reserve funds for wastewater and much lower account payable liabilities at year end for the water and wastewater funds.

**TOWN OF CLARKDALE, ARIZONA**  
**Management's Discussion and Analysis**  
**June 30, 2014**

**Change in Fund Balances/Net Position**

|   | <u>2014</u>         | <u>2013</u>         | <u>Change</u>       |
|---|---------------------|---------------------|---------------------|
| <b>Governmental</b>                     |                     |                     |                     |
| General Fund                            | \$ 968,357          | \$ 995,535          | \$ (27,178)         |
| HURF Fund                               | 348,189             | 262,133             | 86,056              |
| Developer Reimbursement Fund            | 603,281             | 603,313             | (32)                |
| Grants Fund                             | (2,648)             | 15,252              | (17,900)            |
| Other Governmental Funds                | 138,278             | 148,442             | (10,164)            |
| <b>Total Governmental Fund Balances</b> | <u>2,055,457</u>    | <u>2,024,675</u>    | <u>30,782</u>       |
| <b>Business-type</b>                    |                     |                     |                     |
| Wastewater Fund                         | 2,686,973           | 2,344,961           | 342,012             |
| Sanitation Fund                         | (1,378)             | 13,676              | (15,054)            |
| Water Fund                              | 1,674,356           | 629,162             | 1,045,194           |
| Cemetery Fund                           | 11,230              | 3,862               | 7,368               |
| <b>Total Business-type Net Position</b> | <u>4,371,181</u>    | <u>2,991,661</u>    | <u>1,379,520</u>    |
| <b>Total Fund Balances/Net Position</b> | <u>\$ 6,426,638</u> | <u>\$ 5,016,336</u> | <u>\$ 1,410,302</u> |

**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 32-36. These statements compare the original adopted budget, the budget if amended throughout the fiscal year, and the actual expenditures.

General Fund revenues of \$2,641,526 were lower than budgeted revenues of \$4,199,198 by \$1,557,672, or 37.09% while General Fund expenditures of \$2,793,322 were lower than budgeted expenditures of \$4,812,052 by \$2,018,730, or 41.95%. General Fund expenditures during the year are monitored with actual revenues.

**ECONOMIC FACTORS FOR NEXT YEAR**

- ❖ Clarkdale's Sustainable Economic Development Plan, will continue to move forward using budgeted funds along with grant funds in four strategic opportunity areas: Sustainable Clarkdale Initiative; Creative Clarkdale; Business Development; and Health Community.
- ❖ Sustainable Clarkdale project, the Verde River @ Clarkdale, will see continued progress during the year. Discussions will continue with stakeholders regarding the Verde River @ Clarkdale Master Plan between TapcoRAP and TuziRAP.

**TOWN OF CLARKDALE, ARIZONA**  
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- ❖ Community educational workshops and presentations and the adaptation and modification of the USGS Northern Arizona Regional Groundwater Flow Model will continue with the exploration of the Town's long-range water supply and demands for water in order to create a Water Resource Management Plan that achieves a sustainable water supply for our community, while minimizing our impact on the flows of the Verde River.
- ❖ Renovations will start on the Clark Memorial Clubhouse ADA upgrade project with CDBG grant funds.

**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, 2014**

|  | Primary Government         |                             |                     |
|--|----------------------------|-----------------------------|---------------------|
|  | Governmental<br>Activities | Business-type<br>Activities | Total               |
| <b>ASSETS</b>                                      |                            |                             |                     |
| Cash and cash equivalents                          | \$ 2,141,055               | \$ 2,328,491                | \$ 4,469,546        |
| Accounts receivable - net                          | -                          | 136,843                     | 136,843             |
| Taxes receivable                                   | 91,258                     | -                           | 91,258              |
| Due from other governments                         | 122,471                    | -                           | 122,471             |
| Other accounts receivable                          | 1,655                      | 95,045                      | 96,700              |
| Cash and cash equivalents - restricted             | -                          | 1,806,583                   | 1,806,583           |
| Capital assets, not being depreciated              | 801,011                    | 491,929                     | 1,292,940           |
| Capital assets, being depreciated, net             | 2,453,190                  | 15,192,160                  | 17,645,350          |
| <b>Total assets</b>                                | <b>5,610,640</b>           | <b>20,051,051</b>           | <b>25,661,691</b>   |
| <b>LIABILITIES</b>                                 |                            |                             |                     |
| Accounts payable                                   | 70,185                     | 49,807                      | 119,992             |
| Accrued expenses                                   | 38,565                     | 8,678                       | 47,243              |
| Interest payable                                   | -                          | 76,193                      | 76,193              |
| Unearned revenue                                   | 137,145                    | 3,208,608                   | 3,345,753           |
| Refundable deposits                                | -                          | 42,125                      | 42,125              |
| Noncurrent liabilities                             |                            |                             |                     |
| Due within 1 year                                  | 85,538                     | 305,181                     | 390,719             |
| Due in more than 1 year                            | 133,513                    | 11,989,278                  | 12,122,791          |
| <b>Total liabilities</b>                           | <b>464,946</b>             | <b>15,679,870</b>           | <b>16,144,816</b>   |
| <b>NET POSITION</b>                                |                            |                             |                     |
| Invested in capital assets,<br>net of related debt | 3,149,201                  | 4,318,440                   | 7,467,641           |
| Restricted   | 545,973                    | 2,662,663                   | 3,208,636           |
| Unrestricted (deficit)                             | 1,450,520                  | (2,609,922)                 | (1,159,402)         |
| <b>Total net position</b>                          | <b>\$ 5,145,694</b>        | <b>\$ 4,371,181</b>         | <b>\$ 9,516,875</b> |

*The accompanying notes are an integral part of these financial statements*

**TOWN OF CLARKDALE, ARIZONA**  
**Statement of Activities**  
**Year Ended June 30, 2014**

|  | Program Revenue      |                                    |                                  | Net (Expense) Revenue and Changes in Net Position |   |                    |
|--|----------------------|------------------------------------|----------------------------------|---|---|--------------------|
|  | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities                           | Primary Government Business-type Activities | Total              |
|  |                      | Expenses                           |                                  |   |   |                    |
| <b>Primary government:</b>                   |                      |                                    |                                  |   |   |                    |
| Governmental activities                      |                      |                                    |                                  |   |   |                    |
| General government                           | \$ 1,247,195         | \$ 63,114                          | \$ 7,997                         | \$ (1,014,092)                                    | \$ -  | \$ (1,014,092)     |
| Public safety                                | 1,097,733            | 27,445                             | 4,343                            | (960,617)   | -   | (960,617)          |
| Highways and streets                         | 865,160              | -                                  | 143,575                          | (427,782)   | -   | (427,782)          |
| Culture and recreation                       | 216,337              | 5,126                              | 23,273                           | (140,892)   | -   | (140,892)          |
| <b>Total governmental activities</b>         | <b>3,426,425</b>     | <b>95,685</b>                      | <b>179,188</b>                   | <b>(2,543,383)</b>                                | <b>-</b>                                    | <b>(2,543,383)</b> |
| Business-type activities                     |                      |                                    |                                  |   |   |                    |
| Wastewater                                   | 774,802              | 524,289                            | 671,191                          | -   | 420,678                                     | 420,678            |
| Sanitation                                   | 248,357              | 297,761                            | -                                | -   | 49,404                                      | 49,404             |
| Water  | 1,070,373            | 1,354,915                          | 816,110                          | -   | 1,100,652                                   | 1,100,652          |
| Cemetery                                     | 24,578               | 25,935                             | -                                | -   | 1,357                                       | 1,357              |
| <b>Total business-type activities</b>        | <b>2,118,110</b>     | <b>2,202,900</b>                   | <b>1,487,301</b>                 | <b>-</b>  | <b>1,572,091</b>                            | <b>1,572,091</b>   |
| <b>Total primary government</b>              | <b>\$ 5,544,535</b>  | <b>\$ 2,298,585</b>                | <b>\$ 1,666,489</b>              | <b>(2,543,383)</b>                                | <b>1,572,091</b>                            | <b>(971,292)</b>   |
| <b>General revenue:</b>                      |                      |                                    |                                  |   |   |                    |
| Taxes:                                       |                      |                                    |                                  |   |   |                    |
| Sales Taxes                                  |                      |                                    |                                  | 833,799   |   | 833,799            |
| Property taxes                               |                      |                                    |                                  | 437,552   |   | 437,552            |
| Franchise tax                                |                      |                                    |                                  | 87,504  |   | 87,504             |
| State sales tax revenue sharing              |                      |                                    |                                  | 356,615   |   | 356,615            |
| Auto lieu tax revenue sharing                |                      |                                    |                                  | 226,129   |   | 226,129            |
| State revenue sharing                        |                      |                                    |                                  | 456,663   |   | 456,663            |
| Investment income                            |                      |                                    |                                  | 7,323   | 7,488                                       | 14,811             |
| Miscellaneous                                |                      |                                    |                                  | 15,510  | -   | 15,510             |
| Loss on disposal of capital assets           |                      |                                    |                                  | -   | (49,427)                                    | (49,427)           |
| Transfers                                    |                      |                                    |                                  | 150,632   | (150,632)                                   | -                  |
| <b>Total general revenue</b>                 |                      |                                    |                                  | <b>2,571,727</b>                                  | <b>(192,571)</b>                            | <b>2,379,156</b>   |
| Change in net position                       |                      |                                    |                                  | 28,344  | 1,379,520                                   | 1,407,864          |
| Net position, beginning of year, as restated |                      |                                    |                                  | 5,117,350   | 2,991,661                                   | 8,109,011          |
| Net position, end of year                    |                      |                                    |                                  | \$ 5,145,694                                      | \$ 4,371,181                                | \$ 9,516,875       |

*The accompanying notes are an integral part of these financial statements.*

**TOWN OF CLARKDALE, ARIZONA**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2014**

|  | General Fund        | HURF Fund         | Developer Reimbursement Fund | Grants Fund       | Other Governmental Funds | Total Governmental Funds |
|--|---------------------|-------------------|------------------------------|-------------------|--------------------------|--------------------------|
| <b>ASSETS</b>  |                     |                   |                              |                   |                          |                          |
| Cash and cash equivalents  | \$ 935,110          | \$ 330,568        | \$ 634,459                   | \$ 101,458        | \$ 139,460               | \$ 2,141,055             |
| Taxes receivable   | 91,258              | -                 | -                            | -                 | -                        | 91,258                   |
| Due from other governments   | 40,009              | 27,856            | -                            | 51,952            | 2,654                    | 122,471                  |
| Other receivable   | -                   | -                 | 1,655                        | -                 | -                        | 1,655                    |
| Due from other funds   | 1,297               | -                 | -                            | -                 | -                        | 1,297                    |
| <b>Total assets</b>  | <b>1,067,674</b>    | <b>358,424</b>    | <b>636,114</b>               | <b>153,410</b>    | <b>142,114</b>           | <b>2,357,736</b>         |
| <b>LIABILITIES</b>   |                     |                   |                              |                   |                          |                          |
| Accounts payable   | 57,053              | 7,068             | -                            | 6,064             | -                        | 70,185                   |
| Accrued expenses   | 34,301              | 3,167             | -                            | 308               | 789                      | 38,565                   |
| Unearned revenue   | -                   | -                 | 31,178                       | 104,217           | 1,750                    | 137,145                  |
| Due to other funds   | -                   | -                 | -                            | -                 | 1,297                    | 1,297                    |
| <b>Total liabilities</b>   | <b>91,354</b>       | <b>10,235</b>     | <b>31,178</b>                | <b>110,589</b>    | <b>3,836</b>             | <b>247,192</b>           |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                       |                     |                   |                              |                   |                          |                          |
| Unavailable revenue  | 7,963               | -                 | 1,655                        | 45,469            | -                        | 55,087                   |
| <b>Total deferred inflows of resources</b>                                 | <b>7,963</b>        | <b>-</b>          | <b>1,655</b>                 | <b>45,469</b>     | <b>-</b>                 | <b>55,087</b>            |
| <b>FUND BALANCES</b>   |                     |                   |                              |                   |                          |                          |
| Restricted   | 65,244              | 348,189           | -                            | -                 | 132,540                  | 545,973                  |
| Assigned   | 324,916             | -                 | 603,281                      | -                 | -                        | 928,197                  |
| Unassigned   | 578,197             | -                 | -                            | (2,648)           | 5,738                    | 581,287                  |
| <b>Total fund balances</b>   | <b>968,357</b>      | <b>348,189</b>    | <b>603,281</b>               | <b>(2,648)</b>    | <b>138,278</b>           | <b>2,055,457</b>         |
| <b>Total liabilities, deferred inflows of resources, and fund balances</b> | <b>\$ 1,067,674</b> | <b>\$ 358,424</b> | <b>\$ 636,114</b>            | <b>\$ 153,410</b> | <b>\$ 142,114</b>        | <b>\$ 2,357,736</b>      |

*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, 2014**

|  |                    |                            |
|--|--------------------|----------------------------|
| Fund balances--total governmental funds  |                    | \$ 2,055,457               |
| <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   | 5,978,056          |                            |
| Less accumulated depreciation  | <u>(2,723,855)</u> | 3,254,201                  |
| <p>Some receivables are not available to pay for current-period expenditures and therefore, are recorded as unavailable in the funds.</p>    |                    |                            |
| Reimbursable grant expenditures  | 47,124             |                            |
| Property taxes   | <u>7,963</u>       | 55,087                     |
| <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   | (114,051)          |                            |
| Notes payable  | <u>(105,000)</u>   | <u>(219,051)</u>           |
| Net position of governmental activities  |                    | <u><u>\$ 5,145,694</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, 2014**

|   | General<br>Fund   | HURF<br>Fund      | Developer<br>Reimbursement<br>Fund | Grants<br>Fund    | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Fund |
|---|-------------------|-------------------|------------------------------------|-------------------|--------------------------------|-------------------------------|
| <b>Revenue</b>  |                   |                   |                                    |                   |                                |                               |
| Taxes   | \$ 1,361,441      | \$ -              | \$ -                               | \$ -              | \$ -                           | \$ 1,361,441                  |
| Intergovernmental   | 1,140,616         | 293,803           | -                                  | 279,107           | -                              | 1,713,526                     |
| Fines and forfeitures                                       | 32,111            | -                 | -                                  | -                 | -                              | 32,111                        |
| Licenses and permits  | 44,267            | -                 | -                                  | -                 | -                              | 44,267                        |
| Charges for services  | 4,475             | -                 | -                                  | -                 | 28,335                         | 32,810                        |
| Rental income   | 9,616             | -                 | -                                  | -                 | -                              | 9,616                         |
| Contributions   | 24,532            | -                 | -                                  | -                 | -                              | 24,532                        |
| Investment income   | 4,158             | 2,995             | -                                  | -                 | 107                            | 7,260                         |
| Other revenue   | 20,310            | 51                | 1,556                              | -                 | -                              | 21,917                        |
| <b>Total revenue</b>  | <u>2,641,526</u>  | <u>296,849</u>    | <u>1,556</u>                       | <u>279,107</u>    | <u>28,442</u>                  | <u>3,247,480</u>              |
| <b>Expenditures</b>   |                   |                   |                                    |                   |                                |                               |
| Current   |                   |                   |                                    |                   |                                |                               |
| General government  | 1,045,899         | -                 | 1,588                              | 147,819           | 718                            | 1,196,024                     |
| Public safety   | 1,032,921         | -                 | -                                  | 12,739            | 23,545                         | 1,069,205                     |
| Highways and streets  | 465,051           | 226,266           | -                                  | 11,258            | -                              | 702,575                       |
| Culture and recreation                                      | 192,511           | -                 | -                                  | 258               | -                              | 192,769                       |
| Capital outlay  | 21,269            | 30,661            | -                                  | 114,813           | 4,343                          | 171,086                       |
| Debt service  |                   |                   |                                    |                   |                                |                               |
| Principal   | 30,000            | -                 | -                                  | -                 | -                              | 30,000                        |
| Interest  | 5,671             | -                 | -                                  | -                 | -                              | 5,671                         |
| <b>Total expenditures</b>                                   | <u>2,793,322</u>  | <u>256,927</u>    | <u>1,588</u>                       | <u>286,887</u>    | <u>28,606</u>                  | <u>3,367,330</u>              |
| Excess (deficiency) of revenue<br>over (under) expenditures | <u>(151,796)</u>  | <u>39,922</u>     | <u>(32)</u>                        | <u>(7,780)</u>    | <u>(164)</u>                   | <u>(119,850)</u>              |
| <b>Other financing sources</b>                              |                   |                   |                                    |                   |                                |                               |
| Transfers in (out)  | 124,618           | 46,134            | -                                  | (10,120)          | (10,000)                       | 150,632                       |
| <b>Net change in fund balances</b>                          | <u>(27,178)</u>   | <u>86,056</u>     | <u>(32)</u>                        | <u>(17,900)</u>   | <u>(10,164)</u>                | <u>30,782</u>                 |
| Fund balances, beginning of year                            | 995,535           | 262,133           | 603,313                            | 15,252            | 148,442                        | 2,024,675                     |
| <b>Fund balances, end of year</b>                           | <u>\$ 968,357</u> | <u>\$ 348,189</u> | <u>\$ 603,281</u>                  | <u>\$ (2,648)</u> | <u>\$ 138,278</u>              | <u>\$ 2,055,457</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, 2014**

|  |  |    |           |
|--|--|----|-----------|
| Net change in fund balances--total governmental funds  |  | \$ | 30,782    |
| Amounts reported for governmental activities in the Statement of Activities are different because:   |  |    |           |
| Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. |  |    |           |
| Capital outlay   |  |    | 171,086   |
| Depreciation expense   |  |    | (253,236) |
|  |  |    | (82,150)  |
| Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.   |  |    |           |
| Contributed capital assets   |  |    | 47,997    |
| Grant revenues   |  |    | 11,246    |
| Property taxes   |  |    | (2,586)   |
|  |  |    | 56,657    |
| Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.   |  |    |           |
|  |  |    | 30,000    |
| Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds.                               |  |    |           |
| Change in compensated absences   |  |    | (6,945)   |
| Change in net position of governmental activities  |  |    | \$ 28,344 |

*The accompanying notes are an integral part of these financial statements*

**TOWN OF CLARKDALE, ARIZONA**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2014**

|  | Business-type Activities--Enterprise Funds |                    |                     |                  | Total               |
|--|--|--------------------|---------------------|------------------|---------------------|
|  | Wastewater<br>Fund                         | Sanitation<br>Fund | Water<br>Fund       | Cemetery<br>Fund |                     |
| <b>ASSETS</b>  |  |                    |                     |                  |                     |
| <b>Current assets</b>  |  |                    |                     |                  |                     |
| Cash and cash equivalents  | \$ 451,401                                 | \$ 14,024          | \$ 1,718,909        | \$ 144,157       | \$ 2,328,491        |
| Accounts receivable - net  | 32,557                                     | 18,523             | 85,018              | 745              | 136,843             |
| Other accounts receivable  | -  | -                  | 95,045              | -                | 95,045              |
| <b>Total current assets</b>  | <b>483,958</b>                             | <b>32,547</b>      | <b>1,898,972</b>    | <b>144,902</b>   | <b>2,560,379</b>    |
| <b>Noncurrent assets</b>   |  |                    |                     |                  |                     |
| Cash and cash equivalents - restricted                             | 1,043,072                                  | -                  | 763,511             | -                | 1,806,583           |
| Capital assets, net of accumulated depreciation, where applicable: |  |                    |                     |                  |                     |
| Land   | 208,560                                    | -                  | 283,369             | -                | 491,929             |
| Buildings, net   | 111,232                                    | -                  | -                   | -                | 111,232             |
| Utility systems, net   | 9,080,765                                  | -                  | 5,931,927           | -                | 15,012,692          |
| Equipment, net   | 35,944                                     | -                  | 32,292              | -                | 68,236              |
| Capital assets, net  | 9,436,501                                  | -                  | 6,247,588           | -                | 15,684,089          |
| <b>Total noncurrent assets</b>                                     | <b>10,479,573</b>                          | <b>-</b>           | <b>7,011,099</b>    | <b>-</b>         | <b>17,490,672</b>   |
| <b>Total assets</b>  | <b>10,963,531</b>                          | <b>32,547</b>      | <b>8,910,071</b>    | <b>144,902</b>   | <b>20,051,051</b>   |
| <b>LIABILITIES</b>   |  |                    |                     |                  |                     |
| <b>Current liabilities</b>   |  |                    |                     |                  |                     |
| Accounts payable   | 7,876                                      | 19,327             | 22,419              | 185              | 49,807              |
| Accrued expenses   | 3,070                                      | 520                | 5,028               | 60               | 8,678               |
| Interest payable   | 76,193                                     | -                  | -                   | -                | 76,193              |
| Unearned revenue   | 3,068,618                                  | 1,130              | 7,407               | 131,453          | 3,208,608           |
| Refundable deposits  | -  | -                  | 42,125              | -                | 42,125              |
| Compensated absences, current                                      | 2,055                                      | 9,711              | 9,634               | 1,481            | 22,881              |
| Bonds payable, current   | 30,000                                     | -                  | -                   | -                | 30,000              |
| Leases payable, current  | -  | -                  | 13,631              | -                | 13,631              |
| Notes payable, current   | 199,255                                    | -                  | 39,414              | -                | 238,669             |
| <b>Total current liabilities</b>                                   | <b>3,387,067</b>                           | <b>30,688</b>      | <b>139,658</b>      | <b>133,179</b>   | <b>3,690,592</b>    |
| <b>Noncurrent liabilities</b>                                      |  |                    |                     |                  |                     |
| Compensated absences   | 685  | 3,237              | 3,211               | 493              | 7,626               |
| Bonds payable  | 130,000                                    | -                  | -                   | -                | 130,000             |
| Notes payable  | 4,758,806                                  | -                  | 7,092,846           | -                | 11,851,652          |
| <b>Total noncurrent liabilities</b>                                | <b>4,889,491</b>                           | <b>3,237</b>       | <b>7,096,057</b>    | <b>493</b>       | <b>11,989,278</b>   |
| <b>Total liabilities</b>   | <b>8,276,558</b>                           | <b>33,925</b>      | <b>7,235,715</b>    | <b>133,672</b>   | <b>15,679,870</b>   |
| <b>Net position</b>  |  |                    |                     |                  |                     |
| Invested in capital assets, net of related debt                    | 4,318,440                                  | -                  | -                   | -                | 4,318,440           |
| Restricted   | 1,281,432                                  | -                  | 1,381,231           | -                | 2,662,663           |
| Unrestricted (deficit)   | (2,912,899)                                | (1,378)            | 293,125             | 11,230           | (2,609,922)         |
| <b>Total net position</b>  | <b>\$ 2,686,973</b>                        | <b>\$ (1,378)</b>  | <b>\$ 1,674,356</b> | <b>\$ 11,230</b> | <b>\$ 4,371,181</b> |

*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, 2014**

|   | Business-type Activities--Enterprise Funds |                    |                     |                  | Total               |
|---|--|--------------------|---------------------|------------------|---------------------|
|   | Wastewater<br>Fund                         | Sanitation<br>Fund | Water<br>Fund       | Cemetery<br>Fund |                     |
| <b>Operating revenue</b>  |  |                    |                     |                  |                     |
| Charges for services  | \$ 524,289                                 | \$ 297,761         | \$ 1,354,915        | \$ 25,935        | \$ 2,202,900        |
| <b>Operating expenses</b>   |  |                    |                     |                  |                     |
| Personnel   | 199,059                                    | 31,484             | 315,522             | 15,023           | 561,088             |
| Depreciation  | 235,133                                    | -                  | 217,693             | -                | 452,826             |
| Professional services   | 3,736                                      | 205,932            | 6,331               | -                | 215,999             |
| Utilities   | 88,585                                     | 373                | 90,988              | 1,581            | 181,527             |
| Repairs and maintenance   | 12,546                                     | 1,122              | 59,047              | 1,631            | 74,346              |
| Materials and supplies  | 25,295                                     | 3,349              | 36,315              | 3,156            | 68,115              |
| Other   | 11,334                                     | 6,097              | 28,073              | -                | 45,504              |
| Insurance   | 17,760                                     | -                  | 12,830              | 3,187            | 33,777              |
| Chemical tests  | 32,672                                     | -                  | -                   | -                | 32,672              |
| <b>Total operating expenses</b>   | <u>626,120</u>                             | <u>248,357</u>     | <u>766,799</u>      | <u>24,578</u>    | <u>1,665,854</u>    |
| <b>Operating income (loss)</b>  | <u>(101,831)</u>                           | <u>49,404</u>      | <u>588,116</u>      | <u>1,357</u>     | <u>537,046</u>      |
| <b>Nonoperating revenue (expenses)</b>  |  |                    |                     |                  |                     |
| Investment income   | 4,306                                      | 230                | 2,815               | 137              | 7,488               |
| Loss on disposition of assets   | (49,427)                                   | -                  | -                   | -                | (49,427)            |
| Interest expense  | (148,682)                                  | -                  | (303,574)           | -                | (452,256)           |
| <b>Total nonoperating<br/>revenue (expenses)</b>                                | <u>(193,803)</u>                           | <u>230</u>         | <u>(300,759)</u>    | <u>137</u>       | <u>(494,195)</u>    |
| <b>Income (loss) before<br/>contributions, gains,<br/>losses, and transfers</b> | (295,634)                                  | 49,634             | 287,357             | 1,494            | 42,851              |
| Capital contribution  | 671,191                                    | -                  | 816,110             | -                | 1,487,301           |
| Transfers in (out)  | (33,545)                                   | (64,688)           | (58,273)            | 5,874            | (150,632)           |
| <b>Increase (decrease) in net position</b>                                      | 342,012                                    | (15,054)           | 1,045,194           | 7,368            | 1,379,520           |
| Total net position, beginning of year,<br>as restated                           | <u>2,344,961</u>                           | <u>13,676</u>      | <u>629,162</u>      | <u>3,862</u>     | <u>2,991,661</u>    |
| <b>Total net position, end of year</b>  | <u>\$ 2,686,973</u>                        | <u>\$ (1,378)</u>  | <u>\$ 1,674,356</u> | <u>\$ 11,230</u> | <u>\$ 4,371,181</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, 2014**

|  | Business-type Activities--Enterprise Funds |                    |                     |                   | Total               |
|--|--|--------------------|---------------------|-------------------|---------------------|
|  | Wastewater<br>Fund                         | Sanitation<br>Fund | Water<br>Fund       | Cemetery<br>Fund  |                     |
| <b>Cash flows from operating activities:</b>   |  |                    |                     |                   |                     |
| Receipts from customers  | \$ 520,362                                 | \$ 294,338         | \$ 1,353,033        | \$ 33,605         | \$ 2,201,338        |
| Payments to suppliers and providers<br>of goods and services                           | (270,441)                                  | (225,372)          | (380,011)           | (14,910)          | (890,734)           |
| Payments to employees  | (131,616)                                  | (22,195)           | (205,055)           | (10,166)          | (369,032)           |
| <b>Net cash provided by (used by)<br/>operating activities</b>                         | <u>118,305</u>                             | <u>46,771</u>      | <u>767,967</u>      | <u>8,529</u>      | <u>941,572</u>      |
| <b>Cash flows from noncapital<br/>financing activities:</b>                            |  |                    |                     |                   |                     |
| Transfers (to)from other funds   | (33,545)                                   | (64,688)           | (58,273)            | 5,874             | (150,632)           |
| Funds held in trust  | (10,054)                                   | -                  | -                   | -                 | (10,054)            |
| <b>Net cash provided by (used by)<br/>noncapital financing activities</b>              | <u>(43,599)</u>                            | <u>(64,688)</u>    | <u>(58,273)</u>     | <u>5,874</u>      | <u>(160,686)</u>    |
| <b>Cash flows from capital and related<br/>financing activities:</b>                   |  |                    |                     |                   |                     |
| Purchase of capital assets   | (896,962)                                  | -                  | (994,860)           | -                 | (1,891,822)         |
| Interest paid  | (137,537)                                  | -                  | (311,251)           | -                 | (448,788)           |
| Principal paid on long-term debt   | (223,617)                                  | -                  | (205,176)           | -                 | (428,793)           |
| Proceeds from capital grants   | 671,191                                    | -                  | 16,110              | -                 | 687,301             |
| Proceeds from notes payable  | 670,422                                    | -                  | 577,017             | -                 | 1,247,439           |
| <b>Net cash provided by (used by)<br/>capital and related financing<br/>activities</b> | <u>83,497</u>                              | <u>-</u>           | <u>(918,160)</u>    | <u>-</u>          | <u>(834,663)</u>    |
| <b>Cash flows from investing activities:</b>   |  |                    |                     |                   |                     |
| Interest received on investments   | 4,306                                      | 230                | 2,815               | 137               | 7,488               |
| <b>Net cash provided by (used by)<br/>investing activities</b>                         | <u>4,306</u>                               | <u>230</u>         | <u>2,815</u>        | <u>137</u>        | <u>7,488</u>        |
| <b>Net increase (decrease) in cash<br/>and cash equivalents</b>                        | 162,509                                    | (17,687)           | (205,651)           | 14,540            | (46,289)            |
| Cash and cash equivalents,<br>beginning of year  | 1,331,964                                  | 31,711             | 2,688,071           | 129,617           | 4,181,363           |
| <b>Cash and cash equivalents,<br/>end of year</b>                                      | <u>\$ 1,494,473</u>                        | <u>\$ 14,024</u>   | <u>\$ 2,482,420</u> | <u>\$ 144,157</u> | <u>\$ 4,135,074</u> |
| Cash   | \$ 451,401                                 | \$ 14,024          | \$ 1,718,909        | \$ 144,157        | \$ 2,328,491        |
| Cash - restricted  | 1,043,072                                  | -                  | 763,511             | -                 | 1,806,583           |
| <b>Cash and cash equivalents,<br/>end of year</b>                                      | <u>\$ 1,494,473</u>                        | <u>\$ 14,024</u>   | <u>\$ 2,482,420</u> | <u>\$ 144,157</u> | <u>\$ 4,135,074</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, 2014**  
*(Continued)*

|  | Business-type Activities--Enterprise Funds |                    |                   |                  |                   |
|--|--|--------------------|-------------------|------------------|-------------------|
|  | Wastewater<br>Fund                         | Sanitation<br>Fund | Water<br>Fund     | Cemetery<br>Fund | Total             |
| <b>Reconciliation of operating income<br/>(loss) to net cash provided by<br/>(used by) operating activities:</b> |  |                    |                   |                  |                   |
| Operating income (loss)  | \$ (101,831)                               | \$ 49,404          | \$ 588,116        | \$ 1,357         | \$ 537,046        |
| Adjustments to reconcile operating<br>income (loss) to net cash provided<br>by (used by) operating activities:   |  |                    |                   |                  |                   |
| Depreciation   | 235,133                                    | -                  | 217,693           | -                | 452,826           |
| (Increase) decrease in:  |  |                    |                   |                  |                   |
| Accounts receivable  | (3,927)                                    | (3,423)            | (3,370)           | 350              | (10,370)          |
| Increase (decrease) in:  |  |                    |                   |                  |                   |
| Accounts payable   | (10,008)                                   | 1,999              | (34,270)          | (29)             | (42,308)          |
| Accrued expenses   | (818)                                      | (55)               | (547)             | (293)            | (1,713)           |
| Deferred revenue   | -  | -                  | 414               | 7,320            | 7,734             |
| Refundable deposits  | -  | -                  | 1,075             | -                | 1,075             |
| Compensated absences   | (244)                                      | (1,154)            | (1,144)           | (176)            | (2,718)           |
| <b>Net cash provided by (used by)<br/>operating activities</b>   | <b>\$ 118,305</b>                          | <b>\$ 46,771</b>   | <b>\$ 767,967</b> | <b>\$ 8,529</b>  | <b>\$ 941,572</b> |

**NONCASH INVESTING, CAPITAL, AND NON CAPITAL FINANCING ACTIVITIES:**

The old wastewater plant which had a book value of \$49,427 was disposed of in the Wastewater Fund. The Water Fund was forgiven \$800,000 in debt from WIFA in the current period. The Water Fund also had amortization of a bond premium in the amount of \$7,677 in the current period which has been recognized against interest expense.

*The accompanying notes are an integral part of these financial statements*

**TOWN OF CLARKDALE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2014**

***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, 2014**

***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, 2014**

***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, 2014**

**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, 2014 in the Wastewater, Sanitation, Water, and Cemetery Funds were \$5,000, \$2,688, \$14,565, 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<br>Threshold | Depreciation<br>Method | Estimated<br>Useful Life<br>(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          | 30                                  |
| Infrastructure                         | 5,000                       | Straight-line          | 15                                  |
| Furniture, machinery, and<br>equipment | 5,000                       | Straight-line          | 5 - 10                              |
| Vehicles                               | 5,000                       | Straight-line          | 5 - 10                              |

**TOWN OF CLARKDALE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2014**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**H. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position and or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future periods) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position and or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**I. 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.

**TOWN OF CLARKDALE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2014**

***NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued***

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.

**J. Investment Income**

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

**K. Compensated Absences**

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

**L. Impact of Recently Issued Accounting Principles**

In March 2012, the GASB issued Statement 65, *Items Previously Reported as Assets and Liabilities*. GASB 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This statement is effective for periods beginning after December 15, 2012. See Note 10 for further information on how this Statement affected the Town.

In June 2012, the GASB issued Statement 68, *Accounting and Financial Reporting for Pensions— an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014. Upon implementation, it is anticipated that this Statement will cause a restatement of beginning net position of the Governmental Activities, Business-type Activities, and proprietary funds.

**TOWN OF CLARKDALE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2014**

**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, 2014, the carrying amount of the Town’s total cash in bank was \$4,113,866, and the bank balance was \$4,226,779. 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, 2014 consist of the following:

|                                   |              |
|-----------------------------------|--------------|
| Deposits                          |              |
| Cash on hand                      | \$ 798       |
| Cash in bank                      | 4,113,866    |
| Cash held by trustee              | 822,948      |
| Investments                       |              |
| State Treasurer's Investment Pool | 1,338,517    |
| Total deposits and investments    | 6,276,129    |
| Cash - restricted                 | (1,806,583)  |
| Total cash and cash equivalents   | \$ 4,469,546 |

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

|                            | Wastewater<br>Fund | Water<br>Fund | Total        |
|----------------------------|--------------------|---------------|--------------|
| Debt Service               | \$ 941,510         | \$ 533,566    | \$ 1,475,076 |
| Clarkdale Water Trust Fund | -                  | 187,820       | 187,820      |
| MPC Trust                  | 101,562            | -             | 101,562      |
| Customer deposits          | -                  | 42,125        | 42,125       |
|                            | \$ 1,043,072       | \$ 763,511    | \$ 1,806,583 |

**TOWN OF CLARKDALE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2014**

**NOTE 2 – DEPOSITS AND INVESTMENTS – Continued**

*Investments*—At June 30, 2014, 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, 2014, was as follows:

|  | Balance<br>July 1, 2013 | Increase           | Decreases   | Balance<br>June 30, 2014 |
|--|-------------------------|--------------------|-------------|--------------------------|
| Governmental activities:                           |                         |                    |             |                          |
| Capital assets not being depreciated:              |                         |                    |             |                          |
| Land   | \$ 630,001              | \$ 40,000          | \$ -        | \$ 670,001               |
| Construction in progress                           | 72,195                  | 58,815             | -           | 131,010                  |
| <b>Total capital assets not being depreciated</b>  | <b>702,196</b>          | <b>98,815</b>      | <b>-</b>    | <b>801,011</b>           |
| Capital assets being depreciated:                  |                         |                    |             |                          |
| Buildings and improvements                         | 1,941,343               | 39,280             | -           | 1,980,623                |
| Infrastructure                                     | 1,967,733               | 64,472             | -           | 2,032,205                |
| Machinery and equipment                            | 758,890                 | 8,516              | -           | 767,406                  |
| Vehicles   | 388,811                 | 8,000              | -           | 396,811                  |
| <b>Total</b>                                       | <b>5,056,777</b>        | <b>120,268</b>     | <b>-</b>    | <b>5,177,045</b>         |
| Less accumulated depreciation for:                 |                         |                    |             |                          |
| Buildings and improvements                         | (1,308,179)             | (45,931)           | -           | (1,354,110)              |
| Infrastructure                                     | (343,278)               | (134,270)          | -           | (477,548)                |
| Machinery and equipment                            | (502,171)               | (46,228)           | -           | (548,399)                |
| Vehicles   | (316,991)               | (26,807)           | -           | (343,798)                |
| <b>Total</b>                                       | <b>(2,470,619)</b>      | <b>(253,236)</b>   | <b>-</b>    | <b>(2,723,855)</b>       |
| <b>Total capital assets being depreciated, net</b> | <b>2,586,158</b>        | <b>(132,968)</b>   | <b>-</b>    | <b>2,453,190</b>         |
| <b>Governmental activities capital assets, net</b> | <b>\$ 3,288,354</b>     | <b>\$ (34,153)</b> | <b>\$ -</b> | <b>\$ 3,254,201</b>      |

**TOWN OF CLARKDALE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2014**

**NOTE 3 – CAPITAL ASSETS – Continued**

|   | <u>Balance</u><br><u>July 1, 2013</u> | <u>Increase</u>     | <u>Decreases</u>      | <u>Balance</u><br><u>June 30, 2014</u> |
|---|---------------------------------------|---------------------|-----------------------|--|
| <b>Business-type activities:</b>                    |                                       |                     |                       |  |
| <b>Capital assets not being depreciated:</b>        |                                       |                     |                       |  |
| Land  | \$ 491,929                            | \$ -                | \$ -                  | \$ 491,929                             |
| Construction in progress                            | 6,104,211                             | -                   | (6,104,211)           | -                                      |
| <b>Total capital assets not being depreciated</b>   | <u>6,596,140</u>                      | <u>-</u>            | <u>(6,104,211)</u>    | <u>491,929</u>                         |
| <b>Capital assets being depreciated:</b>            |                                       |                     |                       |  |
| Sewer plant and equipment                           | 5,164,831                             | 5,443,406           | (599,289)             | 10,008,948                             |
| Water distribution system                           | 5,943,250                             | 2,089,817           | -                     | 8,033,067                              |
| <b>Total</b>  | <u>11,108,081</u>                     | <u>7,533,223</u>    | <u>(599,289)</u>      | <u>18,042,015</u>                      |
| <b>Less accumulated depreciation for:</b>           |                                       |                     |                       |  |
| Sewer plant and equipment                           | (1,095,736)                           | (235,133)           | 549,862               | (781,007)                              |
| Water distribution system                           | (1,851,155)                           | (217,693)           | -                     | (2,068,848)                            |
| <b>Total</b>  | <u>(2,946,891)</u>                    | <u>(452,826)</u>    | <u>549,862</u>        | <u>(2,849,855)</u>                     |
| <b>Total capital assets being depreciated, net</b>  | <u>8,161,190</u>                      | <u>7,080,397</u>    | <u>(49,427)</u>       | <u>15,192,160</u>                      |
| <b>Business-type activities capital assets, net</b> | <u>\$ 14,757,330</u>                  | <u>\$ 7,080,397</u> | <u>\$ (6,153,638)</u> | <u>\$ 15,684,089</u>                   |

Depreciation expense was charged to each function as follows:

|  |                   |
|--|-------------------|
| <b>Governmental activities:</b>                            |                   |
| General government   | \$ 43,764         |
| Public safety  | 26,792            |
| Highways and streets                                       | 160,848           |
| Culture and recreation                                     | 21,832            |
| <b>Total governmental activities depreciation expense</b>  | <u>\$ 253,236</u> |
| <b>Business-type activities:</b>                           |                   |
| Wastewater   | \$ 235,133        |
| Water  | 217,693           |
| <b>Total business-type activities depreciation expense</b> | <u>\$ 452,826</u> |

**TOWN OF CLARKDALE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2014**

**NOTE 4 – DUE FROM OTHER GOVERNMENTS**

Amounts due from other governments at June 30, 2014 consisted of the following:

|                                 |                          |
|---------------------------------|--------------------------|
| State shared revenues:          |                          |
| Highway user revenue fund       | \$ 27,856                |
| State sales tax                 | 30,279                   |
| Auto lieu tax                   | 9,730                    |
| State of Arizona grant revenues | <u>54,606</u>            |
|                                 | <u><u>\$ 122,471</u></u> |

**NOTE 5 – UNEARNED REVENUE**

Government-wide, proprietary, and fund financial statements defer revenue on the receipt of funds that are unearned. Unearned revenue will be recognized as revenue in the period in which it is earned. The following schedules detail the Town's unearned revenues for the year ended June 30, 2014.

| <i>Government-wide and<br/>Proprietary funds</i>    | Governmental<br>Activities | Business-type Activities |                    |                 |                   | Total               |
|---|----------------------------|--------------------------|--------------------|-----------------|-------------------|---------------------|
|   |                            | Wastewater<br>Fund       | Sanitation<br>Fund | Water<br>Fund   | Cemetery<br>Fund  |                     |
| Builder advanced construction<br>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              | 7,407           | 131,453           | 140,325             |
| Grant advances                                      | 104,217                    | -                        | -                  | -               | -                 | 104,217             |
| Developer reimbursable                              | 31,178                     | -                        | -                  | -               | -                 | 31,178              |
| Miscellaneous                                       | 1,750                      | -                        | -                  | -               | -                 | 1,750               |
|   | <u>\$ 137,145</u>          | <u>\$ 3,068,618</u>      | <u>\$ 1,130</u>    | <u>\$ 7,407</u> | <u>\$ 131,453</u> | <u>\$ 3,345,753</u> |

| <i>Governmental funds</i> | General<br>Fund | Developer<br>Reimbursement<br>Fund | Grants<br>Fund    | Non-major<br>Perpetual<br>Care<br>Fund | Total             |
|---------------------------|-----------------|------------------------------------|-------------------|--|-------------------|
|                           |                 |                                    |                   | Fund                                   |                   |
| Grant advances            | \$ -            | \$ -                               | \$ 104,217        | \$ -                                   | \$ 104,217        |
| Developer reimbursable    | -               | 31,178                             | -                 | -                                      | 31,178            |
| Miscellaneous             | -               | -                                  | -                 | 1,750                                  | 1,750             |
|                           | <u>\$ -</u>     | <u>\$ 31,178</u>                   | <u>\$ 104,217</u> | <u>\$ 1,750</u>                        | <u>\$ 137,145</u> |

**TOWN OF CLARKDALE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2014**

**NOTE 6 – LONG-TERM LIABILITIES**

The following schedule details the Town’s long-term liability and obligation activity for the year ended June 30, 2014.

|   | Balance<br>July 1, 2013 | Additions           | Reductions          | Balance<br>June 30, 2014 | Due within<br>1 year |
|---|-------------------------|---------------------|---------------------|--------------------------|----------------------|
| <b>Governmental activities:</b>                   |                         |                     |                     |                          |                      |
| Compensated absences                              | \$ 107,106              | \$ 145,000          | \$ 138,055          | \$ 114,051               | \$ 85,538            |
| Notes payable                                     | 135,000                 | -                   | 30,000              | 105,000                  | -                    |
| Governmental activities<br>long-term liabilities  | <u>\$ 242,106</u>       | <u>\$ 145,000</u>   | <u>\$ 168,055</u>   | <u>\$ 219,051</u>        | <u>\$ 85,538</u>     |
| <b>Business-type activities:</b>                  |                         |                     |                     |                          |                      |
| Compensated absences                              | \$ 33,225               | \$ 30,000           | \$ 32,718           | \$ 30,507                | \$ 22,881            |
| Capital leases payable                            | 27,881                  | -                   | 14,250              | 13,631                   | 13,631               |
| Bonds payable                                     | 190,000                 | -                   | 30,000              | 160,000                  | 30,000               |
| Notes payable                                     | 11,866,200              | 1,247,439           | 1,184,543           | 11,929,096               | 230,992              |
| Plus: deferred amount on<br>premium               | 168,902                 | -                   | 7,677               | 161,225                  | 7,677                |
| Business-type activities<br>long-term liabilities | <u>\$ 12,286,208</u>    | <u>\$ 1,277,439</u> | <u>\$ 1,269,188</u> | <u>\$ 12,294,459</u>     | <u>\$ 305,181</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, 2014, were as follows:

| Description                | Original<br>Amount | Maturity<br>Ranges | Interest<br>Rates | Outstanding<br>Principal |
|----------------------------|--------------------|--------------------|-------------------|--------------------------|
| Revenue Bonds, Series 1996 | <u>\$ 500,000</u>  | 1997- 2016         | 4.50-6.35%        | <u>\$ 160,000</u>        |

**TOWN OF CLARKDALE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2014**

**NOTE 6 – LONG-TERM LIABILITIES – Continued**

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

|  | Governmental<br>Activities | Business-type<br>Activities |
|--|----------------------------|-----------------------------|
| <p>Note payable to Greater Arizona Development Authority (GADA) requiring repayments of interest due semiannually beginning August 1, 2003 and principal payments due annually beginning August 1, 2004 with final payment due August 1, 2017. Interest rates follow a GADA bond issue rate that varies between 2.25% and 4.38%.</p> | \$ 105,000                 | \$ -                        |
| <p>Note payable to the City of Cottonwood requiring repayments of interest due annually beginning July 1, 2006 and principal payments due annually beginning July 1, 2008 with final payment due July 1, 2035. The annual interest rate varies between 3.50% and 5.00%.</p>  | -                          | 6,270,000                   |
| <p>Note payable to Water Infrastructure Finance Authority of Arizona (WIFA) requiring repayments of interest due semiannually beginning July 1, 2012 and principal payments due annually beginning July 1, 2013 with final payment due July 1, 2033. The annual interest rate is 2.912%.</p>   | -                          | 4,958,061                   |
| <p>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%.</p>   | -                          | 701,035                     |
|  | \$ 105,000                 | \$ 11,929,096               |

**TOWN OF CLARKDALE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2014**

**NOTE 6 – LONG-TERM LIABILITIES – Continued**

The following schedule details debt service requirements to maturity for the Town’s bond and notes payable at June 30, 2014.

| Year<br>Ending<br>June 30 | Governmental Activities |                  | Business-type Activities |                     |                   |                  |
|---------------------------|-------------------------|------------------|--------------------------|---------------------|-------------------|------------------|
|                           | Notes Payable           |                  | Notes Payable            |                     | Bonds Payable     |                  |
|                           | Principal               | Interest         | Principal                | Interest            | Principal         | Interest         |
| 2015                      | \$ -                    | \$ 5,071         | \$ 238,669               | \$ 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                      | -                       | -                | 476,378                  | 403,022             | -                 | -                |
| 2020-24                   | -                       | -                | 2,647,744                | 1,753,929           | -                 | -                |
| 2025-29                   | -                       | -                | 3,147,206                | 1,213,281           | -                 | -                |
| 2030-34                   | -                       | -                | 3,341,057                | 529,146             | -                 | -                |
| 2035-39                   | -                       | -                | 907,678                  | 23,000              | -                 | -                |
| <b>Total</b>              | <b>\$ 105,000</b>       | <b>\$ 11,857</b> | <b>\$ 12,090,321</b>     | <b>\$ 5,696,370</b> | <b>\$ 160,000</b> | <b>\$ 14,271</b> |

*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<br>Activities |
|--------------------------------|-----------------------------|
| Equipment                      | \$ 68,037                   |
| Less: accumulated depreciation | (39,688)                    |
| Carrying value                 | <u>\$ 28,349</u>            |

**TOWN OF CLARKDALE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2014**

**NOTE 6 – LONG-TERM LIABILITIES – Continued**

The following schedule details debt service requirements to maturity for the Town’s capital leases payable at June 30, 2014.

| Year Ending<br>June 30                      | Business-type<br>Activities |
|---|-----------------------------|
| 2015  | \$ 13,936                   |
| Total minimum lease payments                | 13,936                      |
| Less amount representing interest           | (305)                       |
| Present value of net minimum lease payments | \$ 13,631                   |

*Interest expense* – The total amount of interest expense included as direct functional expenses on the government-wide financial statements is \$5,671, which 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.

**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

**TOWN OF CLARKDALE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2014**

***NOTE 8 – RETIREMENT PLANS – Continued***

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, 2014, active ASRS members and the Town were each required by statute to contribute at the actuarially determined rate of 11.54 percent (11.30 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, 2014, 2013, and 2012, were \$152,691, \$134,665, and \$124,427, respectively, which were equal to the required contributions for the year.

**Agent plans** – For the year ended June 30, 2014, active PSPRS members were required by statute to contribute 10.35 percent of the members' annual covered payroll, and the Town was required to contribute at the actuarially determined rate of 17.07 percent, of which 2.65 percent was the health insurance premium portion.

The contribution requirements for the year ended June 30, 2014, were established by the June 30, 2012 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

**TOWN OF CLARKDALE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2014**

**NOTE 8 – RETIREMENT PLANS – Continued**

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 2014 contribution requirements are as follows:

|                               |   |
|-------------------------------|---|
| Actuarial valuation date      | June 30, 2012   |
| Actuarial cost method         | Entry Age Normal  |
| Amortization method           | Level percent-of-pay closed   |
| Remaining amortization period | 24 years for underfunded actuarial liability, 20 years for overfunded |
| Asset valuation method        | 7-year smoothed market  |
| Actuarial assumptions:        |   |
| Investment rate of return     | 8.00%   |
| Projected salary increases    | 5.00% - 9.00%   |
| Payroll growth                | 5.00%   |

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

| Plan             | Year Ended<br>June 30 | Annual<br>Pension<br>Cost (APC) | Percentage<br>of APC<br>Contributed | Net<br>Pension<br>Obligation |
|------------------|-----------------------|---------------------------------|-------------------------------------|------------------------------|
| Pension          | 2014                  | \$ 44,744                       | 100 %                               | \$ -                         |
|                  | 2013                  | 47,024                          | 100                                 | -                            |
|                  | 2012                  | 66,383                          | 100                                 | -                            |
| Health Insurance | 2014                  | \$ -                            | 100 %                               | \$ -                         |
|                  | 2013                  | -                               | 100                                 | -                            |
|                  | 2012                  | -                               | 100                                 | -                            |

**TOWN OF CLARKDALE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2014**

**NOTE 8 – RETIREMENT PLANS – Continued**

Funded Status and Funding Progress – Following are schedules of funded status and progress of the plans as of the most recently available valuation date, June 30, 2014, 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 the previous page.

**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, 2014**

**NOTE 9 – INTERFUND BALANCES AND ACTIVITY**

Interfund transfers – During the year ended June 30, 2014, 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        | Cemetery Fund    |                   |
| General Fund        | \$ -              | \$ 81,540        | \$ -             | \$ 81,540         |
| HURF/LTAF Fund      | 35,406            | -                | -                | 35,406            |
| Grants Fund         | 10,120            | -                | -                | 10,120            |
| Perpetual Care Fund | -                 | -                | 10,000           | 10,000            |
| Wastewater Fund     | 33,545            | -                | -                | 33,545            |
| Sanitation Fund     | 64,688            | -                | -                | 64,688            |
| Water Fund          | 58,273            | -                | -                | 58,273            |
| Cemetery Fund       | 4,126             | -                | -                | 4,126             |
| Total               | <u>\$ 206,158</u> | <u>\$ 81,540</u> | <u>\$ 10,000</u> | <u>\$ 297,698</u> |

**NOTE 10 – RESTATEMENT OF BEGINNING NET POSITION**

The Town had to restate net position of the Water and Wastewater Funds and the Business-type Activities to adjust for deferred costs which are no longer considered assets under GASB 65 (see Note 1). The effects of the restatement are a reduction of beginning net position of the Water Fund, Wastewater Fund, and the Business-type Activities in the amount of \$2,965, \$431,139, and \$434,104, respectively.

**TOWN OF CLARKDALE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2014**

**NOTE 11 – GOVERNMENTAL FUND BALANCE/NET POSITION COMPONENTS**

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

|   | Primary Government         |                             |                     |
|---|----------------------------|-----------------------------|---------------------|
|   | Governmental<br>Activities | Business-type<br>Activities | Total               |
| <b>Ending net position, June 30, 2014</b> |                            |                             |                     |
| <b>Restricted for:</b>                    |                            |                             |                     |
| Highway User Revenues                     | \$ 348,189                 | \$ -                        | \$ 348,189          |
| Perpetual care                            | 94,483                     | -                           | 94,483              |
| Court enhancement                         | 900                        | -                           | 900                 |
| Debt service                              | -                          | 1,576,638                   | 1,576,638           |
| System improvements                       | -                          | 187,820                     | 187,820             |
| Water Resource Development                | -                          | 556,734                     | 556,734             |
| Gila River Adjudication                   | -                          | 57,929                      | 57,929              |
| Water Conservation                        | -                          | 20,647                      | 20,647              |
| Regional Water Committees                 | -                          | 13,931                      | 13,931              |
| Yavapai-Apache Gaming Compact:            |                            |                             |                     |
| Clubhouse upgrades                        | 5,000                      | -                           | 5,000               |
| TapcoRAP                                  | 2,969                      | -                           | 2,969               |
| Impact fees:                              |                            |                             |                     |
| Civic                                     | 15,328                     | -                           | 15,328              |
| Park                                      | 9,498                      | -                           | 9,498               |
| Library                                   | 2,069                      | -                           | 2,069               |
| Police                                    | 3,193                      | -                           | 3,193               |
| Wastewater                                | -                          | 238,360                     | 238,360             |
| Water                                     | -                          | 10,604                      | 10,604              |
| Donations:                                |                            |                             |                     |
| HCB                                       | 5,480                      | -                           | 5,480               |
| Library                                   | 8,431                      | -                           | 8,431               |
| Parks and recreation                      | 42,828                     | -                           | 42,828              |
| Public safety                             | 3,260                      | -                           | 3,260               |
| Memorials                                 | 578                        | -                           | 578                 |
| Capital improvements                      | 3,767                      | -                           | 3,767               |
| <b>Total restricted</b>                   | <b>\$ 545,973</b>          | <b>\$ 2,662,663</b>         | <b>\$ 3,208,636</b> |

**TOWN OF CLARKDALE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2014**

**NOTE 11 – GOVERNMENTAL FUND BALANCE/NET POSITION COMPONENTS –**  
**Continued**

The components of governmental fund balances are as follows:

|  | General Fund      | HURF/LTAF<br>Fund | Developer<br>Reimbursement<br>Fund | Grants Fund       | Non-Major<br>Govt'l Funds | Total Govt'l<br>Funds |
|--|-------------------|-------------------|------------------------------------|-------------------|---------------------------|-----------------------|
| <b>Ending fund balances, June 30, 2014</b> |                   |                   |                                    |                   |                           |                       |
| <b>Restricted for:</b>                     |                   |                   |                                    |                   |                           |                       |
| Highways and streets                       | \$ -              | \$ 348,189        | \$ -                               | \$ -              | \$ -                      | \$ 348,189            |
| Perpetual care                             | -                 | -                 | -                                  | -                 | 94,483                    | 94,483                |
| Court enhancement                          | 900               | -                 | -                                  | -                 | -                         | 900                   |
| Yavapai-Apache Gaming Compact              |                   |                   |                                    |                   |                           |                       |
| Clubhouse upgrades                         | -                 | -                 | -                                  | -                 | 5,000                     | 5,000                 |
| TapcoRAP                                   | -                 | -                 | -                                  | -                 | 2,969                     | 2,969                 |
| Impact fees:                               |                   |                   |                                    |                   |                           |                       |
| Civic                                      | -                 | -                 | -                                  | -                 | 15,328                    | 15,328                |
| Park                                       | -                 | -                 | -                                  | -                 | 9,498                     | 9,498                 |
| Library                                    | -                 | -                 | -                                  | -                 | 2,069                     | 2,069                 |
| Police                                     | -                 | -                 | -                                  | -                 | 3,193                     | 3,193                 |
| Donations:                                 |                   |                   |                                    |                   |                           |                       |
| HCB  | 5,480             | -                 | -                                  | -                 | -                         | 5,480                 |
| Library                                    | 8,431             | -                 | -                                  | -                 | -                         | 8,431                 |
| Parks and recreation                       | 42,828            | -                 | -                                  | -                 | -                         | 42,828                |
| Public safety                              | 3,260             | -                 | -                                  | -                 | -                         | 3,260                 |
| Memorials                                  | 578               | -                 | -                                  | -                 | -                         | 578                   |
| Capital improvements                       | 3,767             | -                 | -                                  | -                 | -                         | 3,767                 |
| <b>Total restricted</b>                    | <b>65,244</b>     | <b>348,189</b>    | <b>-</b>                           | <b>-</b>          | <b>132,540</b>            | <b>545,973</b>        |
| <b>Assigned for:</b>                       |                   |                   |                                    |                   |                           |                       |
| Highways and streets                       | 103,109           | -                 | -                                  | -                 | -                         | 103,109               |
| Code recodification                        | 13,000            | -                 | -                                  | -                 | -                         | 13,000                |
| Pool plastering                            | 25,000            | -                 | -                                  | -                 | -                         | 25,000                |
| Police services                            | 77,390            | -                 | -                                  | -                 | -                         | 77,390                |
| Special development                        | -                 | -                 | 603,281                            | -                 | -                         | 603,281               |
| Clubhouse upgrades                         | 30,000            | -                 | -                                  | -                 | -                         | 30,000                |
| Men's lounge upgrades                      | 25,000            | -                 | -                                  | -                 | -                         | 25,000                |
| EC Dev. marketing                          | 6,260             | -                 | -                                  | -                 | -                         | 6,260                 |
| VR@C                                       | 20,157            | -                 | -                                  | -                 | -                         | 20,157                |
| Economic development                       | 25,000            | -                 | -                                  | -                 | -                         | 25,000                |
| <b>Total assigned</b>                      | <b>324,916</b>    | <b>-</b>          | <b>603,281</b>                     | <b>-</b>          | <b>-</b>                  | <b>928,197</b>        |
| <b>Unassigned:</b>                         | <b>578,197</b>    | <b>-</b>          | <b>-</b>                           | <b>(2,648)</b>    | <b>5,738</b>              | <b>581,287</b>        |
| <b>Total fund balances</b>                 | <b>\$ 968,357</b> | <b>\$ 348,189</b> | <b>\$ 603,281</b>                  | <b>\$ (2,648)</b> | <b>\$ 138,278</b>         | <b>\$ 2,055,457</b>   |

**TOWN OF CLARKDALE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2014**

**NOTE 11 – GOVERNMENTAL FUND BALANCE/NET POSITION COMPONENTS –  
Continued**

The components of proprietary fund net position are as follows:

|   | Wastewater<br>Fund  | Water<br>Fund       | Total<br>Proprietary<br>Funds |
|---|---------------------|---------------------|-------------------------------|
| <b>Ending net position, June 30, 2014</b> |                     |                     |                               |
| <b>Restricted for:</b>                    |                     |                     |                               |
| WIFA debt service                         | \$ 1,043,072        | \$ 533,566          | \$ 1,576,638                  |
| CW W trust                                | -                   | 187,820             | 187,820                       |
| Impact fees                               | 238,360             | 10,604              | 248,964                       |
| Water Resource Development                | -                   | 556,734             | 556,734                       |
| Gila River Adjudication                   | -                   | 57,929              | 57,929                        |
| Water Conservation                        | -                   | 20,647              | 20,647                        |
| Regional Water Committees                 | -                   | 13,931              | 13,931                        |
| <b>Total restricted</b>                   | <b>\$ 1,281,432</b> | <b>\$ 1,381,231</b> | <b>\$ 2,662,663</b>           |

**TOWN OF CLARKDALE, ARIZONA**  
**Required Supplementary Information**  
**Budgetary Comparison Schedules**  
**General Fund**  
**Year Ended June 30, 2014**

|   | Budgeted Amounts  |                   | Actual<br>Amounts | Variance with<br>Final Budget |
|---|-------------------|-------------------|-------------------|-------------------------------|
|   | Original          | Final             |                   |                               |
| <b>Revenue</b>  |                   |                   |                   |                               |
| Taxes   | \$ 1,489,220      | \$ 1,489,220      | \$ 1,361,441      | \$ (127,779)                  |
| Intergovernmental   | 1,687,927         | 1,687,927         | 1,140,616         | (547,311)                     |
| Fines and forfeitures                                       | 52,000            | 52,000            | 32,111            | (19,889)                      |
| Licenses and permits  | 47,500            | 47,500            | 44,267            | (3,233)                       |
| Charges for services  | -                 | -                 | 4,475             | 4,475                         |
| Rental income   | 5,500             | 5,500             | 9,616             | 4,116                         |
| Contributions   | 551,850           | 551,850           | 24,532            | (527,318)                     |
| Investment income   | 900               | 900               | 4,158             | 3,258                         |
| Other revenue   | 364,301           | 364,301           | 20,310            | (343,991)                     |
| <b>Total revenue</b>  | <u>4,199,198</u>  | <u>4,199,198</u>  | <u>2,641,526</u>  | <u>(1,557,672)</u>            |
| <b>Expenditures</b>   |                   |                   |                   |                               |
| Current   |                   |                   |                   |                               |
| General government  | 1,638,818         | 1,638,818         | 1,045,899         | 592,919                       |
| Public safety   | 1,080,468         | 1,080,468         | 1,032,921         | 47,547                        |
| Highways and streets  | 478,843           | 478,843           | 465,051           | 13,792                        |
| Culture and recreation                                      | 283,150           | 283,150           | 192,511           | 90,639                        |
| Capital outlay  | 1,264,473         | 1,264,473         | 21,269            | 1,243,204                     |
| Debt service  |                   |                   |                   |                               |
| Principal   | 60,000            | 60,000            | 30,000            | 30,000                        |
| Interest  | 6,300             | 6,300             | 5,671             | 629                           |
| <b>Total expenditures</b>                                   | <u>4,812,052</u>  | <u>4,812,052</u>  | <u>2,793,322</u>  | <u>2,018,730</u>              |
| Excess (deficiency) of revenue<br>over (under) expenditures | <u>(612,854)</u>  | <u>(612,854)</u>  | <u>(151,796)</u>  | <u>461,058</u>                |
| <b>Other financing sources (uses)</b>                       |                   |                   |                   |                               |
| Transfers in (out)  | 113,807           | 113,807           | 124,618           | 10,811                        |
| <b>Net change in fund balances</b>                          | (499,047)         | (499,047)         | (27,178)          | 471,869                       |
| Fund balances, beginning of year                            | 995,535           | 995,535           | 995,535           | -                             |
| <b>Fund balances, end of year</b>                           | <u>\$ 496,488</u> | <u>\$ 496,488</u> | <u>\$ 968,357</u> | <u>\$ 471,869</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, 2014**

|   | Budgeted Amounts   |                    | Actual<br>Amounts | Variance with<br>Final Budget |
|---|--------------------|--------------------|-------------------|-------------------------------|
|   | Original           | Final              |                   |                               |
| <b>Revenue</b>  |                    |                    |                   |                               |
| Intergovernmental   | \$ 283,220         | \$ 283,220         | \$ 293,803        | \$ 10,583                     |
| Rental income   | 6,500              | 6,500              | -                 | (6,500)                       |
| Investment income   | 350                | 350                | 2,995             | 2,645                         |
| Other revenue   | -                  | -                  | 51                | 51                            |
| <b>Total revenue</b>  | <u>290,070</u>     | <u>290,070</u>     | <u>296,849</u>    | <u>6,779</u>                  |
| <b>Expenditures</b>   |                    |                    |                   |                               |
| Current   |                    |                    |                   |                               |
| Highways and streets  | 627,042            | 627,042            | 226,266           | 400,776                       |
| Capital outlay  | 9,000              | 9,000              | 30,661            | (21,661)                      |
| <b>Total expenditures</b>                                   | <u>636,042</u>     | <u>636,042</u>     | <u>256,927</u>    | <u>379,115</u>                |
| Excess (deficiency) of revenue<br>over (under) expenditures | <u>(345,972)</u>   | <u>(345,972)</u>   | <u>39,922</u>     | <u>385,894</u>                |
| <b>Other financing sources (uses)</b>                       |                    |                    |                   |                               |
| Transfers in (out)  | 55,994             | 55,994             | 46,134            | (9,860)                       |
| <b>Total other financing<br/>sources (uses)</b>             | <u>55,994</u>      | <u>55,994</u>      | <u>46,134</u>     | <u>(9,860)</u>                |
| <b>Net change in fund balances</b>                          | <u>(289,978)</u>   | <u>(289,978)</u>   | <u>86,056</u>     | <u>376,034</u>                |
| Fund balances, beginning of year                            | 262,133            | 262,133            | 262,133           | -                             |
| <b>Fund balances, end of year</b>                           | <u>\$ (27,845)</u> | <u>\$ (27,845)</u> | <u>\$ 348,189</u> | <u>\$ 376,034</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, 2014**

|                                    | Budgeted Amounts  |                   | Actual<br>Amounts | Variance with<br>Final Budget |
|------------------------------------|-------------------|-------------------|-------------------|-------------------------------|
|                                    | Original          | Final             |                   |                               |
| <b>Revenue</b>                     |                   |                   |                   |                               |
| Other revenue                      | \$ 1,950,000      | \$ 1,950,000      | \$ 1,556          | \$ (1,948,444)                |
| <b>Total revenue</b>               | <u>1,950,000</u>  | <u>1,950,000</u>  | <u>1,556</u>      | <u>(1,948,444)</u>            |
| <b>Expenditures</b>                |                   |                   |                   |                               |
| Current                            |                   |                   |                   |                               |
| General government                 | 2,256,030         | 2,256,030         | 1,588             | 2,254,442                     |
| <b>Total expenditures</b>          | <u>2,256,030</u>  | <u>2,256,030</u>  | <u>1,588</u>      | <u>2,254,442</u>              |
| <b>Net change in fund balances</b> | (306,030)         | (306,030)         | (32)              | 305,998                       |
| Fund balances, beginning of year   | 603,313           | 603,313           | 603,313           | -                             |
| <b>Fund balances, end of year</b>  | <u>\$ 297,283</u> | <u>\$ 297,283</u> | <u>\$ 603,281</u> | <u>\$ 305,998</u>             |

*See accompanying notes to budgetary comparison schedule.*

**TOWN OF CLARKDALE, ARIZONA**  
**Required Supplementary Information**  
**Budgetary Comparison Schedules**  
**Grants Fund**  
**Year Ended June 30, 2014**

|   | Budgeted Amounts   |                    | Actual<br>Amounts | Variance with<br>Final Budget |
|---|--------------------|--------------------|-------------------|-------------------------------|
|   | Original           | Final              |                   |                               |
| <b>Revenue</b>  |                    |                    |                   |                               |
| Intergovernmental   | \$ 4,589,286       | \$ 4,589,286       | \$ 279,107        | \$ (4,310,179)                |
| <b>Total revenue</b>  | <u>4,589,286</u>   | <u>4,589,286</u>   | <u>279,107</u>    | <u>(4,310,179)</u>            |
| <b>Expenditures</b>   |                    |                    |                   |                               |
| Current   |                    |                    |                   |                               |
| General government  | 1,120,000          | 1,120,000          | 147,819           | 972,181                       |
| Public safety   | 1,425,964          | 1,425,964          | 12,739            | 1,413,225                     |
| Highways and streets  | 541,676            | 541,676            | 11,258            | 530,418                       |
| Culture and recreation                                      | 20,000             | 20,000             | 258               | 19,742                        |
| Capital outlay  | 1,550,000          | 1,550,000          | 114,813           | 1,435,187                     |
| <b>Total expenditures</b>                                   | <u>4,657,640</u>   | <u>4,657,640</u>   | <u>286,887</u>    | <u>4,370,753</u>              |
| Excess (deficiency) of revenue<br>over (under) expenditures | <u>(68,354)</u>    | <u>(68,354)</u>    | <u>(7,780)</u>    | <u>60,574</u>                 |
| <b>Other financing sources (uses)</b>                       |                    |                    |                   |                               |
| Transfers in (out)  | <u>(9,168)</u>     | <u>(9,168)</u>     | <u>(10,120)</u>   | <u>(952)</u>                  |
| <b>Total other financing<br/>sources (uses)</b>             | <u>(9,168)</u>     | <u>(9,168)</u>     | <u>(10,120)</u>   | <u>(952)</u>                  |
| <b>Net change in fund balances</b>                          | <u>(77,522)</u>    | <u>(77,522)</u>    | <u>(17,900)</u>   | <u>59,622</u>                 |
| Fund balances, beginning of year                            | <u>15,252</u>      | <u>15,252</u>      | <u>15,252</u>     | <u>-</u>                      |
| <b>Fund balances, end of year</b>                           | <u>\$ (62,270)</u> | <u>\$ (62,270)</u> | <u>\$ (2,648)</u> | <u>\$ 59,622</u>              |

*See accompanying notes to budgetary comparison schedule.*

**TOWN OF CLARKDALE, ARIZONA**  
**Required Supplementary Information**  
**Notes to Budgetary Comparison Schedules**  
**June 30, 2014**

***NOTE 1 – BUDGETING AND BUDGETARY CONTROL***

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

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

***NOTE 2 – BUDGETARY BASIS OF ACCOUNTING***

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

**TOWN OF CLARKDALE, ARIZONA**  
**Required Supplementary Information**  
**Schedule of Funding Progress**  
**June 30, 2014**

**Pension**

| Actuarial<br>Valuation<br>Date | Actuarial<br>Value of<br>Plan<br>Assets<br>(a) | Actuarial<br>Accrued<br>Liability<br>(b) | Funding<br>(Liability)<br>Excess<br>(b-a) | Funded<br>Ratio<br>(a/b) | Annual<br>Covered<br>Payroll<br>(c) | Unfunded<br>Liability as<br>Percentage of<br>Covered<br>Payroll<br>([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<br>Valuation<br>Date | Actuarial<br>Value of<br>Plan<br>Assets<br>(a) | Actuarial<br>Accrued<br>Liability<br>(b) | Funding<br>(Liability)<br>Excess<br>(b-a) | Funded<br>Ratio<br>(a/b) | Annual<br>Covered<br>Payroll<br>(c) | Unfunded<br>Liability as<br>Percentage of<br>Covered<br>Payroll<br>([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   |

**SINGLE AUDIT ACT REPORTS SECTION**



COLBY &  
POWELL, PLC

CERTIFIED PUBLIC ACCOUNTANT

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

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

**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 the Town of Clarkdale, Arizona, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town of Clarkdale, Arizona's, basic financial statements, and have issued our report thereon dated October 24, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the 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 the Town of Clarkdale, Arizona's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 the Town of Clarkdale, Arizona's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **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.



October 24, 2014



**COLBY &  
POWELL, PLC**

CERTIFIED PUBLIC ACCOUNTANTS

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

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

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE 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 the 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 the Town of Clarkdale, Arizona's major federal programs for the year ended June 30, 2014. The 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 the 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 the 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 the Town of Clarkdale, Arizona's compliance.

## Opinion on Each Major Federal Program

In our opinion, the 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, 2014.

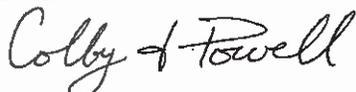
## Report on Internal Control Over Compliance

Management of the 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 the 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 the 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.



October 24, 2014

**TOWN OF CLARKDALE, ARIZONA**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2014**

| Federal Grantor/Pass Through<br>Grantor/Program Title             | Federal<br>CFDA<br>Number | Pass through<br>Grantor's<br>Number | Disbursements/<br>Expenditures |
|---|---------------------------|-------------------------------------|--------------------------------|
| <b><u>U.S. Environmental Protection Agency</u></b>                |                           |                                     |                                |
| Passed through Water Infrastructure Finance Authority of Arizona: |                           |                                     |                                |
| Clean Water State Revolving Fund Cluster:                         |                           |                                     |                                |
| Capitalization Grants for Clean Water State Revolving Funds       | 66.458                    |                                     | \$ 670,422                     |
| Drinking Water State Revolving Fund Cluster:                      |                           |                                     |                                |
| Capitalization Grants for Drinking Water State Revolving Funds    | 66.468                    |                                     | <u>577,017</u>                 |
| Total U.S. Environmental Protection Agency                        |                           |                                     | <u>1,247,439</u>               |
| <b><u>U.S. Department of Transportation</u></b>                   |                           |                                     |                                |
| Passed through Arizona Department of Transportation:              |                           |                                     |                                |
| Highway Planning and Construction Cluster:                        |                           |                                     |                                |
| Highway Planning and Construction                                 | 20.205                    |                                     | 13,226                         |
| Highway Research and Development Program                          | 20.200                    |                                     | 31,353                         |
| Passed through AZ Governor's Office of Highway Safety:            |                           |                                     |                                |
| Highway Safety Cluster:   |                           |                                     |                                |
| State and Community Highway Safety                                | 20.600                    |                                     | <u>892</u>                     |
| Total U.S. Department of Transportation                           |                           |                                     | <u>45,471</u>                  |
| <b><u>U.S. Department of Justice</u></b>                          |                           |                                     |                                |
| Public Safety Partnership and Community Policing Grants           | 16.710                    |                                     | <u>23,545</u>                  |
| Total Federal Assistance  |                           |                                     | <u>\$ 1,316,455</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, 2014**

***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, 2014**

| <b>Section 1</b>   | <b>Summary Of<br/>Auditors' Results</b> |
|--|---|
| <i>Financial Statements</i>  |   |
| 1. Type of auditor's report issued   | Unmodified                              |
| 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:  | Unmodified                              |
| 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   | 66.468                                  |
| Capitalization Grants for Clean Water State Revolving Funds  | 66.458                                  |
| 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, 2014**

**Financial Statement Findings**

None

**Federal Award Findings and Questioned Costs**

None

**TOWN OF CLARKDALE, ARIZONA**  
**Summary Schedule of Prior Audit Findings**  
**June 30, 2014**

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

No prior year audit findings.