

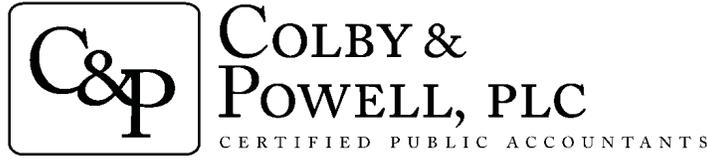
TOWN OF CLARKDALE, ARIZONA

Annual Financial Statements
and Independent Auditors' Report
June 30, 2015



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INDEPENDENT AUDITORS' REPORT

To the Town Council
Town of Clarkdale, Arizona

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Clarkdale, Arizona, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Clarkdale, Arizona, as of June 30, 2015, 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, for the year ended June 30, 2015, the Town adopted new accounting guidance, Governmental Accounting Standards Board Statement Nos. 68 and 71. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 5 to 23, Budgetary Comparison Schedules on pages 71 through 75, Schedule of the Town's Proportionate Share of the Net Pension Liability – Cost-Sharing Pension Plans on page 77, Schedule of Changes in the Town's Net Pension Liability (Asset) and Related Ratios – Agent Pension Plans on page 78, Schedule of Town Pension Contributions on page 79, and Schedule of Agent OPEB Plans' Funding Progress on page 81, 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2015, 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. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Town's noncompliance with the use of highway user revenue fund monies, insofar as they relate to accounting matters.

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

December 17, 2015



TOWN OF CLARKDALE, ARIZONA
Management's Discussion and Analysis
June 30, 2015

We, the Town of Clarkdale, Arizona, are pleased to provide an overview of our financial activities for the fiscal year ended June 30, 2015. 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 5.11%, between fiscal years 2014 and 2015. The 2015 governmental net position decreased 10.91% and the business-type activities increased 17.63%.
- ❖ The Town's total 2015 revenues were \$6,331,173 and expenses totaled \$5,986,054, resulting in an increase in net position of \$345,119 or 5.11%.
- ❖ The revenue sources of local taxes and state-shared revenues with \$2,482,508 represented 75.07% 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 41.54% of total governmental activity revenues. The state-shared revenues consist of state revenue sharing, state sales tax, and motor vehicle tax and accounted for 33.53% of total governmental activity revenues.
- ❖ Expenses for the Town's governmental activities total \$3,790,758. Public Safety activities account for 39.17%, Highway and Streets spent 22.33% of the expenses, Culture and Recreation 7.15%, and General Government Services accounted for 31.35% of total expenses for 2015.
- ❖ General Fund revenues of \$2,801,330 were lower than budgeted revenues of \$3,652,779 by \$851,449, or 23.31% while General Fund actual expenditures of \$2,951,276 were lower than budgeted expenditures of \$4,044,987 by \$1,093,711, or 27.04%.
- ❖ The Town's total governmental funds reported combined ending fund balances of \$2,115,430, an increase of \$59,973 in comparison with the prior year. The major change in fund balance was due to the HURF Fund accumulating funds for future street projects. The business-type's total net position was \$4,460,998, an increase of \$668,632 from 2014.
- ❖ Long-term obligations outstanding were \$14,839,733 in 2015, a decrease of \$646,092. Business-type Activities accounted for 79.11% of the \$14,839,733. The debt of the Business-

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

- ❖ GASB issued statements 68 and 71 regarding pension reporting were effective for financial statements for periods beginning after June 15, 2014. The Arizona State Retirement System (ASRS), which covers all employees other than public safety employees, had a net pension liability at the end of 2015 of \$2,174,198, of which the Governmental Activities was \$1,602,201 and the Business-type Activities was \$571,997. The Public Safety Personnel Retirement System (PSPRS), which covers only public safety employees (certified full-time police) had a net pension liability at the end of 2015 of \$1,313,504. The total net pension liability for the Town at the end of 2015 was \$3,487,702.

ECONOMIC HIGHLIGHTS

Known as the “Academy Awards” of the environmental community, the Town of Clarkdale received the 2014 Crescordia Environmental Excellence Award for Environmental Stewardship for the Verde River @ Clarkdale Project. The award spotlights distinguished projects throughout the state of Arizona that demonstrate a high level of environmental commitment and contribute to the region’s overall sustainability.

The Town of Clarkdale was informed that Freeport Minerals Corporation submitted an application with the Arizona Department of Environmental Quality’s (ADEQ) Voluntary Remediation Program to undertake the United Verde Soil Program. According to a Fact Sheet developed by Freeport about the project, the United Verde Copper Company operated a copper smelter northwest of Clarkdale from 1915 to 1932. It was reopened in 1935 when Phelps Dodge purchased United Verde and continued to operate until 1953. Freeport is the successor to Phelps Dodge Corporation. According to the Fact Sheet, because the United Verde smelter operated in an era before emissions control equipment was commonly used, historical air emissions from the smelter may have deposited metal-bearing particles on nearby soil. Freeport decided to conduct a soil testing program to investigate potential smelter-related impacts to soil in the area of Clarkdale near the former smelter. If test results determine that metal concentrations in soil exceed the target cleanup levels, then Freeport will offer soil replacement and landscaping restoration.

A Resolution Proposing an Extension of the Alternative Expenditure Limitation (Home Rule) for the Town of Clarkdale was passed by the voters in August of 2014 at the first Consolidated Election as set by the Arizona Legislature in an effort to increase voter turnout for important municipal issues by forcing cities and towns to hold elections at the same time that the state and federal elections were held. Since federal elections cannot be run using Mail Ballot Elections, as was done in the past, Clarkdale was not only forced to change election dates from March/May to August/November, but also had to revert back to polling place elections instead of Mail Ballot elections. The 2014 turnout of 26.83% was the lowest Clarkdale had since 2000.

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A very controversial conditional use permit application for a wireless facility (cell tower) to be located on State Route 89A submitted by Capital Telecom was approved by the Town Council. The proposal includes a 65-foot high monopole centered on a 40' x 60' area including a 12' x 20' equipment shelter, a new transformer and additional support infrastructure.

The Town of Clarkdale and Clarkdale Minerals, LLC executed a lease of 60 acres of property in 2004 for the purpose of disposal of treated effluent which had an initial lease term of 5 years, and was renewed for an additional 5 years in 2009. During discussions about an additional renewal of the lease, the Town learned that the property owner was interested in offering the property for sale instead of continuing with extensions of the lease agreement beyond its 2014 expiration. Because ownership of the property would provide the Town of Clarkdale with site control for our current effluent disposal operations, and also provide flexibility as we explore alternative methods of the use of our reclaimed water in the future the Town purchased the 105 acres of land for \$459,000. The Town is currently exploring alternative effluent disposal and water recharge projects that will eventually lead to the conversion away from the current land application process for effluent disposal. When that occurs, the development potential of the property will substantially increase.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

1. *The Management's Discussion and Analysis* provides a brief discussion of the basic financial statements, annual comparisons of the government-wide financial statements, and analysis of government's overall financial position.
2. *Basic Financial Statements:*
 - ❖ *Government-wide Financial Statements* provide both long-term and short-term information about the Town's overall financial status.
 - ❖ *Fund Financial Statements* focus on the individual parts of Town government and report the Town's operations in more detail than the government-wide statements.
 - ❖ *Notes to the Financial Statements* explain some of the information in the financial statements and provide more detailed data.
3. *Required Supplementary Information* further explains and supports the information in the financial statements and includes detailed budgetary comparison schedules for major special revenue funds as well as the General Fund. It also includes schedules and notes related to pensions as required by GASB 68.

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.

TOWN OF CLARKDALE, ARIZONA
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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 25 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 26 of this report)

Fund Financial Statements

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

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

Governmental Funds – Most of the Town's basic services are included in governmental funds which focus on how cash, and other financial assets that can be easily converted to cash, flow in and out, along with the balances left at the end of the year that are available for spending. The governmental fund financial statements tell how general government services were funded as well as what is available for future spending remains. Because fund financial statements do not include the additional long-term focus of government-wide statements, additional information is provided reconciling the difference between them. (The Governmental Fund financial statements can be found on pages 27 to 30 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.

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- ❖ 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 31 - 34 of this report)

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. (The Notes to Financial Statements can be found on pages 35 - 69 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.

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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 71 - 82 of this report)

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GOVERNMENT-WIDE FINANCIAL ANALYSIS

Condensed Statement of Net Position

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
ASSETS						
Current and other assets	\$ 2,277,875	\$ 2,356,439	\$ 3,832,402	\$ 4,366,962	\$ 6,110,277	\$ 6,723,401
Capital assets						
Non-depreciable	846,923	801,011	961,803	491,929	1,808,726	1,292,940
Depreciable (net)	2,337,035	2,453,190	14,780,351	15,192,160	17,117,386	17,645,350
Total assets	<u>5,461,833</u>	<u>5,610,640</u>	<u>19,574,556</u>	<u>20,051,051</u>	<u>25,036,389</u>	<u>25,661,691</u>
DEFERRED OUTFLOWS OF RESOURCES	809,688	192,701	98,547	37,286	908,235	229,987
LIABILITIES						
Other liabilities	143,823	245,895	3,372,471	3,401,560	3,516,294	3,647,455
Noncurrent liabilities						
Due within one year	85,815	85,538	275,656	305,181	361,471	390,719
Due in more than one year	3,014,310	2,505,876	11,463,952	12,589,230	14,478,262	15,095,106
Total liabilities	<u>3,243,948</u>	<u>2,837,309</u>	<u>15,112,079</u>	<u>16,295,971</u>	<u>18,356,027</u>	<u>19,133,280</u>
DEFERRED INFLOWS OF RESOURCES	385,053	-	100,026	-	485,079	-
NET POSITION						
Net investment in capital assets	3,113,958	3,149,201	5,399,139	4,318,440	8,513,097	7,467,641
Restricted	636,933	545,973	2,747,454	2,662,663	3,384,387	3,208,636
Unrestricted	(1,108,371)	(729,142)	(3,685,595)	(3,188,737)	(4,793,966)	(3,917,879)
Total net position	<u>\$ 2,642,520</u>	<u>\$ 2,966,032</u>	<u>\$ 4,460,998</u>	<u>\$ 3,792,366</u>	<u>\$ 7,103,518</u>	<u>\$ 6,758,398</u>
CHANGE IN NET POSITION	<u>\$ (323,512)</u>	<u>\$ 28,344</u>	<u>\$ 668,632</u>	<u>\$ 1,379,520</u>	<u>\$ 345,120</u>	<u>\$ 1,407,864</u>
PERCENTAGE CHANGE IN NET POSITION	-10.91%	0.96%	17.63%	57.17%	5.11%	26.31%

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 5.11%, between fiscal years 2014 and 2015. The 2015 Governmental Activities' net position decreased 10.91% and the Business-type Activities' increased 17.63%.

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

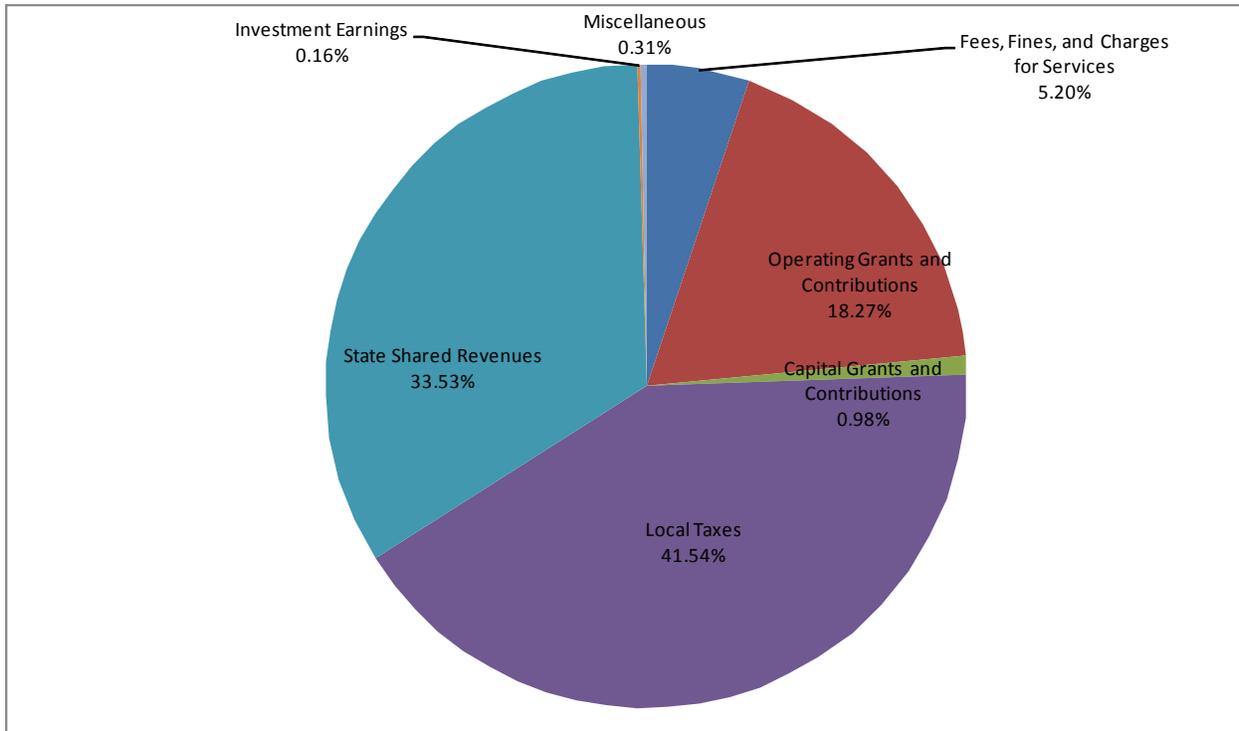
	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues						
Program revenues						
Fees, fines, and charges for services	\$ 172,009	\$ 95,685	\$ 2,287,559	\$ 2,202,900	\$ 2,459,568	\$ 2,298,585
Operating grants and contributions	604,140	608,169	-	-	604,140	608,169
Capital grants and contributions	32,535	179,188	731,632	1,487,301	764,167	1,666,489
General revenues						
Local taxes	1,373,659	1,358,855	-	-	1,373,659	1,358,855
State-shared revenues	1,108,849	1,039,407	-	-	1,108,849	1,039,407
Investment earnings	5,323	7,323	5,204	7,488	10,527	14,811
Miscellaneous	10,263	15,510	-	-	10,263	15,510
Loss on disposal of capital assets	-	-	-	(49,427)	-	(49,427)
Total revenues	<u>3,306,778</u>	<u>3,304,137</u>	<u>3,024,395</u>	<u>3,648,262</u>	<u>6,331,173</u>	<u>6,952,399</u>
Expenses						
General government	1,187,117	1,247,195	-	-	1,187,117	1,247,195
Public safety	1,482,961	1,097,733	-	-	1,482,961	1,097,733
Highways and streets	845,542	865,160	-	-	845,542	865,160
Culture and recreation	270,667	216,337	-	-	270,667	216,337
Interest on long-term debt	4,470	-	-	-	4,470	-
Wastewater	-	-	770,186	774,802	770,186	774,802
Sanitation	-	-	251,868	248,357	251,868	248,357
Water	-	-	1,128,132	1,070,373	1,128,132	1,070,373
Cemetery	-	-	45,110	24,578	45,110	24,578
Total expenses	<u>3,790,757</u>	<u>3,426,425</u>	<u>2,195,296</u>	<u>2,118,110</u>	<u>5,986,053</u>	<u>5,544,535</u>
Change in net position before transfers	(483,979)	(122,288)	829,099	1,530,152	345,120	1,407,864
Transfers	160,467	150,632	(160,467)	(150,632)	-	-
Change in net position	(323,512)	28,344	668,632	1,379,520	345,120	1,407,864
Net position, beginning of year	2,966,032	2,937,688	3,792,366	2,412,846	6,758,398	5,350,534
Net position, end of year	<u>\$ 2,642,520</u>	<u>\$ 2,966,032</u>	<u>\$ 4,460,998</u>	<u>\$ 3,792,366</u>	<u>\$ 7,103,518</u>	<u>\$ 6,758,398</u>

Change in Net Position: The Town's total 2015 revenues were \$6,331,173 and expenses totaled \$5,986,053, resulting in an increase in net position of \$345,120 or 5.11%.

Revenues for the Town's governmental activities totaled \$3,306,778, an 0.08% increase from 2014. Local taxes are the largest revenue source for the Governmental Activities, accounting for 41.54% of total revenues which increased 1.09% from 2014. State-shared revenues account for 33.53% of the total revenues and increased 6.68%. Operating and capital grants together contribute 19.25% of the revenues, which decreased 19.14% in 2015 that was mainly due to Yavapai County Flood Control grant fund projects being carried forward to 2016 offset by additional GITEM, COPS and various smaller grant revenues in 2015. Charges for services contribute 5.20% of the total revenues while miscellaneous revenues and investment earnings make up only 0.47%.

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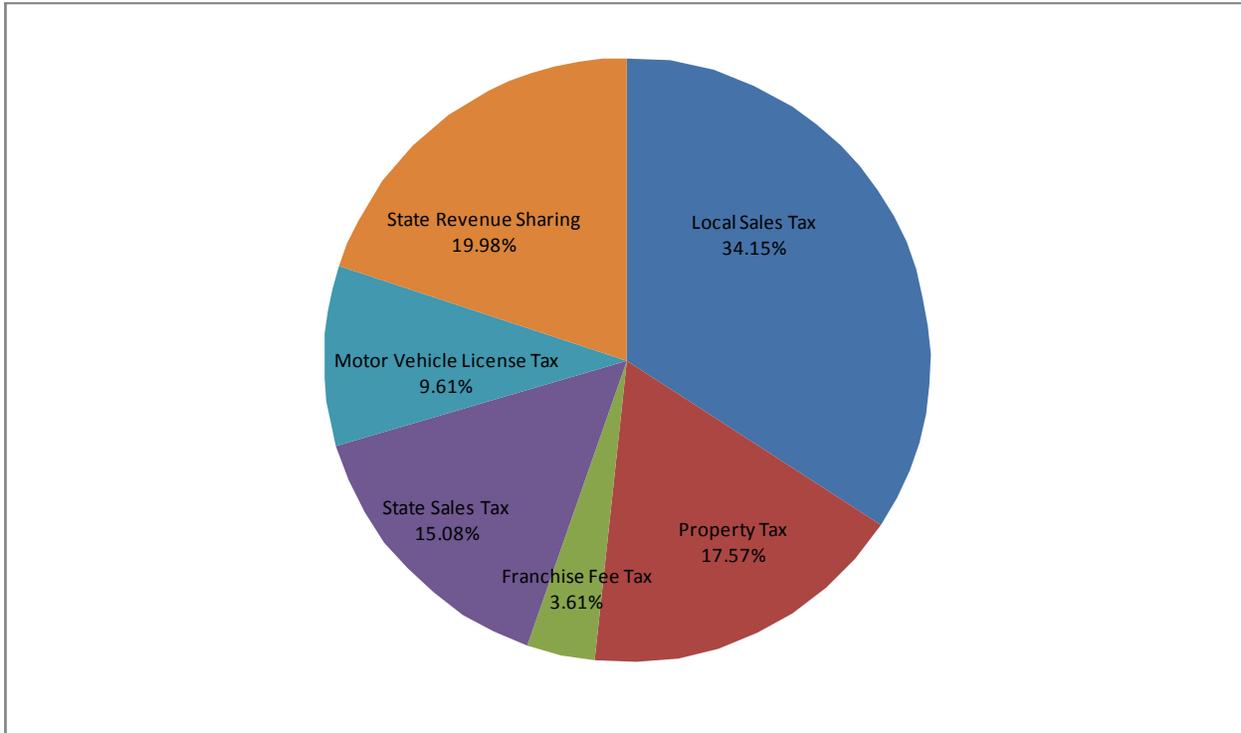
Governmental Activity Revenue



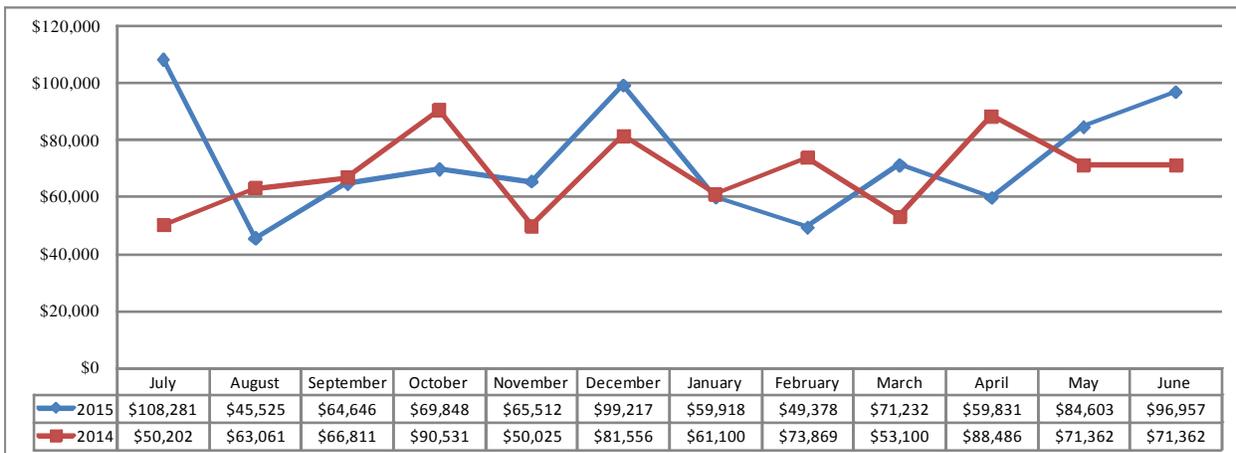
The revenue sources of local taxes and state-shared revenues with \$2,482,508 represented 75.07% of all revenues in the Governmental Activities. The local tax revenue consists of local sales tax, property tax, and franchise taxes and were the largest sources of revenue for the Governmental Activities, accounting for 41.54% 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 33.53% of the total Governmental Activities revenue.

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Tax Distributions



Local Sales Tax Collection Comparison

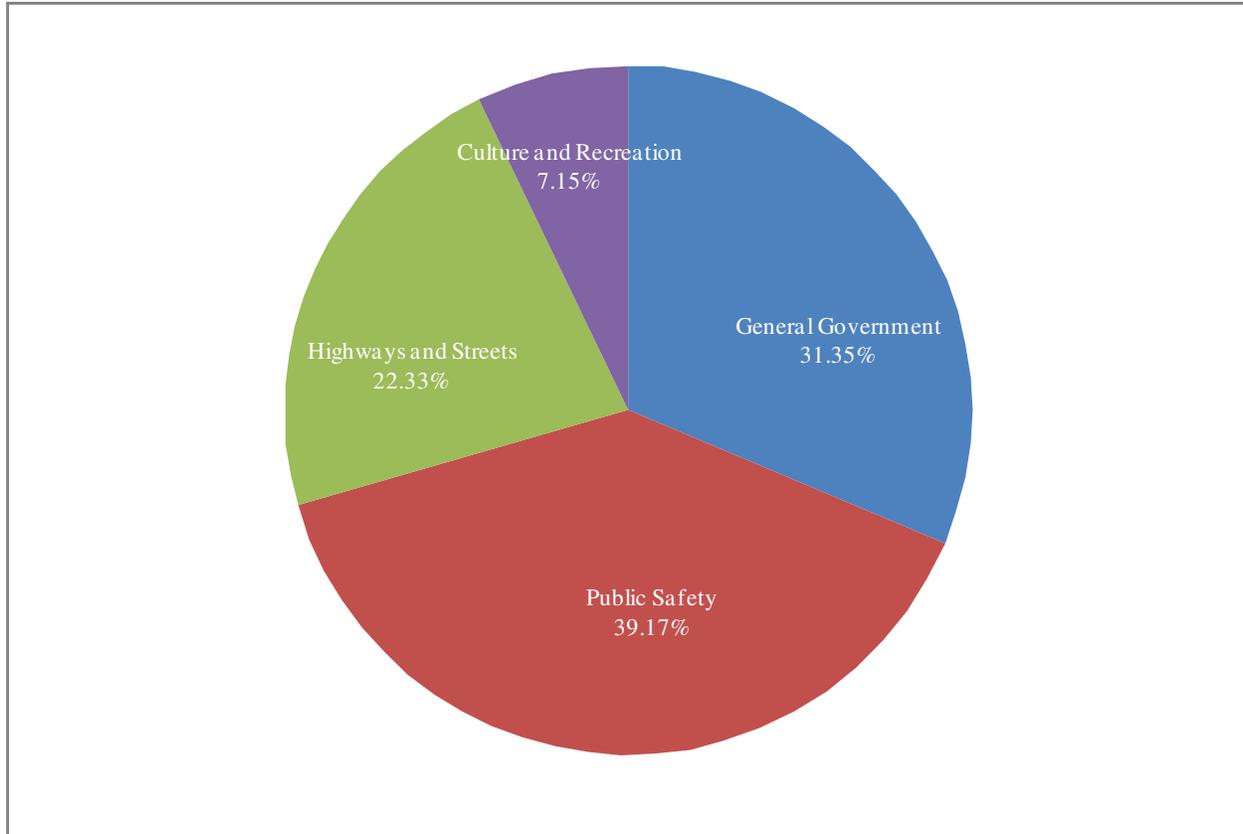


Government Activity Expense

Expenditures for the Town's Governmental Activities total \$3,790,758. Public Safety activities account for 39.12%, Highway and Streets spent 22.31% of the expenditures, Culture and Recreation 7.14%, and General Government services accounted for 31.32% of total expenditures

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for 2015. General Government services include Administration, Community Services, Community Development and Finance.



Net Cost of Town of Clarkdale Activities

Governmental Activities

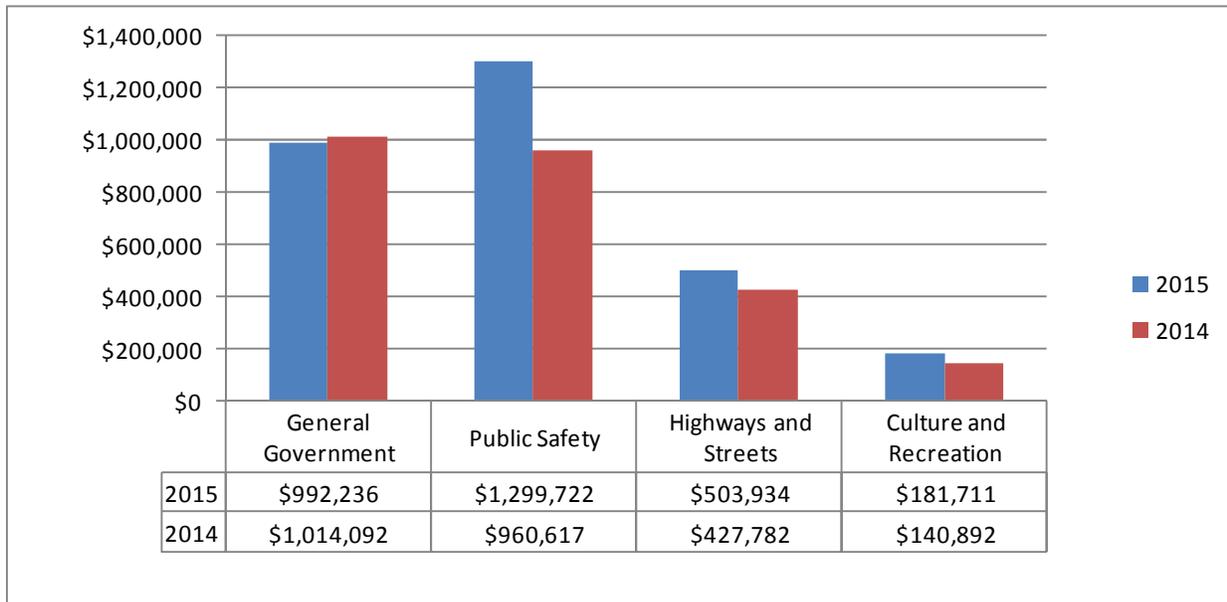
The following table presents the total cost of each of the Town's activities as well as their net cost. The net costs are the total costs less fees generated by the activities, direct intergovernmental aid, and capital grants and contributions. The actual net cost of services in 2015 was \$2,977,604 which is 17.07% more than in 2014 which is a result of a 10.50% increase in the cost of services from 2014. 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 along with hiring two reserve officers and filling vacant positions in the department. Culture and Recreation had a higher net cost of services due to the improvements made at TAPCO Rap and the cost of River Ambassadors providing coverage at TAPCO RAP during the initial opening season of outfitters providing river trips on the Verde River.

TOWN OF CLARKDALE, ARIZONA
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Net Cost of Services – Governmental Activities

	Cost of Services		Direct Revenues		Net Cost of Services	
	2015	2014	2015	2014	2015	2014
General Government	\$ 1,187,117	\$ 1,247,195	\$ 194,881	\$ 233,103	\$ 992,236	\$ 1,014,092
Public Safety	1,482,961	1,097,733	183,239	137,116	1,299,722	960,617
Highways and Streets	845,542	865,160	341,608	437,378	503,934	427,782
Culture and Recreation	270,667	216,337	88,956	75,445	181,711	140,892
Total revenues	3,786,287	\$ 3,426,425	\$ 808,684	\$ 883,042	\$ 2,977,603	\$ 2,543,383

Net Cost of Services – Governmental Activities



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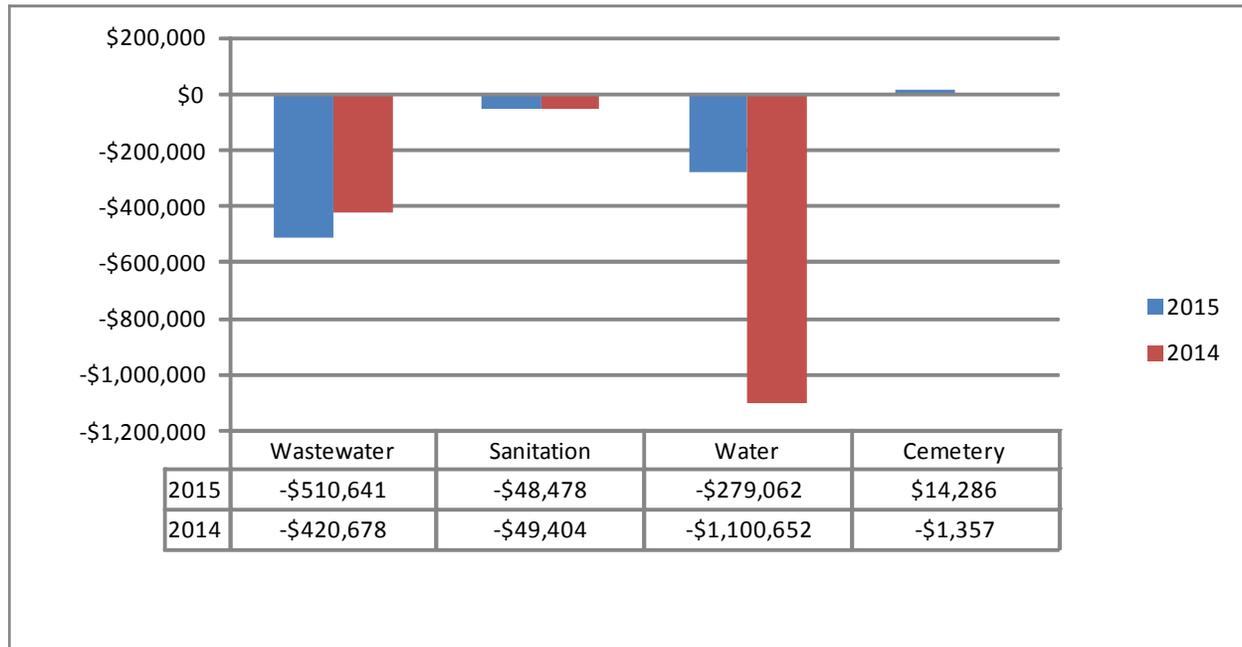
Net Cost of Service – Business-Type Activities

Business-type Activities

The wastewater program net income increased from \$420,678 in 2014 to \$477,622 in 2015. The increase was the result of the proceeds from developers for capital improvements. Net income of the water program decreased from \$1,100,652 in 2014 to \$279,062 in 2015. This was a combined result of higher charges for services and less capital grants and contribution from the construction of the Twin 5's in 2014.

	Cost of Services		Direct Revenues		Net Cost of Services	
	2015	2014	2015	2014	2015	2014
Wastewater	\$ 770,186	\$ 774,802	\$ 1,280,827	\$ 1,195,480	\$ (510,641)	\$ (420,678)
Sanitation	251,868	248,357	300,346	297,761	(48,478)	(49,404)
Water	1,128,132	1,070,373	1,407,194	2,171,025	(279,062)	(1,100,652)
Cemetery	45,110	24,578	30,824	25,935	14,286	(1,357)
Total revenues	\$ 2,195,296	\$ 2,118,110	\$ 3,019,191	\$ 3,690,201	\$ (823,895)	\$ (1,572,091)

Net Cost of Service – Business-Type Activities



TOWN OF CLARKDALE, ARIZONA
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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 net capital assets of \$3,183,958 in the Governmental Activities and \$15,742,154 in the Business-type Activities for a total of \$18,926,112 at the end of 2015. The largest investment in capital assets was the wastewater plant and equipment. The Business-type Activities represent the water utility with 39.56% of the business-type net capital assets and the sewer utility having 60.64% 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 event during the 2015 fiscal year was the purchase of land for a future effluent disposal site.

Capital Assets

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Capital Assets Not Depreciated						
Land	\$ 670,001	\$ 670,001	\$ 950,929	\$ 491,929	\$ 1,620,930	\$ 1,161,930
Construction in Progress	176,922	131,010	10,874	-	187,796	131,010
Total Capital Assets Not Depreciated	846,923	801,011	961,803	491,929	1,808,726	1,292,940
Capital Assets Depreciated						
Buildings and Improvements	1,990,418	1,980,623	-	-	1,990,418	1,980,623
Infrastructure	2,088,765	2,032,205	-	-	2,088,765	2,032,205
Machinery and Equipment	807,291	767,406	-	-	807,291	767,406
Vehicles	421,938	396,811	-	-	421,938	396,811
Sewer Plant and Equipment	-	-	10,008,948	10,008,948	10,008,948	10,008,948
Water Distribution System	-	-	8,128,111	8,128,111	8,128,111	8,128,111
Total Capital Assets Depreciated	5,308,412	5,177,045	18,137,059	18,137,059	23,445,471	23,314,104
Accumulated Depreciation						
Buildings and Improvements	(1,398,631)	(1,354,110)	-	-	(1,398,631)	(1,354,110)
Infrastructure	(615,864)	(477,548)	-	-	(615,864)	(477,548)
Machinery and Equipment	(598,655)	(548,399)	-	-	(598,655)	(548,399)
Vehicles	(358,227)	(343,798)	-	-	(358,227)	(343,798)
Sewer Plant and Equipment	-	-	(1,045,589)	(781,007)	(1,045,589)	(781,007)
Water Distribution System	-	-	(2,311,119)	(2,068,848)	(2,311,119)	(2,068,848)
Total Accumulated Depreciation	(2,971,377)	(2,723,855)	(3,356,708)	(2,849,855)	(6,328,085)	(5,573,710)
Net Total Capital Assets Depreciated	2,337,035	2,453,190	14,780,351	15,287,204	17,117,386	17,740,394
Net Total Capital Assets	\$ 3,183,958	\$ 3,254,201	\$ 15,742,154	\$ 15,779,133	\$ 18,926,112	\$ 19,033,334

TOWN OF CLARKDALE, ARIZONA
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Long-Term Liabilities

The Town of Clarkdale had total long-term obligations outstanding of \$14,839,733 in 2015, a decrease of \$646,092. Business-type Activities accounted for 79.11% of the \$14,839,733 which mainly represent 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

	2015	2014	Change
Governmental Activities			
Compensated absences	\$ 114,420	\$ 114,051	\$ 369
Net pension liability	2,915,705	2,372,363	543,342
Notes payable	70,000	105,000	(35,000)
Total Long-Term Liabilities, Governmental Activities	3,100,125	2,591,414	508,711
Business-type Activities			
Compensated absences	29,024	30,507	(1,483)
Net pension liability	571,997	599,952	(27,955)
Capital leases payable	-	13,631	(13,631)
Bonds payable	130,000	160,000	(30,000)
Notes payable	10,855,039	11,929,096	(1,074,057)
Deferred amount on premium	153,548	161,225	(7,677)
Total Long-Term Liabilities, Business-type Activities	11,739,608	12,894,411	(1,154,803)
Total Long-Term Liabilities	\$ 14,839,733	\$ 15,485,825	\$ (646,092)

Pension Liabilities

GASB statements 68, *Accounting and Financial Reporting for Pensions*, and 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement 68*, were effective for financial statements for periods beginning after June 15, 2014. The primary objective of these Statements are to improve accounting and financial reporting by state and local governments for pensions and addressing issues regarding application of the transition provisions. The Arizona State Retirement System (ASRS), which covers all employees other than public safety employees, had a net pension liability at the end of 2015 of \$2,174,198, of which the Governmental Activities was \$1,602,201 and the Business-type Activities was \$571,997. The Public Safety Personnel Retirement System (PSPRS), which covers only public safety employees (certified full-time police), had a net pension liability at the

TOWN OF CLARKDALE, ARIZONA
Management's Discussion and Analysis
June 30, 2015

end of 2015 of \$1,313,504. The total net pension liability for the Town at the end of 2015 was \$3,487,702.

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Arizona State Retirement System (ASRS)						
Net Pension Liability	\$ 1,602,201	\$ 1,680,506	\$ 571,997	\$ 599,952	\$ 2,174,198	\$ 2,280,458
Deferred Outflows of Resources	276,038	104,441	98,547	37,286	374,585	141,727
Deferred Inflows of Resources	280,174	-	100,026	-	380,200	-
Pension Expense	141,630	-	50,563	-	192,193	-
Plan Fiduciary Net Position as Percentage of the Total Pension Liability					69.49%	Not available
Public Safety Personnel Retirement System (PSPRS)						
Net Pension Liability	1,313,504	691,857	-	-	1,313,504	691,857
Deferred Outflows of Resources	533,650	88,260	-	-	533,650	88,260
Deferred Inflows of Resources	104,879	-	-	-	104,879	-
Pension Expense	281,530	-	-	-	281,530	-
Plan Fiduciary Net Position as Percentage of the Total Pension Liability					57.28%	Not available
Combined						
Net Pension Liability	2,915,705	2,372,363	571,997	599,952	3,487,702	2,972,315
Deferred Outflows of Resources	809,688	192,701	98,547	37,286	908,235	229,987
Deferred Inflows of Resources	385,053	-	100,026	-	485,079	-
Pension Expense	423,160	-	50,563	-	473,723	-

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 \$2,115,430, an increase of \$59,973 in comparison with the prior year. The major change in fund balance was due to the HURF Fund accumulating funds for future street projects. The Business-type Activities' total net position was \$4,460,998, an increase of \$668,632 from 2014 which represents a combination of accumulated depreciation costs for water and accumulating WIFA required reserve funds for wastewater.

TOWN OF CLARKDALE, ARIZONA
Management's Discussion and Analysis
June 30, 2015

Change in Fund Balances/Net Position

	<u>2015</u>	<u>2014</u>	<u>Change</u>
Governmental			
General Fund	\$ 959,366	\$ 968,357	\$ (8,991)
HURF Fund	427,532	348,189	79,343
Developer Reimbursement Fund	600,613	603,281	(2,668)
Grants Fund	(6,474)	(2,648)	(3,826)
Other Governmental Funds	<u>134,393</u>	<u>138,278</u>	<u>(3,885)</u>
Total Governmental Fund Balances	<u>2,115,430</u>	<u>2,055,457</u>	<u>59,973</u>
Business-type			
Wastewater Fund	2,987,299	2,509,677	477,622
Sanitation Fund	(52,758)	(35,472)	(17,286)
Water Fund	1,582,889	1,357,256	225,633
Cemetery Fund	<u>(56,432)</u>	<u>(39,095)</u>	<u>(17,337)</u>
Total Business-type Net Position	<u>4,460,998</u>	<u>3,792,366</u>	<u>668,632</u>
Total Fund Balances/Net Position	<u>\$ 6,576,428</u>	<u>\$ 5,847,823</u>	<u>\$ 728,605</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 71 - 75. These statements compare the original adopted budget, the budget if amended throughout the fiscal year, and the actual expenditures.

General Fund revenues of \$2,801,330 were lower than budgeted revenues of \$3,652,779 by \$851,449, or 23.31% while General Fund expenditures of \$2,951,276 were lower than budgeted expenditures of \$4,044,987 by \$1,093,711, or 27.04%. General Fund expenditures during the year are monitored with actual revenues.

ECONOMIC FACTORS FOR NEXT YEAR

- ❖ Renovations will be completed on the Clark Memorial Clubhouse ADA restroom upgrade project with CDBG grant funds and the area will be able to be marketed for rental facilities.
- ❖ The United Verde Soil Program will be collecting soil samples and completing soil testing throughout the Town during the year. Once the testing is completed and the areas requiring remediation are established, the remediation process will start.
- ❖ The Town engaged with Mr. Goldman and Felix Construction in a design-build process, to design and construct the 89A booster pump station at the 89A Haskel Springs Well and Reservoir project. The Town has been authorized to use Central Arizona Project

TOWN OF CLARKDALE, ARIZONA
Management's Discussion and Analysis
June 30, 2015

(CAP) Trust Fund Monies in the amount of \$186,000.00 to fund a majority of project costs. The installation of a booster pump at the 89A Reservoir to pump water to the Haskell Springs Reservoir would allow the Town to independently manage Haskell Springs Well shortfalls without purchasing water from the City of Cottonwood. Also, with this excess pumping capability, the Mountain Gate Well would serve as a backup to the Haskell Springs Well. Currently the only backup to the Haskell Springs Well is the inter-municipal connection with the City of Cottonwood.

- ❖ The Series 2006 MPC bonds Clarkdale has with the City of Cottonwood for the water company purchase will be callable in 2016 and Clarkdale and Cottonwood will be refinancing their portions with separate WIFA loans. As part of the refinancing, WIFA requires new project funding, to which, the Town has just awarded a design contract (partially funded with a WIFA TA grant) for the Upper Clarkdale Water Main Replacement project.
- ❖ The Town has been approached about placement of a second wireless facility (cell tower) on property recently purchased by the Town. Verizon Wireless is proposing to lease an approximately 50-foot by 50-foot space for placement of a 120-foot high cell-town monopole and supporting equipment infrastructure. The property being considered is zoned Industrial. A wireless communication tower is an allowed use with a conditional use permit and allows for a cell tower up to 200 feet in height.
- ❖ New construction projects throughout the Clarkdale include:
 - Rain Spirit Recreational Vehicle (RV) Park was approved and construction should be completed for 70 space RV park and supporting infrastructure.
 - General Dollar Store
 - Crossroads at Mingus Subdivision homes
- ❖ Mountain Gate Subdivision homes, townhomes and recreation center

TOWN OF CLARKDALE, ARIZONA
Management's Discussion and Analysis
June 30, 2015

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, 2015

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 2,106,432	\$ 1,886,146	\$ 3,992,578
Accounts receivable - net	-	137,063	137,063
Taxes receivable	64,663	-	64,663
Due from other governments	106,780	-	106,780
Cash and cash equivalents - restricted	-	1,809,193	1,809,193
Capital assets, not being depreciated	846,923	961,803	1,808,726
Capital assets, being depreciated, net	2,337,035	14,780,351	17,117,386
Total assets	<u>5,461,833</u>	<u>19,574,556</u>	<u>25,036,389</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	<u>809,688</u>	<u>98,547</u>	<u>908,235</u>
LIABILITIES			
Accounts payable	63,430	42,337	105,767
Accrued expenses	11,371	2,648	14,019
Interest payable	-	72,605	72,605
Unearned revenue	69,022	3,211,906	3,280,928
Refundable deposits	-	42,975	42,975
Noncurrent liabilities			
Due within 1 year	85,815	275,656	361,471
Due in more than 1 year	3,014,310	11,463,952	14,478,262
Total liabilities	<u>3,243,948</u>	<u>15,112,079</u>	<u>18,356,027</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	<u>385,053</u>	<u>100,026</u>	<u>485,079</u>
NET POSITION			
Net investment in capital assets	3,113,958	5,399,139	8,513,097
Restricted	636,933	2,747,454	3,384,387
Unrestricted (deficit)	(1,108,371)	(3,685,595)	(4,793,966)
Total net position	<u>\$ 2,642,520</u>	<u>\$ 4,460,998</u>	<u>\$ 7,103,518</u>

The accompanying notes are an integral part of these financial statements

TOWN OF CLARKDALE, ARIZONA
Statement of Activities
Year Ended June 30, 2015

Functions / Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary government:							
Governmental activities							
General government	\$ 1,187,117	\$ 87,311	\$ 107,570	\$ -	\$ (992,236)	\$ -	\$ (992,236)
Public safety	1,482,961	36,012	136,496	10,731	(1,299,722)	-	(1,299,722)
Highways and streets	845,542	-	319,804	21,804	(503,934)	-	(503,934)
Culture and recreation	270,667	48,686	40,270	-	(181,711)	-	(181,711)
Interest on long-term debt	4,470	-	-	-	(4,470)	-	(4,470)
Total governmental activities	3,790,757	172,009	604,140	32,535	(2,982,073)	-	(2,982,073)
Business-type activities							
Wastewater	770,186	587,025	-	693,802	-	510,641	510,641
Sanitation	251,868	300,346	-	-	-	48,478	48,478
Water	1,128,132	1,369,364	-	37,830	-	279,062	279,062
Cemetery	45,110	30,824	-	-	-	(14,286)	(14,286)
Total business-type activities	2,195,296	2,287,559	-	731,632	-	823,895	823,895
Total primary government	\$ 5,986,053	\$ 2,459,568	\$ 604,140	\$ 764,167	(2,982,073)	823,895	(2,158,178)
General revenue:							
Taxes:							
Sales Taxes					847,891	-	847,891
Property taxes					436,131	-	436,131
Franchise tax					89,637	-	89,637
State sales tax revenue sharing					374,420	-	374,420
Auto lieu tax revenue sharing					238,462	-	238,462
State revenue sharing					495,967	-	495,967
Investment income					5,323	5,204	10,527
Miscellaneous					10,263	-	10,263
Transfers					160,467	(160,467)	-
Total general revenue					<u>2,658,561</u>	<u>(155,263)</u>	<u>2,503,298</u>
Change in net position					(323,512)	668,632	345,120
Net position, beginning of year, as restated					<u>2,966,032</u>	<u>3,792,366</u>	<u>6,758,398</u>
Net position, end of year					<u>\$ 2,642,520</u>	<u>\$ 4,460,998</u>	<u>\$ 7,103,518</u>

The accompanying notes are an integral part of these financial statements

TOWN OF CLARKDALE, ARIZONA
Balance Sheet
Governmental Funds
June 30, 2015

	General Fund	HURF Fund	Developer Reimbursement Fund	Grants Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 901,136	\$ 403,182	\$ 627,265	\$ 38,574	\$ 136,275	\$ 2,106,432
Taxes receivable	64,663	-	-	-	-	64,663
Due from other governments	53,460	30,284	-	11,476	11,560	106,780
Due from other funds	10,443	-	-	-	-	10,443
Total assets	<u>1,029,702</u>	<u>433,466</u>	<u>627,265</u>	<u>50,050</u>	<u>147,835</u>	<u>2,288,318</u>
LIABILITIES						
Accounts payable	52,083	5,113	492	5,192	550	63,430
Accrued expenses	10,376	821	-	-	174	11,371
Unearned revenue	-	-	26,160	40,587	2,275	69,022
Due to other funds	-	-	-	-	10,443	10,443
Total liabilities	<u>62,459</u>	<u>5,934</u>	<u>26,652</u>	<u>45,779</u>	<u>13,442</u>	<u>154,266</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue	7,877	-	-	10,745	-	18,622
FUND BALANCES						
Restricted	88,560	427,532	-	-	120,841	636,933
Assigned	258,254	-	600,613	-	-	858,867
Unassigned	612,552	-	-	(6,474)	13,552	619,630
Total fund balances	<u>959,366</u>	<u>427,532</u>	<u>600,613</u>	<u>(6,474)</u>	<u>134,393</u>	<u>2,115,430</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,029,702</u>	<u>\$ 433,466</u>	<u>\$ 627,265</u>	<u>\$ 50,050</u>	<u>\$ 147,835</u>	<u>\$ 2,288,318</u>

The accompanying notes are an integral part of these financial statements

TOWN OF CLARKDALE, ARIZONA
Reconciliation of the Balance Sheet to the Statement of Net Position
Governmental Funds
June 30, 2015

Fund balances--total governmental funds		\$ 2,115,430
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.		
Capital assets	6,155,336	
Less accumulated depreciation	<u>(2,971,378)</u>	3,183,958
Some receivables are not available to pay for current-period expenditures and therefore, are recorded as unavailable in the funds.		
Reimbursable grant expenditures	10,745	
Property taxes	<u>7,877</u>	18,622
Long-term liabilities, such as net pension liabilities and bonds payable, are not due and payable in the current period and, therefore, are not reported as a liability in the funds		
Net pension liability	(2,915,705)	
Compensated absences	(114,420)	
Notes payable	<u>(70,000)</u>	(3,100,125)
Deferred outflows and inflows of resources related to pensions and deferred charges or credits on debt refundings are applicable to future reporting periods and, therefore, are not reported in the funds.		
		<u>424,634</u>
Net position of governmental activities		<u><u>\$ 2,642,519</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, 2015

	General Fund	HURF Fund	Developer Reimbursement Fund	Grants Fund	Other Governmental Funds	Total Governmental Fund
Revenue						
Taxes	\$ 1,373,744	\$ -	\$ -	\$ -	\$ -	\$ 1,373,744
Intergovernmental	1,210,906	319,804	-	164,803	-	1,695,513
Fines and forfeitures	50,939	-	-	-	-	50,939
Licenses and permits	66,944	-	-	-	-	66,944
Charges for services	41,885	-	-	-	46,944	88,829
Rental income	13,152	-	-	-	-	13,152
Contributions	32,613	-	-	-	-	32,613
Investment income	2,831	2,369	-	-	75	5,275
Other revenue	8,316	5,450	2,468	-	-	16,234
Total revenue	<u>2,801,330</u>	<u>327,623</u>	<u>2,468</u>	<u>164,803</u>	<u>47,019</u>	<u>3,343,243</u>
Expenditures						
Current						
General government	1,103,204	-	5,136	15,839	-	1,124,179
Public safety	1,116,364	-	-	20,313	41,389	1,178,066
Highways and streets	404,976	268,590	-	4,203	-	677,769
Culture and recreation	241,373	-	-	5,601	-	246,974
Capital outlay	45,889	10,485	-	111,390	9,515	177,279
Debt service						
Principal	35,000	-	-	-	-	35,000
Interest	4,470	-	-	-	-	4,470
Total expenditures	<u>2,951,276</u>	<u>279,075</u>	<u>5,136</u>	<u>157,346</u>	<u>50,904</u>	<u>3,443,737</u>
Excess (deficiency) of revenue over (under) expenditures	(149,946)	48,548	(2,668)	7,457	(3,885)	(100,494)
Other financing sources						
Transfers in (out)	140,955	30,795	-	(11,283)	-	160,467
Net change in fund balances	(8,991)	79,343	(2,668)	(3,826)	(3,885)	59,973
Fund balances, beginning of year	968,357	348,189	603,281	(2,648)	138,278	2,055,457
Fund balances, end of year	<u>\$ 959,366</u>	<u>\$ 427,532</u>	<u>\$ 600,613</u>	<u>\$ (6,474)</u>	<u>\$ 134,393</u>	<u>\$ 2,115,430</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, 2015

Net change in fund balances--total governmental funds		\$ 59,973
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital outlay	177,279	
Depreciation expense	<u>(247,522)</u>	(70,243)
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Grant revenues	(36,379)	
Property taxes	<u>(86)</u>	(36,465)
<p>Town pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the reported net pension liability is measured a year before the Town's report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the Statement of Activities.</p>		
Town pension contributions	210,893	
PSPRS transfer to OPEB plan	(99,142)	
Pension expense	<u>(423,160)</u>	(311,409)
<p>Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.</p>		
		35,000
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds.</p>		
Change in compensated absences		<u>(369)</u>
Change in net position of governmental activities		<u><u>\$ (323,513)</u></u>

The accompanying notes are an integral part of these financial statements

TOWN OF CLARKDALE, ARIZONA
Statement of Net Position
Proprietary Funds
June 30, 2015

	Business-type Activities--Enterprise Funds				Total
	Wastewater Fund	Sanitation Fund	Water Fund	Cemetery Fund	
ASSETS					
Current assets					
Cash and cash equivalents	\$ -	\$ -	\$ 1,753,890	\$ 132,256	\$ 1,886,146
Accounts receivable - net	38,225	18,749	77,989	2,100	137,063
Due from other funds	-	-	201,897	-	201,897
Total current assets	38,225	18,749	2,033,776	134,356	2,225,106
Noncurrent assets					
Cash and cash equivalents - restricted	1,047,134	-	762,059	-	1,809,193
Capital assets, net of accumulated depreciation, where applicable:					
Land	667,560	-	283,369	-	950,929
Buildings, net	106,597	-	-	-	106,597
Utility systems, net	8,826,727	-	5,805,951	-	14,632,678
Equipment, net	30,035	-	21,915	-	51,950
Capital assets, net	9,630,919	-	6,111,235	-	15,742,154
Total noncurrent assets	10,678,053	-	6,873,294	-	17,551,347
Total assets	10,716,278	18,749	8,907,070	134,356	19,776,453
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows related to pensions	31,052	5,972	55,541	5,982	98,547
LIABILITIES					
Current liabilities					
Accounts payable	4,459	17,458	20,251	169	42,337
Accrued expenses	877	162	1,492	117	2,648
Interest payable	63,834	-	8,771	-	72,605
Unearned revenue	3,048,510	1,130	8,452	153,814	3,211,906
Refundable deposits	-	-	42,975	-	42,975
Due to other funds	196,211	5,686	-	-	201,897
Compensated absences, current	1,955	9,239	9,167	1,409	21,770
Bonds payable, current	35,000	-	-	-	35,000
Notes payable, current	181,419	-	37,467	-	218,886
Total current liabilities	3,532,265	33,675	128,575	155,509	3,850,024
Noncurrent liabilities					
Compensated absences	651	3,079	3,055	469	7,254
Bonds payable	95,000	-	-	-	95,000
Notes payable	3,920,361	-	6,869,340	-	10,789,701
Net pension liability	180,236	34,663	322,378	34,720	571,997
Total noncurrent liabilities	4,196,248	37,742	7,194,773	35,189	11,463,952
Total liabilities	7,728,513	71,417	7,323,348	190,698	15,313,976
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows related to pensions	31,518	6,062	56,374	6,072	100,026
NET POSITION					
Net investment in capital assets	5,399,139	-	-	-	5,399,139
Restricted	1,286,219	-	1,461,235	-	2,747,454
Unrestricted (deficit)	(3,698,059)	(52,758)	121,654	(56,432)	(3,685,595)
Total net position	\$ 2,987,299	\$ (52,758)	\$ 1,582,889	\$ (56,432)	\$ 4,460,998

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, 2015

	Business-type Activities--Enterprise Funds				Total
	Wastewater Fund	Sanitation Fund	Water Fund	Cemetery Fund	
Operating revenue					
Charges for services	\$ 587,025	\$ 300,346	\$ 1,369,364	\$ 30,824	\$ 2,287,559
Operating expenses					
Personnel	173,841	33,684	309,484	33,605	550,614
Depreciation	264,582	-	242,271	-	506,853
Professional services	1,042	208,935	7,500	-	217,477
Utilities	81,010	357	93,070	1,593	176,030
Repairs and maintenance	25,956	285	61,185	1,746	89,172
Materials and supplies	35,032	4,156	59,766	4,692	103,646
Other	15,044	4,451	24,943	108	44,546
Insurance	14,453	-	12,777	3,366	30,596
Chemical tests	29,978	-	-	-	29,978
Total operating expenses	<u>640,938</u>	<u>251,868</u>	<u>810,996</u>	<u>45,110</u>	<u>1,748,912</u>
Operating income (loss)	<u>(53,913)</u>	<u>48,478</u>	<u>558,368</u>	<u>(14,286)</u>	<u>538,647</u>
Nonoperating revenue (expenses)					
Investment income	1,804	144	2,207	1,049	5,204
Interest expense	(129,248)	-	(317,136)	-	(446,384)
Total nonoperating revenue (expenses)	<u>(127,444)</u>	<u>144</u>	<u>(314,929)</u>	<u>1,049</u>	<u>(441,180)</u>
Income (loss) before contributions, gains, losses, and transfers	(181,357)	48,622	243,439	(13,237)	97,467
Capital contribution	693,802	-	37,830	-	731,632
Transfers in (out)	(34,823)	(65,908)	(55,636)	(4,100)	(160,467)
Increase (decrease) in net position	477,622	(17,286)	225,633	(17,337)	668,632
Total net position, beginning of year, as restated	<u>2,509,677</u>	<u>(35,472)</u>	<u>1,357,256</u>	<u>(39,095)</u>	<u>3,792,366</u>
Total net position, end of year	<u>\$ 2,987,299</u>	<u>\$ (52,758)</u>	<u>\$ 1,582,889</u>	<u>\$ (56,432)</u>	<u>\$ 4,460,998</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, 2015

	Business-type Activities--Enterprise Funds				
	Wastewater Fund	Sanitation Fund	Water Fund	Cemetery Fund	Total
Cash flows from operating activities:					
Receipts from customers	\$ 561,249	\$ 300,120	\$ 1,378,288	\$ 35,681	\$ 2,275,338
Payments to suppliers and providers of goods and services	(264,076)	(232,058)	(363,143)	(23,409)	(882,686)
Payments to employees	(114,618)	(22,008)	(205,798)	(21,122)	(363,546)
Net cash provided by (used by) operating activities	182,555	46,054	809,347	(8,850)	1,029,106
Cash flows from noncapital financing activities:					
Transfers (to)from other funds	(34,823)	(65,908)	(55,636)	(4,100)	(160,467)
Interfund borrowings (repayments)	196,211	5,686	(201,897)	-	-
Net cash provided by (used by) no capital financing activities	161,388	(60,222)	(257,533)	(4,100)	(160,467)
Cash flows from capital and related financing activities:					
Purchase of capital assets	(459,000)	-	(10,873)	-	(469,873)
Interest paid	(141,607)	-	(316,042)	-	(457,649)
Principal paid on long-term debt	(889,255)	-	(231,407)	-	(1,120,662)
Proceeds from capital grants	693,802	-	37,830	-	731,632
Proceeds from notes payable	2,974	-	-	-	2,974
Net cash provided by (used by) capital and related financing activities	(793,086)	-	(520,492)	-	(1,313,578)
Cash flows from investing activities:					
Interest received on investments	1,804	144	2,207	1,049	5,204
Net cash provided by (used by) investing activities	1,804	144	2,207	1,049	5,204
Net increase (decrease) in cash and cash equivalents	(447,339)	(14,024)	33,529	(11,901)	(439,735)
Cash and cash equivalents, beginning of year	1,494,473	14,024	2,482,420	144,157	4,135,074
Cash and cash equivalents, end of year	\$ 1,047,134	\$ -	\$ 2,515,949	\$ 132,256	\$ 3,695,339
Cash	\$ -	\$ -	\$ 1,753,890	\$ 132,256	\$ 1,886,146
Cash - restricted	1,047,134	-	762,059	-	1,809,193
Cash and cash equivalents, end of year	\$ 1,047,134	\$ -	\$ 2,515,949	\$ 132,256	\$ 3,695,339

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, 2015
(Continued)

	Business-type Activities--Enterprise Funds				Total
	Wastewater Fund	Sanitation Fund	Water Fund	Cemetery Fund	
Reconciliation of operating income					
(loss) to net cash provided by					
(used by) operating activities:					
Operating income (loss)	\$ (53,913)	\$ 48,478	\$ 558,368	\$ (14,286)	\$ 538,647
Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating activities:					
Depreciation	264,582	-	242,271	-	506,853
Pension expense	16,339	3,146	29,241	3,127	51,853
Employer pension contributions	(12,933)	(2,487)	(23,130)	(2,493)	(41,043)
(Increase) decrease in:					
Accounts receivable	(5,668)	(226)	7,029	(1,355)	(220)
Increase (decrease) in:					
Accounts payable	(3,417)	(1,869)	(2,168)	(16)	(7,470)
Accrued expenses	(2,193)	(358)	(3,536)	57	(6,030)
Deferred revenue	(20,108)	-	1,045	6,212	(12,851)
Refundable deposits	-	-	850	-	850
Compensated absences	(134)	(630)	(623)	(96)	(1,483)
Net cash provided by (used by) operating activities	\$ 182,555	\$ 46,054	\$ 809,347	\$ (8,850)	\$ 1,029,106

NONCASH INVESTING, CAPITAL, AND NON CAPITAL FINANCING ACTIVITIES:

The Water Fund 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, 2015

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, 2015

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, 2015

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 three 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 one 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, 2015

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, 2015 in the Wastewater, Sanitation, Water, and Cemetery Funds were \$3,994, \$1,959, \$8,148, and \$0, respectively.

G. Capital Assets

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

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

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

TOWN OF CLARKDALE, ARIZONA
Notes to Financial Statements
June 30, 2015

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 period(s) 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, 2015

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 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. The Town implemented this standard during this fiscal period. See the subsequent notes for further details.

In November 2013, the GASB issued Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68. The Town implemented this standard during this fiscal period. See the subsequent notes for further details.

TOWN OF CLARKDALE, ARIZONA
Notes to Financial Statements
June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

M. Pensions

For purposes of measuring the net pension (asset and) liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the pension plans' fiduciary net position and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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, 2015, the carrying amount of the Town's total cash in bank was \$4,930,638, and the bank balance was \$5,034,256. 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, 2015 consist of the following:

Deposits	
Cash on hand	\$ 798
Cash in bank	4,930,638
Cash held by trustee	824,708
Investments	
State Treasurer's Investment Pool	45,627
Total deposits and investments	5,801,771
Cash - restricted	(1,809,193)
Total cash and cash equivalents	\$ 3,992,578

TOWN OF CLARKDALE, ARIZONA
Notes to Financial Statements
June 30, 2015

NOTE 2 – DEPOSITS AND INVESTMENTS – Continued

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

	Wastewater Fund	Water Fund	Total
Debt Service	\$ 941,510	\$ 533,735	\$ 1,475,245
Clarkdale Water Trust Fund	-	185,349	185,349
MPC Trust	105,624	-	105,624
Customer deposits	-	42,975	42,975
	<u>\$ 1,047,134</u>	<u>\$ 762,059</u>	<u>\$ 1,809,193</u>

Investments—At June 30, 2015, the Town’s investments were reported at fair value. The Town’s investments consisted of the State Treasurer’s Local Government Investment (LGIP) Pool 7. LGIP Pool 7 is a short-term fund that invests in only products backed by the full faith and credit of the United State Government. LGIP Pool 7 is unrated.

The State Board of Deposit provides oversight for the State Treasurer’s pools, and the Local Government Investment Pool Advisory Committee provides consultation and advice to the Treasurer. The fair value of a participant’s position in the pool approximates the value of that participant’s pool shares. The shares are not identified with specific investments and are not subject to custodial credit risk.

TOWN OF CLARKDALE, ARIZONA
Notes to Financial Statements
June 30, 2015

NOTE 3 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015, was as follows:

	Balance July 1, 2014	Increase	Decreases	Balance June 30, 2015
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 670,001	\$ -	\$ -	\$ 670,001
Construction in progress	131,010	73,799	(27,887)	176,922
Total capital assets not being depreciated	801,011	73,799	(27,887)	846,923
Capital assets being depreciated:				
Buildings and improvements	1,980,623	9,795	-	1,990,418
Infrastructure	2,032,205	56,560	-	2,088,765
Machinery and equipment	767,406	39,885	-	807,291
Vehicles	396,811	25,127	-	421,938
Total	5,177,045	131,367	-	5,308,412
Less accumulated depreciation for:				
Buildings and improvements	(1,354,110)	(44,521)	-	(1,398,631)
Infrastructure	(477,548)	(138,316)	-	(615,864)
Machinery and equipment	(548,399)	(50,256)	-	(598,655)
Vehicles	(343,798)	(14,429)	-	(358,227)
Total	(2,723,855)	(247,522)	-	(2,971,377)
Total capital assets being depreciated, net	2,453,190	(116,155)	-	2,337,035
Governmental activities capital assets, net	\$ 3,254,201	\$ (42,356)	\$ (27,887)	\$ 3,183,958

TOWN OF CLARKDALE, ARIZONA
Notes to Financial Statements
June 30, 2015

NOTE 3 – CAPITAL ASSETS – Continued

	<u>Balance</u> <u>July 1, 2014</u>	<u>Increase</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2015</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 491,929	\$ 459,000	\$ -	\$ 950,929
Construction in progress	-	10,874	-	10,874
Total capital assets not being depreciated	<u>491,929</u>	<u>469,874</u>	<u>-</u>	<u>961,803</u>
Capital assets being depreciated:				
Sewer plant and equipment	10,008,948	-	-	10,008,948
Water distribution system	8,128,111	-	-	8,128,111
Total	<u>18,137,059</u>	<u>-</u>	<u>-</u>	<u>18,137,059</u>
Less accumulated depreciation for:				
Sewer plant and equipment	(781,007)	(264,582)	-	(1,045,589)
Water distribution system	(2,068,848)	(242,271)	-	(2,311,119)
Total	<u>(2,849,855)</u>	<u>(506,853)</u>	<u>-</u>	<u>(3,356,708)</u>
Total capital assets being depreciated, net	<u>15,287,204</u>	<u>(506,853)</u>	<u>-</u>	<u>14,780,351</u>
Business-type activities capital assets, net	<u>\$ 15,779,133</u>	<u>\$ (36,979)</u>	<u>\$ -</u>	<u>\$ 15,742,154</u>

Depreciation expense was charged to each function as follows:

Governmental activities:	
General government	\$ 47,102
Public safety	20,540
Highways and streets	159,642
Culture and recreation	20,238
Total governmental activities depreciation expense	<u>\$ 247,522</u>
Business-type activities:	
Wastewater	\$ 264,582
Water	242,271
Total business-type activities depreciation expense	<u>\$ 506,853</u>

TOWN OF CLARKDALE, ARIZONA
Notes to Financial Statements
June 30, 2015

NOTE 4 – DUE FROM OTHER GOVERNMENTS

Amounts due from other governments at June 30, 2015 consisted of the following:

State shared revenues:	
Highway user revenue fund	\$ 30,284
State sales tax	32,613
Auto lieu tax	11,432
Yavapai County Flood Control	7,432
State of Arizona grant revenues	25,019
	<u>\$ 106,780</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, 2015.

<i>Government-wide and Proprietary funds</i>	Governmental Activities	Business-type Activities				Total
		Wastewater Fund	Sanitation Fund	Water Fund	Cemetery Fund	
Builder advanced construction and planning costs	\$ -	\$ 1,981,838	\$ -	\$ -	\$ -	\$ 1,981,838
Phelps Dodge effluent water credit	-	1,066,337	-	-	-	1,066,337
Unapplied credits	-	335	1,130	8,452	153,814	163,731
Grant advances	40,587	-	-	-	-	40,587
Developer reimbursable	26,160	-	-	-	-	26,160
Miscellaneous	2,275	-	-	-	-	2,275
	<u>\$ 69,022</u>	<u>\$ 3,048,510</u>	<u>\$ 1,130</u>	<u>\$ 8,452</u>	<u>\$ 153,814</u>	<u>\$ 3,280,928</u>

<i>Governmental funds</i>	General Fund	Developer Reimbursement Fund	Grants Fund	Non-major Perpetual Care Fund	Total
Grant advances	\$ -	\$ -	\$ 40,587	\$ -	\$ 40,587
Developer reimbursable	-	26,160	-	-	26,160
Miscellaneous	-	-	-	2,275	2,275
	<u>\$ -</u>	<u>\$ 26,160</u>	<u>\$ 40,587</u>	<u>\$ 2,275</u>	<u>\$ 69,022</u>

TOWN OF CLARKDALE, ARIZONA
Notes to Financial Statements
June 30, 2015

NOTE 6 – LONG-TERM LIABILITIES

The following schedule details the Town’s long-term liability and obligation activity for the year ended June 30, 2015.

	Balance July 1, 2014	Additions	Reductions	Balance June 30, 2015	Due within 1 year
Governmental activities:					
Compensated absences	\$ 114,051	\$ 369	\$ -	\$ 114,420	\$ 85,815
Net pension liability	2,372,363	543,342	-	2,915,705	-
Notes payable	105,000	-	35,000	70,000	-
Governmental activities long-term liabilities	<u>\$ 2,591,414</u>	<u>\$ 543,711</u>	<u>\$ 35,000</u>	<u>\$ 3,100,125</u>	<u>\$ 85,815</u>
Business-type activities:					
Compensated absences	\$ 30,507	\$ -	\$ 1,483	\$ 29,024	\$ 21,770
Net pension liability	599,952	-	27,955	571,997	-
Capital leases payable	13,631	-	13,631	-	-
Bonds payable	160,000	-	30,000	130,000	35,000
Notes payable	11,929,096	2,974	1,077,031	10,855,039	211,209
Plus: deferred amount on premium	161,225	-	7,677	153,548	7,677
Business-type activities long-term liabilities	<u>\$ 12,894,411</u>	<u>\$ 2,974</u>	<u>\$ 1,157,777</u>	<u>\$ 11,739,608</u>	<u>\$ 275,656</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, 2015, were as follows:

Description	Original Amount	Maturity Ranges	Interest Rates	Outstanding Principal
Revenue Bonds, Series 1996	\$ 500,000	1997- 2016	4.50-6.35%	\$ 130,000

TOWN OF CLARKDALE, ARIZONA
Notes to Financial Statements
June 30, 2015

NOTE 6 – LONG-TERM LIABILITIES – Continued

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

	Governmental Activities	Business-type Activities
<p>Note payable to Greater Arizona Development Authority (GADA) requiring repayments of interest due semiannually beginning August 1, 2003 and principal payments due annually beginning August 1, 2004 with final payment due August 1, 2017. Interest rates follow a GADA bond issue rate that varies between 2.25% and 4.38%.</p>	\$ 70,000	\$ -
<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>	-	6,238,548
<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>	-	4,101,780
<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>	-	668,259
	\$ 70,000	\$ 11,008,587

Town of Clarkdale, Arizona
Notes to Financial Statements
June 30, 2015

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, 2015.

Year Ending June 30	Governmental Activities		Business-type Activities			
	Notes Payable		Notes Payable		Bonds Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ -	\$ 3,140	\$ 218,886	\$ 422,274	\$ 35,000	\$ 6,033
2017	35,000	1,655	397,016	407,056	95,000	-
2018	35,000	128	412,732	391,176	-	-
2019	-	-	428,614	376,726	-	-
2020	-	-	444,664	361,701	-	-
2021-25	-	-	2,470,332	1,556,812	-	-
2026-30	-	-	2,959,884	1,027,989	-	-
2031-35	-	-	3,216,459	374,677	-	-
2036-40	-	-	460,000	-	-	-
Total	\$ 70,000	\$ 4,923	\$ 11,008,587	\$ 4,918,411	\$ 130,000	\$ 6,033

NOTE 7 – RISK MANAGEMENT

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

Town of Clarkdale, Arizona
Notes to Financial Statements
June 30, 2015

NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

The Town contributes to the pension plans described below. The plans are component units of the State of Arizona.

At June 30, 2015, the Town reported the following aggregate amounts related to pensions for all plans to which it contributes:

Statement of Net Position and Statement of Activities	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Net pension liabilities	\$ 2,915,705	\$ 571,997	\$ 3,487,702
Deferred outflows of resources	809,688	98,547	908,235
Deferred inflows of resources	385,053	100,026	485,079
Pension expense	423,160	50,563	473,723

The Town reported \$214,851 of pension expenditures in the governmental funds related to all pension plans to which it contributes.

A. Arizona State Retirement System

Plan Description – Town employees not covered by the other pension plans described below participate in the Arizona State Retirement System (ASRS). The ASRS administers a cost-sharing multiple-employer defined benefit pension plan, a cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plan, and a cost-sharing multiple-employer defined benefit long-term disability (OPEB) plan. The Arizona State Retirement System Board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, Articles 2 and 2.1. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on its Web site at www.azasrs.gov.

Town of Clarkdale, Arizona
Notes to Financial Statements
June 30, 2015

NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Benefits Provided – The ASRS provides retirement, health insurance premium supplement, long-term disability, and survivor benefits. State statute establishes benefits terms. Retirement benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

ASRS	Retirement	
	Initial membership date:	
	Before July 1, 2011	On or after July 1, 2011
Years of service and age required to receive benefit	Sum of years and age equals 80 10 years age 62 5 years age 50* any years age 65	30 years age 55 25 years age 60 10 years age 62 5 years age 50* any years age 65
Final average salary is based on	Highest 36 months of last 120 months	Highest 60 months of last 120 months
Benefit percent per year of service	2.1% to 2.3%	2.1% to 2.3%

*With actuarially reduced benefits.

Retirement benefits for members who joined the ASRS prior to September 13, 2013, are subject to automatic cost-of-living adjustments based on excess investment earning. Members with a membership date on or after September 13, 2013, are not eligible for cost-of-living adjustments. Survivor benefits are payable upon a member’s death. For retired members, the survivor benefit is determined by the retirement benefit option chosen. For all other members, the beneficiary is entitled to the member’s account balance that includes the member’s contributions and employer’s contributions, plus interest earned.

Contributions – In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2015, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.6 percent (11.48 percent for retirement and 0.12 percent for long-term disability) of the members’ annual covered payroll, and the Town was required by statute to contribute at the actuarially determined rate of 11.6 percent (10.89 percent for retirement, 0.59 percent for health insurance premium benefit, and 0.12 percent for long-term disability) of the active members’ annual covered payroll. The Town’s contributions to the pension plan for the year ended June 30, 2015,

Town of Clarkdale, Arizona
Notes to Financial Statements
June 30, 2015

NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

were \$156,016. The Town’s contributions for the current and two preceding years for OPEB, all of which were equal to the required contributions, were as follows:

ASRS	<u>Health Benefit Supplement Fund</u>	<u>Long-term Disability Fund</u>
Year ended June 30,		
2015	\$7,673	\$1,614
2014	7,547	3,176
2013	6,882	2,901

During fiscal year 2015, the Town paid for ASRS pension and OPEB contributions as follows: 66 percent from the General Fund, 34 percent from major funds, and 1 percent from other funds.

Pension Liability – At June 30, 2015, the Town reported a liability of \$2,174,198 for its proportionate share of the ASRS’ net pension liability. The net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2013, to the measurement date of June 30, 2014. The Town’s proportion of the net pension liability was based on the Town’s actual contributions to the plan relative to the total of all participating employers’ contributions for the year ended June 30, 2014. The Town’s proportion measured as of June 30, 2014, was .014694 percent, which was an increase of .00098 from its proportion measured as of June 30, 2013.

Town of Clarkdale, Arizona
Notes to Financial Statements
June 30, 2015

NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Pension Expense and Deferred Outflows/Inflows of Resources – For the year ended June 30, 2015, the Town recognized pension expense for ASRS of \$192,193. At June 30, 2015, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

ASRS	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 110,499	\$ -
Net difference between projected and actual earnings on pension plan investments	-	380,201
Changes in proportion and differences between Town contributions and proportionate share of contributions	112,975	-
Town contributions subsequent to the measurement date	<u>151,111</u>	<u>-</u>
Total	<u>\$ 374,585</u>	<u>\$ 380,201</u>

The \$151,111 reported as deferred outflows of resources related to ASRS pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized in pension expense as follows:

Year ended June 30,		
2016	\$	2,112
2017		2,112
2018		(65,901)
2019		(95,049)
2020		-
Thereafter		-

Town of Clarkdale, Arizona
Notes to Financial Statements
June 30, 2015

NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Actuarial Assumptions – The significant actuarial assumptions used to measure the total pension liability are as follows:

ASRS

Actuarial valuation date	June 30, 2013
Actuarial roll forward date	June 30, 2014
Actuarial cost method	Entry age normal
Investment rate of return	8%
Projected salary increases	3 - 6.75 %
Inflation	3%
Permanent benefit increase	Included
Mortality rates	1994 GAM Scale BB

Actuarial assumptions used in the June 30, 2013, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2012.

The long-term expected rate of return on ASRS pension plan investments was determined to be 8.79 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

ASRS

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Equity	63%	7.03%
Fixed income	25%	3.20%
Real estate	8%	4.50%
Commodities	4%	4.75%
Total	<u>100%</u>	

Discount Rate – The discount rate used to measure the ASRS total pension liability was 8 percent, which is less than the long-term expected rate of return of 8.79 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board’s funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Town of Clarkdale, Arizona
Notes to Financial Statements
June 30, 2015

NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Sensitivity of the Town’s Proportionate Share of the ASRS Net Pension Liability to Changes in the Discount Rate – The following table presents the Town’s proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the Town’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7 percent) or 1 percentage point higher (9 percent) than the current rate:

ASRS	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
Town’s proportionate share of the net pension liability	\$ 2,748,075	\$ 2,174,198	\$ 1,862,841

Pension Plan Fiduciary Net Position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued ASRS financial report.

B. Public Safety Personnel Retirement System

Plan Descriptions – Town police employees participate in the Public Safety Personnel Retirement System (PSPRS). The PSPRS administers an agent multiple-employer defined benefit pension plan and an agent multiple-employer defined benefit health insurance premium benefit (OPEB) plan (agent plans). A seven-member board known as the Board of Trustees and the participating local boards govern the PSPRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 4.

The PSPRS issue publicly available financial reports that include their financial statements and required supplementary information. The reports are available on the PSPRS Web site at www.psprs.com.

Benefits Provided – The PSPRS provide retirement, health insurance premium supplement, disability, and survivor benefits. State statute establishes benefits terms.

Town of Clarkdale, Arizona
Notes to Financial Statements
June 30, 2015

NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Retirement, disability, and survivor benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

PSPRS

	<u>Initial membership date:</u>	
	Before January 1, 2012	On or after January 1, 2012
Retirement and Disability		
Years of service and age required to receive benefit	20 years any age 15 years age 62	25 years and age 52.5
Final average salary is based on	Highest 36 months of last 20 years	Highest 60 months of last 20 years
Benefit percent		
Normal Retirement	50% less 2.0% for each year of credited service less than 20 years OR plus 2.0% to 2.5% for each year of credited services over 20 years, not to exceed 80%	2.5% per year of credited service, not to exceed 80%
Accidental Disability Retirement	50% or normal retirement, whichever is greater	
Catastrophic Disability Retirement	90% for the first 60 months then reduced to either 62.5% or normal retirement, whichever is greater	
Ordinary Disability Retirement	Normal retirement calculated with actual years of credited service or 20 years of credited service, whichever is greater, multiplied by years of credited service (not to exceed 20 years) divided by 20	
Survivor Benefit		
Retired Members	80% of retired member's pension benefit	
Active Members	80% if accidental disability retirement benefit or 100% of average monthly compensation if death was result of injuries received on the job	

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on excess investment earning. PSPRS also provides temporary disability benefits of 50 percent of the member's compensation for up to 12 months.

Town of Clarkdale, Arizona
Notes to Financial Statements
June 30, 2015

NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Employees Covered by Benefit Terms – At June 30, 2015, the following employees were covered by the agent pension plans’ benefit terms:

PSPRS

	PSPRS Police
Inactive employees or beneficiaries currently receiving benefits	5
Inactive employees entitled to but not yet receiving benefits	2
Active employees	8
Total	15

Contributions and Annual OPEB Cost – State statutes establish the pension contribution requirements for active PSPRS employees. In accordance with state statutes, annual actuarial valuations determine employer contribution requirements for PSPRS pension and health insurance premium benefits. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. Contributions rates for the year ended June 30, 2015, are indicated below. Rates are a percentage of active members’ annual covered payroll.

PSPRS

	PSPRS Police
Active Members - Pension	11.05%
Town	
Pension	21.50%
Health insurance premium benefit	2.65%

Town of Clarkdale, Arizona
Notes to Financial Statements
June 30, 2015

NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

For the agent plans, the Town’s contributions to the pension plan and annual OPEB cost and contributions for the health insurance premium benefit for the year ended June 30, 2015, were:

Pension	<u>PSPRS Police</u>	
Contributions Made	\$	99,536
Health Insurance Premium Benefit		
Annual OPEB cost		2,339
Contributions made		2,339

During fiscal year 2015, the Town paid for PSPRS pension and OPEB contributions as follows: 95 percent from the General Fund and 4 percent from other funds.

Pension Liability (Asset) – At June 30, 2015, the Town reported the following net pension liability:

	<u>Net Pension Liability</u> <u>(Asset)</u>	
PSPRS Police	\$	1,313,504

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liabilities as of June 30, 2014, reflect the following changes of benefit terms and actuarial assumptions:

- In February 2014, the Arizona Supreme Court affirmed a Superior Court ruling that a 2011 law that changed the mechanism for funding permanent benefit increases was unconstitutional. As a result, the plans changed benefit terms to reflect the prior mechanism for funding permanent benefit increases and revised actuarial assumptions to explicitly value future permanent benefit increases.
- The wage growth actuarial assumption was decreased from 4.5 percent to 4.0 percent.

Town of Clarkdale, Arizona
Notes to Financial Statements
June 30, 2015

NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Pension Actuarial Assumptions – The significant actuarial assumptions used to measure the total pension liability are as follows:

Actuarial valuation date	June 30, 2014
Actuarial cost method	Entry age normal
Discount rate	7.85%
Projected salary increases	4.0%-80%
Inflation	4.0%
Permanent benefit increase	Included
Mortality rates	RP-2000 mortality table (adjusted by 105% for both males and females)

Actuarial assumptions used in the June 30, 2015, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2011.

The long-term expected rate of return on PSPRS pension plan investments was determined to be 7.85 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Short term investments	2%	3.25%
Absolute return	4%	6.75%
Risk parity	4%	6.04%
Fixed Income	7%	4.75%
Real assets	8%	5.96%
GTAA	10%	5.73%
Private Equity	11%	9.50%
Real estate	11%	6.50%
Credit opportunities	13%	8.00%
Non-U.S. equity	14%	8.63%
U.S. equity	16%	7.60%
Total	<u>100%</u>	

Town of Clarkdale, Arizona
Notes to Financial Statements
June 30, 2015

NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Pension Discount Rates – The following discount rates were used to measure the total pension liabilities:

PSPRS Police

Discount rates	7.85%
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The projection of cash flows used to determine the PSPRS discount rates assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the actuarially determined contribution rate and the member rate. Based on those assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Town of Clarkdale, Arizona
Notes to Financial Statements
June 30, 2015

NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Changes in the Net Pension Liability (Asset)

PSPRS	Increase (Decrease)		
	Total Pension Liability (Asset) (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2014	2,338,151	1,646,294	691,857
Changes for the year			
Service Cost	72,693	-	72,693
Interest on the total pension liability	180,915	-	180,915
Changes of benefit terms	106,791	-	106,791
Differences between expected and actual experience in the measurement of the pension liability	(42,678)	-	(42,678)
Changes of assumptions or other inputs	558,727	-	558,727
Contributions-employer	-	88,260	(88,260)
Contributions-employee	-	40,659	(40,659)
Net investment income	-	213,297	(213,297)
Benefit payments, including refunds of employee contributions	(139,695)	(139,695)	-
Other changes	-	(87,415)	87,415
Net changes	736,753	115,106	621,647
Balances at June 30, 2015	3,074,904	1,761,400	1,313,504

Sensitivity of the Town’s Net Pension Liability to Changes in the Discount Rate – The following table presents the Town’s net pension liabilities calculated using the discount rates noted above, as well as what the Town’s net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

PSPRS	1% Decrease	Current Discount Rate	1% Increase
PSPRS Police			
Rate	6.85%	7.85%	8.85%
Net pension liability	1,684,340	1,313,504	1,006,180

Pension Plan Fiduciary Net Position – Detailed information about the pension plans’ fiduciary net position is available in the separately issued PSPRS financial reports.

Town of Clarkdale, Arizona
Notes to Financial Statements
June 30, 2015

NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Pension Expense – For the year ended June 30, 2015, the Town recognized the following pension expense:

PSPRS

		<u>Pension Expense</u>
PSPRS Police	\$	281,530

Pension Deferred Outflows/Inflows of Resources – At June 30, 2015, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PSPRS	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 33,160
Changes of assumptions or other inputs	434,114	-
Net difference between projected and actual earnings on pension plan investments	-	71,719
Town contributions subsequent to the measurement date	99,536	-
	<u> </u>	<u> </u>
Total	<u>\$ 533,650</u>	<u>\$ 104,879</u>

Town of Clarkdale, Arizona
Notes to Financial Statements
June 30, 2015

NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

The amounts reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	PSPRS Police	
Year ended June 30,		
2016	\$	97,166
2017		97,166
2018		97,166
2019		37,737
2020		-
Thereafter		-

Agent Plan OPEB Actuarial Assumptions – The health insurance premium benefit contribution requirements for the year ended June 30, 2015, were established by the June 30, 2013, actuarial valuations, and those actuarial valuations were based on the following actuarial methods and assumptions.

Actuarial valuations involve estimates of the reported amounts' value and assumptions about the probability of events in the future. Amounts determined regarding the plans' funded status 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 progress for the health insurance premium benefit presented as required supplementary information 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.

Town of Clarkdale, Arizona
Notes to Financial Statements
June 30, 2015

NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Projections of benefits are based on (1) the plans as understood by the Town and plans’ 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 plans’ members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The actuarial methods and assumptions used to establish the fiscal year 2015 contribution requirements are as follows:

PSPRS - OPEB Contribution Requirements

Actuarial valuation date	June 30, 2013
Actuarial cost method	Entry age normal
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period	23 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value; 20% corridor
Actuarial assumptions:	
Investment rate of return	7.85%
Projected salary increases	4.5%-8.5%
Wage growth	4.5%

Agent Plan OPEB Trend Information – Annual OPEB cost information for the health insurance premium benefit for the current and two preceding years:

Year ended June 30,	Annual OPEB Cost	Percentage of Annual Cost Contributed	Net OPEB Obligation
PSPRS Police			
2015	\$ 7,842	0%	Not available
2014	6,314	0%	(38,553)
2013	6,772	0%	85,606

Agent Plan OPEB Funded Status – The health insurance premium benefit plans’ funded status as of the most recent valuation date, June 30, 2014, along with the actuarial assumptions and methods used in those valuations follow.

Town of Clarkdale, Arizona
Notes to Financial Statements
June 30, 2015

NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

		PSPRS Police
Actuarial value of assets (a)	\$	121,668
Actuarial accrued liability (b)		83,115
Unfunded actuarial accrued liability (funding excess) (b) - (a)		(38,553)
Funded ratio (a)/(b)		146.39%
Annual covered payroll (c)		402,195
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll (b) - (a) / (c)		0.00%

The actuarial methods and assumptions for the most recent valuation date are as follows:

PSPRS - OPEB Funded Status

Actuarial valuation date	June 30, 2014
Actuarial cost method	Entry age normal
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period	22 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value; 20% corridor
Actuarial assumptions:	
Investment rate of return	7.85%
Projected salary increases	4%-8%
Wage growth	4%

Town of Clarkdale, Arizona
Notes to Financial Statements
June 30, 2015

NOTE 9 – INTERFUND BALANCES AND ACTIVITY

Interfund transfers – During the year ended June 30, 2015, 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		
	General Fund	HURF Fund	Total
General Fund	\$ -	\$ 66,000	\$ 66,000
HURF/LTAF Fund	35,205	-	35,205
Grants Fund	11,283	-	11,283
Wastewater Fund	34,823	-	34,823
Sanitation Fund	65,908	-	65,908
Water Fund	55,636	-	55,636
Cemetery Fund	4,100	-	4,100
Total	<u>\$ 206,955</u>	<u>\$ 66,000</u>	<u>\$ 272,955</u>

NOTE 10 – CORRECTION OF AN ERROR

The Town increased unearned cemetery revenues by \$16,149 and decreased beginning net position of the Cemetery Fund by the same amount. The change also affected the beginning net position and unearned revenues of the Business-type Activities accordingly.

Town of Clarkdale, Arizona
Notes to Financial Statements
June 30, 2015

NOTE 11 – CHANGE IN ACCOUNTING PRINCIPLE

Net position as of July 1, 2014, has been restated as follows for the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

	Governmental Activities	Business-type Activities	Wastewater Fund
Net position as previously reported at June 30, 2014	<u>\$ 5,145,694</u>	<u>\$ 4,371,181</u>	<u>\$ 2,686,973</u>
Prior period adjustments-implementation of GASB 68:			
Net pension liability (measurement date as of June 30, 2013)	(2,372,363)	(599,952)	(189,045)
Deferred outflows-Town contributions made during fiscal year 2014	<u>192,701</u>	<u>37,286</u>	<u>11,749</u>
Total prior period adjustment	<u>(2,179,662)</u>	<u>(562,666)</u>	<u>(177,296)</u>
Net position, as restated, July 1, 2014	<u>\$ 2,966,032</u>	<u>\$ 3,808,515</u>	<u>\$ 2,509,677</u>
	Sanitation Fund	Water Fund	Cemetery Fund
Net position as previously reported at June 30, 2014	<u>\$ (1,378)</u>	<u>\$ 1,674,356</u>	<u>\$ 11,230</u>
Prior period adjustments-implementation of GASB 68:			
Net pension liability (measurement date as of June 30, 2013)	(36,353)	(338,113)	(36,441)
Deferred outflows-Town contributions made during fiscal year 2014	<u>2,259</u>	<u>21,013</u>	<u>2,265</u>
Total prior period adjustment	<u>(34,094)</u>	<u>(317,100)</u>	<u>(34,176)</u>
Net position, as restated, July 1, 2014	<u>\$ (35,472)</u>	<u>\$ 1,357,256</u>	<u>\$ (22,946)</u>

Town of Clarkdale, Arizona
Notes to Financial Statements
June 30, 2015

NOTE 12 – 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 Activities	Business-type Activities	Total
Ending net position, June 30, 2015			
Restricted for:			
Highway User Revenues	\$ 427,532	\$ -	\$ 427,532
Perpetual care	100,213	-	100,213
Court enhancement	3,260	-	3,260
Debt service	-	1,580,869	1,580,869
System improvements	-	185,349	185,349
Water Resource Development	-	625,466	625,466
Gila River Adjudication	-	66,091	66,091
Water Conservation	-	18,842	18,842
Regional Water Committees	-	21,129	21,129
Yavapai-Apache Gaming Compact:			
Clubhouse upgrades	5,000	-	5,000
TapcoRAP	13,841	-	13,841
Impact fees:			
Civic	15,356	-	15,356
Library	2,073	-	2,073
Police	3,199	-	3,199
Wastewater	-	239,085	239,085
Water	-	10,623	10,623
Donations:			
HCB	5,480	-	5,480
Library	11,379	-	11,379
Parks and recreation	42,750	-	42,750
Public safety	3,756	-	3,756
Memorials	578	-	578
Capital improvements	2,516	-	2,516
Total restricted	\$ 636,933	\$ 2,747,454	\$ 3,384,387

Town of Clarkdale, Arizona
Notes to Financial Statements
June 30, 2015

**NOTE 12 – GOVERNMENTAL FUND BALANCE/NET POSITION COMPONENTS –
Continued**

The components of governmental fund balances are as follows:

	General Fund	HURF/LTAF Fund	Developer Reimbursement Fund	Non-Major Govt'l Funds
Ending fund balances, June 30, 2015				
Restricted for:				
Highways and streets	\$ -	\$ 427,532	\$ -	\$ -
Perpetual care	-	-	-	100,213
Court enhancement	3,260	-	-	-
Yavapai-Apache Gaming Compact				
Clubhouse upgrades	5,000	-	-	-
TapcoRAP	13,841	-	-	-
Impact fees:				
Civic	-	-	-	15,356
Library	-	-	-	2,073
Police	-	-	-	3,199
Donations:				
HCB	5,480	-	-	-
Library	11,379	-	-	-
Parks and recreation	42,750	-	-	-
Public safety	3,756	-	-	-
Memorials	578	-	-	-
Capital improvements	2,516	-	-	-
Total restricted	<u>88,560</u>	<u>427,532</u>	<u>-</u>	<u>120,841</u>
Assigned for:				
Highways and streets	143,109	-	-	-
Code recodification	13,000	-	-	-
Pool plastering	25,000	-	-	-
Police services	13,799	-	-	-
Special development	-	-	600,613	-
Clubhouse upgrades	2,939	-	-	-
Men's lounge upgrades	23,162	-	-	-
VR@C	20,157	-	-	-
Economic development	17,088	-	-	-
Total assigned	<u>258,254</u>	<u>-</u>	<u>600,613</u>	<u>-</u>
Unassigned:	<u>612,552</u>	<u>-</u>	<u>-</u>	<u>13,552</u>
Total fund balances	<u>\$ 959,366</u>	<u>\$ 427,532</u>	<u>\$ 600,613</u>	<u>\$ 134,393</u>

Town of Clarkdale, Arizona
Notes to Financial Statements
June 30, 2015

**NOTE 12 – GOVERNMENTAL FUND BALANCE/NET POSITION COMPONENTS –
Continued**

The components of proprietary fund net position are as follows:

	Wastewater Fund	Water Fund	Total Proprietary Funds
Ending net position, June 30, 2015			
Restricted for:			
WIFA debt service	\$ 1,047,134	\$ 533,735	\$ 1,580,869
CWW trust	-	185,349	185,349
Impact fees	239,085	10,623	249,708
Water Resource Development	-	625,466	625,466
Gila River Adjudication	-	66,091	66,091
Water Conservation	-	18,842	18,842
Regional Water Committees	-	21,129	21,129
Total restricted	\$ 1,286,219	\$ 1,461,235	\$ 2,747,454



TOWN OF CLARKDALE, ARIZONA
Required Supplementary Information
Budgetary Comparison Schedules
General Fund
Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenue				
Taxes	\$ 1,460,083	\$ 1,460,083	\$ 1,373,744	\$ (86,339)
Intergovernmental	1,114,694	1,114,694	1,210,906	96,212
Fines and forfeitures	47,500	47,500	50,939	3,439
Licenses and permits	51,500	51,500	66,944	15,444
Charges for services	54,695	54,695	41,885	(12,810)
Rental income	8,800	8,800	13,152	4,352
Contributions	556,850	556,850	32,613	(524,237)
Investment income	450	450	2,831	2,381
Other revenue	358,207	358,207	8,316	(349,891)
Total revenue	<u>3,652,779</u>	<u>3,652,779</u>	<u>2,801,330</u>	<u>(851,449)</u>
Expenditures				
Current				
General government	2,413,772	2,338,887	1,103,204	1,235,683
Public safety	889,119	942,179	1,116,364	(174,185)
Highways and streets	437,215	443,315	404,976	38,339
Culture and recreation	244,247	235,247	241,373	(6,126)
Capital outlay	45,889	45,889	45,889	-
Debt service				
Principal	35,000	35,000	35,000	-
Interest	4,470	4,470	4,470	-
Total expenditures	<u>4,069,712</u>	<u>4,044,987</u>	<u>2,951,276</u>	<u>1,093,711</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(416,933)</u>	<u>(392,208)</u>	<u>(149,946)</u>	<u>242,262</u>
Other financing sources (uses)				
Transfers in (out)	<u>63,962</u>	<u>63,962</u>	<u>140,955</u>	<u>76,993</u>
Net change in fund balances	<u>(352,971)</u>	<u>(328,246)</u>	<u>(8,991)</u>	<u>319,255</u>
Fund balances, beginning of year	<u>968,357</u>	<u>968,357</u>	<u>968,357</u>	<u>-</u>
Fund balances, end of year	<u>\$ 615,386</u>	<u>\$ 640,111</u>	<u>\$ 959,366</u>	<u>\$ 319,255</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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenue				
Intergovernmental	\$ 299,054	\$ 299,054	\$ 319,804	\$ 20,750
Investment income	549	549	2,369	1,820
Other revenue	-	-	5,450	5,450
Total revenue	<u>299,603</u>	<u>299,603</u>	<u>327,623</u>	<u>28,020</u>
Expenditures				
Current				
Highways and streets	567,058	567,058	268,590	298,468
Capital outlay	10,485	10,485	10,485	-
Total expenditures	<u>577,543</u>	<u>577,543</u>	<u>279,075</u>	<u>298,468</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(277,940)</u>	<u>(277,940)</u>	<u>48,548</u>	<u>326,488</u>
Other financing sources (uses)				
Transfers in (out)	52,445	52,445	30,795	(21,650)
Net change in fund balances	(225,495)	(225,495)	79,343	304,838
Fund balances, beginning of year	<u>348,189</u>	<u>348,189</u>	<u>348,189</u>	<u>-</u>
Fund balances, end of year	<u><u>\$ 122,694</u></u>	<u><u>\$ 122,694</u></u>	<u><u>\$ 427,532</u></u>	<u><u>\$ 304,838</u></u>

See accompanying notes to budgetary comparison schedule.

TOWN OF CLARKDALE, ARIZONA
Required Supplementary Information
Budgetary Comparison Schedules
Developer Reimbursement Fund
Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenue				
Other revenue	\$ 800,000	\$ 800,000	\$ 2,468	\$ (797,532)
Expenditures				
Current				
General government	1,106,030	1,106,030	5,136	1,100,894
Excess (deficiency) of revenue over (under) expenditures	(306,030)	(306,030)	(2,668)	303,362
Fund balances, beginning of year	603,281	603,281	603,281	-
Fund balances, end of year	\$ 297,251	\$ 297,251	\$ 600,613	\$ 303,362

See accompanying notes to budgetary comparison schedule.

TOWN OF CLARKDALE, ARIZONA
Required Supplementary Information
Budgetary Comparison Schedules
Grants Fund
Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenue				
Intergovernmental	\$ 4,362,921	\$ 4,362,921	\$ 164,803	\$ (4,198,118)
Expenditures				
Current				
General government	4,402,890	4,402,890	15,839	4,387,051
Public safety	20,313	20,313	20,313	-
Highways and streets	4,203	4,203	4,203	-
Culture and recreation	5,601	5,601	5,601	-
Capital outlay	111,390	111,390	111,390	-
Total expenditures	4,544,397	4,544,397	157,346	4,387,051
Excess (deficiency) of revenue over (under) expenditures	(181,476)	(181,476)	7,457	188,933
Other financing sources (uses)				
Transfers in (out)	(7,440)	(7,440)	(11,283)	(3,843)
Net change in fund balances	(188,916)	(188,916)	(3,826)	185,090
Fund balances, beginning of year	(2,648)	(2,648)	(2,648)	-
Fund balances, end of year	\$ (191,564)	\$ (191,564)	\$ (6,474)	\$ 185,090

See accompanying notes to budgetary comparison schedule.

TOWN OF CLARKDALE, ARIZONA
Required Supplementary Information
Notes to Budgetary Comparison Schedules
June 30, 2015

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 the Town's Proportionate
 Share of the Net Pension Liability
 Cost-Sharing Pension Plans
 June 30, 2015**

Arizona State Retirement System

	Reporting Fiscal Year (Measurement Date)	
	2015 (2014)	2014 through 2006
Town's proportion of the net pension liability	0.014694%	Information not available
Town's proportionate share of the net pension liability	\$ 2,174,198	Information not available
Town's covered-employee payroll	\$ 1,254,221	
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	173.35%	
Plan fiduciary net position as a percentage of the total pension liability	69.49%	

See accompanying notes to pension plan schedules.

Town of Clarkdale, Arizona
Required Supplementary Information
Schedule of Changes in the Town's
Net Pension Liability (Asset) and Related Ratios
Agent Pension Plans
June 30, 2015

PSPRS

	<u>Reporting Fiscal Year</u> <u>(Measurement Date)</u>	
	<u>2015</u> <u>(2014)</u>	<u>2014 through</u> <u>2006</u>
Total pension liability		Information not available
Service cost	\$ 72,693	
Interest on the total pension liability	180,915	
Changes of benefit terms	106,791	
Differences between expected and actual experience in the measurement of the pension liability	(42,678)	
Changes of assumptions or other inputs	558,727	
Benefit payments, including refunds of employee contributions	<u>(139,695)</u>	
Net change in total pension liability	736,753	
Total pension liability - beginning	<u>2,338,151</u>	
Total pension liability - ending (a)	<u><u>\$ 3,074,904</u></u>	
Plan fiduciary net position		
Contributions - employer	\$ 88,260	
Contributions - employee	40,659	
Net investment income	213,297	
Benefit payments, including refunds of employee contributions	(139,695)	
Administrative expense	-	
Other changes	<u>(87,415)</u>	
Net change in plan fiduciary net position	115,106	
Plan fiduciary net position - beginning	<u>1,646,294</u>	
Plan fiduciary net position - ending (b)	<u><u>\$ 1,761,400</u></u>	
Town's net pension liability (asset) - ending (a) - (b)	<u><u>\$ 1,313,504</u></u>	
Plan fiduciary net position as a percentage of the total pension liability	57.28%	
Covered-employee payroll	\$ 402,194	
Town's net pension liability (asset) as a percentage of covered- employee payroll	326.58%	

See accompanying notes to pension plan schedules.

Town of Clarkdale, Arizona
Required Supplementary Information
Schedule of Town Pension Contributions
June 30, 2015

Arizona State Retirement System

	<u>Reporting Fiscal Year</u>		2013 through 2006
	2015	2014	
Statutorily required contribution	\$ 151,111	\$ 141,727	Information not available
Town's contributions in relation to the statutorily required contribution	<u>(151,111)</u>	<u>(141,727)</u>	
Town's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	
Town's covered-employee payroll	<u>\$ 1,316,298</u>	<u>\$ 1,254,221</u>	
Town's contributions as a percentage of covered-employee payroll	11.48%	11.30%	

PSPRS

	<u>Reporting Fiscal Year</u>		2013 through 2006
	2015	2014	
Actuarially determined contribution	\$ 99,536	\$ 88,260	Information not available
Town's contributions in relation to the actuarially determined contribution	<u>(99,536)</u>	<u>(88,260)</u>	
Town's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	
Town's covered-employee payroll	<u>\$ 412,157</u>	<u>\$ 517,047</u>	
Town's contributions as a percentage of covered-employee payroll	24.15%	17.07%	

See accompanying notes to pension plan schedules.

Town of Clarkdale, Arizona
Required Supplementary Information
Notes to Pension Plan Schedules
June 30, 2015

NOTE 1 – ACTUARIALLY DETERMINED CONTRIBUTION RATES

Actuarial determined contribution rates for PSPRS are calculated as of June 30 two years prior to the end of the fiscal year in which contributions are made. The actuarial methods and assumptions used to establish the contribution requirements are as follows:

Actuarial cost method	Entry age normal
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period as of the 2013 actuarial valuation	23 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value; 20% corridor
Actuarial assumptions:	
Investment rate of return	In 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%
Projected salary increases	In 2013 actuarial valuation, projected salary increases were decreased from 5.0% - 9.0% to 4.5% - 8.5%
Wage growth	In 2013 actuarial valuation, wage growth was decreased from 5.0% to 4.5%
Retirement age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006 - June 30, 2011.
Mortality	RP-2000 mortality table (adjusted by 105% for both males and females)

Town of Clarkdale, Arizona
Required Supplementary Information
Schedule of Agent OPEB Plans' Funding Progress
June 30, 2015

Health Insurance Premium Benefit - PSPRS

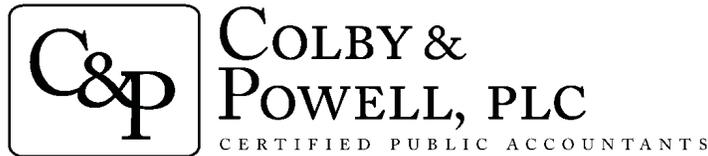
Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Funding (Liability) Excess (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded Liability as Percentage of Covered Payroll ([a-b]/c)
06/30/14	\$ 121,668	\$ 83,115	\$ (38,553)	146.4 %	\$ 402,195	0.0 %
06/30/13	-	85,606	85,606	0.0	346,915	24.7
06/30/12	-	81,414	81,414	0.0	216,113	37.7

See accompanying notes to schedule of agent OPEB plans' funding progress.

Town of Clarkdale, Arizona
Required Supplementary Information
Notes to Schedule of Agent OPEB Plans' Funding Progress
June 30, 2015

NOTE 1 – FACTORS THAT AFFECT THE IDENTIFICATION OF TRENDS

Beginning in fiscal year 2014, PSPRS established separate funds for pension benefits and health insurance premium benefits. Previously, the plan recorded both pension and health insurance premium contributions in the same Pension Fund. During fiscal year 2014, the plan transferred prior-year health insurance premium benefit contributions that exceeded benefit payments from the plan's Pension Fund to the new Health Insurance Fund.



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

To the Town Council
Town of Clarkdale, Arizona

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Clarkdale, Arizona, as of and for the year ended June 30, 2015, 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 December 17, 2015.

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.



December 17, 2015