



Staff Report

Agenda Item: **FISCAL YEAR 2006 AND FISCAL YEAR 2007 AUDITED FINANCIAL STATEMENTS – Presentation of the audit reports and consideration of approval of the 2006 and 2007 Fiscal Year Audits.**

Staff Contact: **Carlton Woodruff, Finance Director**

Meeting Date: **April 08, 2008**

Background:

The annual audit and the auditor reports have been completed for Fiscal Years 2006 and 2007. All applicable copies have been sent to the Auditor General as required. The first report is the ANNUAL EXPENDITURE LIMITATIONS REPORT. It is presented on the basis of accounting prescribed by the Uniform Expenditure Reporting System (UERS), as required by the Arizona Revised Statutes, and in accordance with the voter-approved alternative expenditure limitation. This report is done to comply with the uniform expenditure reporting system and should not be used for any other purpose.

The second report included in your packet is the ANNUAL FINANCIAL REPORT. This report summarizes all funds including General, Streets, Water, Wastewater, Sanitation, and Cemetery. The Management's Discussion and Analysis provides an overview of the financial activities and an introduction to the basic financial statements and can be found on page three of the report.

Please note that the 2006 audit report is being presented along with the 2007 audit report due to the date of completion. The 2006 final report was not delivered until after the end of fiscal year 2007, and as a result, no changes in policy or procedure could have resulted before the 2007 audit was performed. This does, however, provide a comparison of two very different economic conditions. In both years, General Fund Revenue exceeded expenditures, and net assets grew from 2006 to 2007. Unrestricted net assets, those assets the Town may use to meet ongoing obligations, decreased from 2006 to 2007 by \$596,533. Revenues in 2007 did not grow as expected due to the economic downturn and therefore did not exceed budgeted revenues as compared to 2006.

Recommendation: **Staff recommends Council approve the Fiscal Year 2006 and Fiscal Year 2007 Audits.**

TOWN OF CLARKDALE, ARIZONA
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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TOWN OF CLARKDALE, ARIZONA
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and the Town Council of the
Town of Clarkdale, Arizona

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 (Town), as of and for the year ended June 30, 2007, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Clarkdale, Arizona, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General, HURF and Developer Reimbursement Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 3 - 11 and the Public Safety Personnel Retirement System Schedule of Funding Progress on page 50 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 15, 2008 on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Cronstrom, Osuch & Company, P.C.

Cronstrom, Osuch & Company, P.C.

February 15, 2008

Management's Discussion and Analysis

We (the Town of Clarkdale, Arizona) are pleased to provide an overview of our financial activities for the fiscal year ended June 30, 2007. 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 operation.

Financial Highlights

- ◆ The assets of the Town of Clarkdale, Arizona exceeded its liabilities at the close of the most recent fiscal year by \$5,765,246 (net assets). Of this amount \$2,225,276 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- ◆ As of the close of the current fiscal year, the Town of Clarkdale, Arizona's governmental funds reported combined ending fund balances of \$1,105,560, an increase of \$81,462 in comparison with the prior year.
- ◆ At the end of the current fiscal year, unreserved fund balance for the General Fund was \$70,601 or 2% of total General Fund expenditures.
- ◆ General Fund revenues (on a budgetary basis) were exceeded by budgeted revenues by \$103,194 for the fiscal year. Additionally, budgetary basis expenditures were only 78% (\$811,469 (22%) in savings) of the final budget in the General Fund.
- ◆ General Fund revenues exceeded expenditures by \$358,644; a positive variance of \$708,275 from the original budget.
- ◆ The Town includes one type of separate legal entity in its report - a Municipal Property Corporation. Although legally separate, this "component unit" is important because the Town is financially accountable for it. A description of the component unit is available in Note 1 to the Basic Financial Statements on page 29. Separate Financial Statements are not available for this entity.

Overview of the Financial Statements

The Annual Financial Report (AFR) for the Town of Clarkdale, Arizona consists of this discussion and analysis, the basic financial statements and the required supplementary schedules presented after the basic financial statements. The basic financial statements include the government-wide financial statements, fund financial statements, including the budgetary statements for the General Fund and major special revenue funds, and notes to the basic financial statements.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the Town of Clarkdale, Arizona's finances, in a manner similar to private-sector business.

The statement of net assets presents information on all of the Town of Clarkdale, Arizona's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as useful indicators of whether the financial position of the Town of Clarkdale, Arizona is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Town of Clarkdale, Arizona that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town of Clarkdale, Arizona include general government, public safety, highways and streets, and culture and recreation. The business-type activities include water, wastewater treatment, sanitation and cemetery.

The government-wide financial statements can be found on pages 14 - 15 of this report.

Fund financial statements. Also presented are fund financial statements for governmental funds. The fund financial statements focus on major funds of the Town. 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, Arizona, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town of Clarkdale, Arizona can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Since the governmental fund financial statements focus on near-term spendable resources, while the governmental activities on the government-wide financial statements have a longer term focus, a reconciliation of the differences between the two is provided with the fund financial statements.

The basic governmental fund financial statements can be found on pages 16 - 22 of this report.

Proprietary funds. The Town of Clarkdale, Arizona maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town of Clarkdale, Arizona uses enterprise funds to account for its water, wastewater treatment, sanitation 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 provide separate information for the individual funds, each of which are considered to be major funds of the Town of Clarkdale, Arizona.

The basic proprietary fund financial statements can be found on pages 23 - 26 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town of Clarkdale, Arizona's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 27 - 28 of this report.

Notes to the basic financial statements. The notes to the basic financial statements (pages 29 - 48) provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements and should be read with the financial statements.

Required supplementary information other than MD&A. Governments have an option of including the budgetary comparison statements for the General Fund and major special revenue funds as part of the fund financial statements within the basic financial statements. The Town has chosen to present these budgetary statements as part of the basic financial statements. Additionally, governments are required to disclose certain information about employee pension funds. The Town has disclosed this information in Note 4 to the basic financial statements.

Government-wide Financial Analysis

Net assets may serve over time as useful indicators of a government's financial position. The following table reflects the condensed Statement of Net Assets of the Town for June 30, 2007 showing that assets exceeded liabilities by \$5,765,246.

TOWN OF CLARKDALE, ARIZONA
CONDENSED STATEMENT OF NET ASSETS
JUNE 30, 2007 AND 2006

	Governmental Activities		Business-type Activities		Totals	
	2007	2006	2007	2006	2007	2006
Assets						
Current and other assets	\$ 1,269,810	\$ 1,149,597	\$ 4,997,253	\$ 5,850,842	\$ 6,267,063	\$ 7,000,439
Capital assets						
Non-depreciable	568,785	568,785	283,369	1,845,113	852,154	2,413,898
Depreciable (net)	<u>1,561,204</u>	<u>1,105,601</u>	<u>6,147,551</u>	<u>3,626,968</u>	<u>7,708,755</u>	<u>4,732,569</u>
Total assets	<u>3,399,799</u>	<u>2,823,983</u>	<u>11,428,173</u>	<u>11,322,923</u>	<u>14,827,972</u>	<u>14,146,906</u>
Liabilities						
Other liabilities	157,416	117,936	409,233	709,603	566,649	827,539
Noncurrent liabilities						
Due within one year	149,771	119,953	187,677	27,677	337,448	147,630
Due in more than one year	<u>441,342</u>	<u>328,866</u>	<u>7,717,287</u>	<u>7,904,964</u>	<u>8,158,629</u>	<u>8,233,830</u>
Total liabilities	<u>748,529</u>	<u>566,755</u>	<u>8,314,197</u>	<u>8,642,244</u>	<u>9,062,726</u>	<u>9,208,999</u>
Net assets						
Invested in capital assets, net of related debt	1,636,726	1,316,033	1,589,369	513,045	3,226,095	1,829,078
Restricted	313,875	287,020	-	-	313,875	287,020
Unrestricted	<u>700,669</u>	<u>654,175</u>	<u>1,524,607</u>	<u>2,167,634</u>	<u>2,225,276</u>	<u>2,821,809</u>
Total net assets	<u>\$ 2,651,270</u>	<u>\$ 2,257,228</u>	<u>\$ 3,113,976</u>	<u>\$ 2,680,679</u>	<u>\$ 5,765,246</u>	<u>\$ 4,937,907</u>

Net assets consist of three components. The largest portion of the Town of Clarkdale, Arizona's net assets (56%) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The Town of Clarkdale, Arizona uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Clarkdale, Arizona's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The Water Fund reported a negative investment in capital assets, net of related debt due to the Town issuing debt and financing the issuance costs and a portion of the future interest payments with no principal payments being made to date.

An additional portion of the Town of Clarkdale, Arizona's net assets (5%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$2,225,276) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Town of Clarkdale, Arizona is able to report positive balances in all three categories of net assets for the government as a whole.

TOWN OF CLARKDALE, ARIZONA
CHANGES IN NET ASSETS
FOR THE FISCAL YEARS ENDED JUNE 30, 2007 AND 2006

	Governmental Activities		Business-type Activities		Totals	
	2007	2006	2007	2006	2007	2006
Revenues						
Program revenues						
Fees, fines and charges for services	\$ 423,025	\$ 773,838	\$ 2,197,661	\$ 881,996	\$ 2,620,686	\$ 1,655,834
Operating grants and contributions	523,280	656,770	35,000	-	558,280	656,770
Capital grants and contributions	514,518	-	303,439	853,247	817,957	853,247
General revenues						
Local taxes	2,065,512	1,478,786	-	-	2,065,512	1,478,786
State shared revenues	651,094	615,426	-	-	651,094	615,426
Investment earnings	<u>122,317</u>	<u>95,970</u>	<u>128,737</u>	<u>65,791</u>	<u>251,054</u>	<u>161,761</u>
Total revenues	<u>4,299,746</u>	<u>3,620,790</u>	<u>2,664,837</u>	<u>1,801,034</u>	<u>6,964,583</u>	<u>5,421,824</u>
Expenses						
General government	1,734,382	1,524,818	-	-	1,734,382	1,524,818
Public safety	1,460,782	1,029,548	-	-	1,460,782	1,029,548
Highways and streets	559,138	491,699	-	-	559,138	491,699
Culture and recreation	121,376	161,496	-	-	121,376	161,496
Redevelopment and housing	-	13,448	-	-	-	13,448
Wastewater	-	-	380,294	258,922	380,294	258,922
Sanitation	-	-	217,160	182,939	217,160	182,939
Cemetery	-	-	83,619	60,488	83,619	60,488
Clarkdale Municipal Water Utility	<u>-</u>	<u>-</u>	<u>1,580,493</u>	<u>261,591</u>	<u>1,580,493</u>	<u>261,591</u>
Total expenses	<u>3,875,678</u>	<u>3,221,009</u>	<u>2,261,566</u>	<u>763,940</u>	<u>6,137,244</u>	<u>3,984,949</u>
Change in net assets before transfers	424,068	399,781	403,271	1,037,094	827,339	1,436,875
Transfers	<u>(30,026)</u>	<u>-</u>	<u>30,026</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net assets	394,042	399,781	433,297	1,037,094	827,339	1,436,875
Net assets, beginning of year	<u>2,257,228</u>	<u>1,857,447</u>	<u>2,680,679</u>	<u>1,643,585</u>	<u>4,937,907</u>	<u>3,501,032</u>
Net assets, end of year	<u>\$ 2,651,270</u>	<u>\$ 2,257,228</u>	<u>\$ 3,113,976</u>	<u>\$ 2,680,679</u>	<u>\$ 5,765,246</u>	<u>\$ 4,937,907</u>

Governmental and business-type activities. Net assets for the governmental activities increased over the prior year by \$3,316,331. As in the prior year, the Town recorded a net increase in the operations of its governmental funds. The increase is part of the Town's fiscal management policy to spend within the budget limits and carryover spending to future years. Additionally, during the year, the City recorded a significant increase in local sales tax revenue.

Expenses of the governmental activities significantly increased mainly in the general government and public safety function. The expenses increased mainly due to the increased planning and zoning expenses from the new housing developments and increased personnel costs in both police and fire and higher police equipment purchases.

The activity of the Sanitation and Cemetery Funds did not significantly change during the fiscal year. The Wastewater Fund, however, did experience a significant increase in activity mainly due to sewer connections related to the Mountain Gate subdivision. In addition, the Town entered into an agreement with the City of Cottonwood for the purchase of a water company in the prior year. Fiscal year 06-07 was the first full year of operation. All activity related to this purchase is accounted for in the Water Fund which is a major fund of the Town.

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, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Types of governmental funds reported by the Town include the General Fund, Special Revenue Funds, a Capital Projects Fund and a Permanent Fund.

As of the end of the current fiscal year the Town's governmental funds reported combined ending fund balances of \$1,105,560, an increase of \$81,462 in comparison with the prior year. Approximately 6% of this total amount (\$70,601) constitutes General Fund balance, which is available for contribution to the designated, undesignated and reserved fund balance. At fiscal year-end fund balances were as follows:

Fund	Balance	Increase (Decrease) From 2005-06
General Fund	\$ 70,601	\$ (500,796)
HURF Fund	313,875	26,855
Developer Reimbursement Fund	127,101	166,570
Nonmajor Governmental Funds	593,983	388,833

The General Fund is the chief operating fund of the Town of Clarkdale, Arizona. As a measure of the General Fund's liquidity, it may be useful to compare both General Fund balance and total fund balance to total fund expenditures. General Fund balance represents 2 percent of total General Fund expenditures, while total fund balance represents 25 percent of total governmental funds' expenditures.

The fund balance of the Town of Clarkdale, Arizona's General Fund decreased by \$(500,796) during the current fiscal year mainly due to the Town transferring construction sales tax monies to its CIP capital projects fund.

The HURF Fund increased by \$26,855 which was not significant.

The fund balance of the Developer Reimbursement Fund increased by \$166,570 mainly due to the slowing of development within the Town.

All nonmajor governmental funds of the Town are combined into one column on the governmental fund statements. The net change in fund balance for these funds during the fiscal year increased mainly due to the Town not expending its CIP capital projects funds during the year.

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

General Fund revenues of \$3,316,331, on a budgetary basis, were lower than budgeted revenues of \$3,419,525 by \$103,194 while General Fund expenditures of \$2,957,687 were only 78% of budgeted expenditures (savings of \$811,469). These variances were primarily due to the following: contingency profits were not expended, new development revenues were not budgeted, local sales tax was higher than expected and police and planning and zoning expenditures were less than expected due to understaffing.

Capital Asset and Debt Administration

The Town's net capital assets for its governmental and business-type activities as of June 30, 2007 amount to \$8,560,909, a net increase of 19.8% from 2006. For government-wide financial statement presentation, all depreciable capital assets were depreciated from acquisition date to the end of the current fiscal year. Fund financial statements record capital asset purchases as expenditures. See Note 3 in the Notes to the Basic Financial Statements for further information regarding capital assets.

Major capital asset events during the current fiscal year included the following:

- ◆ Building renovations.
- ◆ Wastewater effluent upgrades.
- ◆ Lease-purchase of street sweeper.
- ◆ Purchases of numerous vehicles.

The following table provides a breakdown of the capital assets of the Town at June 30, 2007 and 2006.

Capital Assets at June 30, 2007 and 2006
(Net of depreciation)

	Governmental Activities		Business-type Activities		Totals	
	2007	2006	2007	2006	2007	2006
Land	\$ 568,785	\$ 568,785	\$ 283,369	\$ 283,369	\$ 852,154	\$ 852,154
Construction in progress	-	-	-	1,561,744	-	1,561,744
Infrastructure	275,530	74,849	-	-	275,530	74,849
Buildings and improvements	810,655	772,997	-	-	810,655	772,997
Furniture, machinery, equipment and vehicles	475,019	257,755	-	-	475,019	257,755
Water system	-	-	2,581,648	2,835,807	2,581,648	2,835,807
Sewer plant and equipment	-	-	3,565,903	791,161	3,565,903	791,161
Totals	<u>\$ 2,129,989</u>	<u>\$ 1,674,386</u>	<u>\$ 6,430,920</u>	<u>\$ 5,472,081</u>	<u>\$ 8,560,909</u>	<u>\$ 7,146,467</u>

Long-term Obligations

At the end of the current fiscal year, the Town of Clarkdale, Arizona had total long-term obligations outstanding of \$8,281,113. The Town entered into a lease purchase agreement for the purchase of a street sweeper during the fiscal year. All outstanding debt is secured by pledges of specific revenue sources of the Town.

The following schedule shows the outstanding obligations of the Town (both current and long-term) as of June 30, 2007 and 2006. Further detail on the Town's outstanding obligations may be found in Note 3 on pages 44 - 45.

Outstanding Obligations at June 30, 2007 and 2006

	Governmental Activities		Business-type Activities		Totals	
	2007	2006	2007	2006	2007	2006
Revenue bonds	\$ -	\$ -	\$ 305,000	\$ 325,000	\$ 305,000	\$ 325,000
Loan payable	300,000	325,000	-	-	300,000	325,000
Notes payable	-	-	7,385,000	7,385,000	7,385,000	7,385,000
Capital leases	168,263	8,353	-	-	168,263	8,353
Compensated absences	122,850	115,466	-	-	122,850	115,466
Totals	<u>\$ 591,113</u>	<u>\$ 448,819</u>	<u>\$ 7,690,000</u>	<u>\$ 7,710,000</u>	<u>\$ 8,281,113</u>	<u>\$ 8,158,819</u>

Economic Factors and Next Year's Budgets and Rates

- ◆ Two developers are currently building new housing.
- ◆ Construction sales tax.
- ◆ Increased health insurance rates.
- ◆ Increased Arizona State Retirement rates.
- ◆ Increased Public Safety Retirement rates.
- ◆ Employee wage increases.
- ◆ Construction of new Wastewater Treatment Plant.
- ◆ Construction of Wastewater Effluent Disposal Line.
- ◆ Construction of trail following Wastewater Effluent Disposal Line.
- ◆ Conditional Use Permit issued for Slag Pile Reclamation Project thus increasing the need to complete the Broadway/Industrial Route extension.
- ◆ IT/Telecom improvements.

Financial contact

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
Accounting Department
P.O. Box 308
Clarkdale, AZ 86324
(928) 634-9591

Or visit our website at:

<http://www.clarkdale.az.us>

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Basic Financial Statements

TOWN OF CLARKDALE, ARIZONA
STATEMENT OF NET ASSETS
JUNE 30, 2007

	Governmental Activities	Business-type Activities	Totals
Assets			
Cash and cash equivalents	\$ 1,037,046	\$ 305,539	\$ 1,342,585
Receivables			
Accounts receivable	43,966	160,868	204,834
Taxes receivable	152,920	-	152,920
Intergovernmental receivable	85,740	-	85,740
Internal balances	(49,862)	49,862	-
Deferred charges	-	557,630	557,630
Restricted assets	-	3,923,354	3,923,354
Capital assets			
Non-depreciable	568,785	283,369	852,154
Depreciable (net)	<u>1,561,204</u>	<u>6,147,551</u>	<u>7,708,755</u>
Total assets	<u>3,399,799</u>	<u>11,428,173</u>	<u>14,827,972</u>
Liabilities			
Accounts payable	34,410	13,804	48,214
Accrued wages and benefits	72,061	-	72,061
Interest payable	6,354	181,210	187,564
Developer agreements payable	19,591	118,776	138,367
Customer deposits payable	-	75,443	75,443
Matured debt principal payable	25,000	20,000	45,000
Noncurrent liabilities			
Due within one year	149,771	187,677	337,448
Due in more than one year	<u>441,342</u>	<u>7,717,287</u>	<u>8,158,629</u>
Total liabilities	<u>748,529</u>	<u>8,314,197</u>	<u>9,062,726</u>
Net assets			
Invested in capital assets, net of related debt	1,636,726	1,589,369	3,226,095
Restricted for			
Highways and streets	313,875	-	313,875
Unrestricted	<u>700,669</u>	<u>1,524,607</u>	<u>2,225,276</u>
Total net assets	<u>\$ 2,651,270</u>	<u>\$ 3,113,976</u>	<u>\$ 5,765,246</u>

The notes to the basic financial statements are an integral part of this statement.

TOWN OF CLARKDALE, ARIZONA
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	Program Revenues				Net (Expenses) Revenue and Changes in Net Assets		
	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals
Functions/Programs							
Governmental activities							
General government	\$ 1,734,382	\$ 407,612	\$ 12,253	\$ 464,518	\$ (849,999)	\$	\$ (849,999)
Public safety	1,460,782	-	57,095	-	(1,403,687)		(1,403,687)
Highways and streets	559,138	6,632	361,896	-	(190,610)		(190,610)
Culture and recreation	121,376	8,781	92,036	50,000	29,441		29,441
Total governmental activities	<u>3,875,678</u>	<u>423,025</u>	<u>523,280</u>	<u>514,518</u>	<u>(2,414,855)</u>		<u>(2,414,855)</u>
Business-type activities							
Wastewater	380,294	232,598	35,000	303,439		\$ 190,743	190,743
Sanitation	217,160	250,195	-	-		33,035	33,035
Cemetery	83,619	32,515	-	-		(51,104)	(51,104)
Clarkdale Municipal Water Utility	1,580,493	1,682,353	-	-		101,860	101,860
Total business-type activities	<u>2,261,566</u>	<u>2,197,661</u>	<u>35,000</u>	<u>303,439</u>		<u>274,534</u>	<u>274,534</u>
Totals	<u>\$ 6,137,244</u>	<u>\$ 2,620,686</u>	<u>\$ 558,280</u>	<u>\$ 817,957</u>	<u>(2,414,855)</u>	<u>274,534</u>	<u>(2,140,321)</u>
General revenues							
Taxes							
Sales taxes					1,706,077		1,706,077
Property taxes					323,157		323,157
Franchise taxes					36,278		36,278
State revenue sharing					417,811		417,811
Auto lieu tax revenue sharing					233,283		233,283
Investment earnings					122,317		122,317
Transfers					(30,026)		(30,026)
Total general revenues and transfers					<u>2,808,897</u>		<u>2,808,897</u>
Change in net assets						433,297	433,297
Net assets, beginning of year						2,680,679	4,937,907
Net assets, end of year						<u>\$ 2,651,270</u>	<u>\$ 5,765,246</u>

The notes to the basic financial statements are an integral part of this statement.

TOWN OF CLARKDALE, ARIZONA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007

	General	HURF	Developer Reimbursement	Nonmajor Governmental Funds	Totals
Assets					
Cash and cash equivalents	\$ 60,615	\$ 277,918	\$ 100,276	\$ 598,237	\$ 1,037,046
Receivables					
Accounts receivable	4,491	12,650	26,825	-	43,966
Taxes receivable	152,920	-	-	-	152,920
Intergovernmental receivable	6,333	29,407	-	50,000	85,740
Total assets	<u>\$ 224,359</u>	<u>\$ 319,975</u>	<u>\$ 127,101</u>	<u>\$ 648,237</u>	<u>\$ 1,319,672</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 23,918	\$ 6,100	\$ -	\$ 4,392	\$ 34,410
Accrued wages and benefits	72,061	-	-	-	72,061
Interest payable	6,354	-	-	-	6,354
Compensated absences	19,591	-	-	-	19,591
Due to other funds	-	-	-	49,862	49,862
Deferred revenue	6,834	-	-	-	6,834
Matured debt principal payable	25,000	-	-	-	25,000
Total liabilities	<u>153,758</u>	<u>6,100</u>	<u>-</u>	<u>54,254</u>	<u>214,112</u>
Fund balances					
Unreserved	70,601	313,875	127,101	-	511,577
Unreserved, reported in nonmajor:					
Special revenue funds	-	-	-	202,411	202,411
Capital projects funds	-	-	-	391,572	391,572
Total fund balances	<u>70,601</u>	<u>313,875</u>	<u>127,101</u>	<u>593,983</u>	<u>1,105,560</u>
Total liabilities and fund balances	<u>\$ 224,359</u>	<u>\$ 319,975</u>	<u>\$ 127,101</u>	<u>\$ 648,237</u>	<u>\$ 1,319,672</u>

The notes to the basic financial statements are an integral part of this statement.

TOWN OF CLARKDALE, ARIZONA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET ASSETS
JUNE 30, 2007

Fund balances - total governmental funds	\$	1,105,560
Amounts reported for governmental activities in the statement of net assets are different because:		
Property taxes not collected within 60 days subsequent to fiscal year-end are deferred in the governmental funds.		6,834
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Governmental capital assets		3,690,461
Less accumulated depreciation		<u>(1,560,472)</u>
Capital assets used in governmental activities		<u>2,129,989</u>
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds.		
Loan payable		(300,000)
Capital leases		(168,263)
Compensated absences		<u>(122,850)</u>
Net assets of governmental activities	\$	<u>2,651,270</u>

The notes to the basic financial statements are an integral part of this statement.

TOWN OF CLARKDALE, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	General	HURF	Developer Reimbursement	Nonmajor Governmental Funds	Totals
Revenues					
Taxes					
Sales taxes	\$ 1,706,077	\$ -	\$ -	\$ -	\$ 1,706,077
Property taxes	323,886	-	-	-	323,886
Franchise taxes	36,278	-	-	-	36,278
Intergovernmental	663,347	361,896	-	103,426	1,128,669
Fines and forfeitures	56,619	-	-	-	56,619
Licenses and permits	291,582	-	-	-	291,582
Charges for services	8,781	5,805	-	-	14,586
Rents and royalties	9,030	-	-	-	9,030
Contributions and donations	95,705	-	-	-	95,705
Developer agreements	-	-	464,518	-	464,518
Investment earnings	83,957	27,675	-	10,685	122,317
Other	41,069	827	9,312	-	51,208
Total Revenues	<u>3,316,331</u>	<u>396,203</u>	<u>473,830</u>	<u>114,111</u>	<u>4,300,475</u>
Expenditures					
Current					
General government	1,415,431	-	307,260	6,430	1,729,121
Public safety	1,345,329	-	-	137,876	1,483,205
Highways and streets	-	959,288	-	-	959,288
Culture and recreation	196,927	-	-	-	196,927
Total Expenditures	<u>2,957,687</u>	<u>959,288</u>	<u>307,260</u>	<u>144,306</u>	<u>4,368,541</u>
Excess (deficiency) of revenues over expenditures	<u>358,644</u>	<u>(563,085)</u>	<u>166,570</u>	<u>(30,195)</u>	<u>(68,066)</u>
Other financing sources (uses)					
Transfers in	4,423	410,386	-	423,451	838,260
Transfers out	(863,863)	-	-	(4,423)	(868,286)
Proceeds from capital leases	-	179,554	-	-	179,554
Total other financing sources (uses)	<u>(859,440)</u>	<u>589,940</u>	<u>-</u>	<u>419,028</u>	<u>149,528</u>
Net change in fund balances	(500,796)	26,855	166,570	388,833	81,462
Fund balances, beginning of year	<u>571,397</u>	<u>287,020</u>	<u>(39,469)</u>	<u>205,150</u>	<u>1,024,098</u>
Fund balances, end of year	<u>\$ 70,601</u>	<u>\$ 313,875</u>	<u>\$ 127,101</u>	<u>\$ 593,983</u>	<u>\$ 1,105,560</u>

The notes to the basic financial statements are an integral part of this statement.

TOWN OF CLARKDALE, ARIZONA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Net change in fund balances - total governmental funds \$ 81,462

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Expenditures for capital assets	578,689
Less current year depreciation	<u>(123,086)</u>
Excess capital expenditures over depreciation	<u>455,603</u>

Some revenues reported in the statement of activities do not provide current financial resources and therefore are not reported as revenues in governmental funds.

Property taxes	(729)
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The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. The issuance of long-term debt increases long-term liabilities on the statement of net assets and the repayment of principal on long-term debt reduces long-term debt on the statement of net assets.

Principal payments on long-term debt	44,644
Proceeds of capital lease	<u>(179,554)</u>

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 the governmental funds.

Change in compensated absences	<u>(7,384)</u>
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Change in net assets of governmental activities	<u>\$ 394,042</u>
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The notes to the basic financial statements are an integral part of this statement.

TOWN OF CLARKDALE, ARIZONA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	Original and Final Budget	Actual	Variance with Final Budget
Revenues			
Taxes			
Sales taxes	\$ 1,160,574	\$ 1,706,077	\$ 545,503
Property taxes	327,383	323,886	(3,497)
Franchise taxes	48,500	36,278	(12,222)
Intergovernmental	821,337	663,347	(157,990)
Fines and forfeitures	103,000	56,619	(46,381)
Licenses and permits	812,800	291,582	(521,218)
Charges for services	7,577	8,781	1,204
Rents and royalties	3,000	9,030	6,030
Contributions and donations	56,653	95,705	39,052
Investment earnings	8,858	83,957	75,099
Other	69,843	41,069	(28,774)
Total Revenues	<u>3,419,525</u>	<u>3,316,331</u>	<u>(103,194)</u>
Expenditures			
Current			
General government			
Contingency	678,380	-	678,380
Administration	235,672	232,929	2,743
Town clerk	287,951	287,943	8
Legal services	190,770	184,714	6,056
Planning and zoning	429,108	374,283	54,825
Court	88,466	79,477	8,989
Donation expenses	69,153	39,599	29,554
Heritage Conservancy	3,500	3,464	36
Clarkdale/Jerome School	-	710	(710)
Cottonwood maintenance contract	-	3,448	(3,448)
Town buildings	210,095	208,864	1,231
Total general government	<u>2,193,095</u>	<u>1,415,431</u>	<u>777,664</u>
Public safety			
Fire	465,354	456,170	9,184
Police	908,483	889,159	19,324
Total public safety	<u>1,373,837</u>	<u>1,345,329</u>	<u>28,508</u>
Culture and recreation			
Parks and recreation	105,854	96,727	9,127
Pool	49,670	43,256	6,414
Library	46,700	56,944	(10,244)
Total culture and recreation	<u>202,224</u>	<u>196,927</u>	<u>5,297</u>
Total Expenditures	<u>3,769,156</u>	<u>2,957,687</u>	<u>811,469</u>
Excess (deficiency) of revenues over expenditures	<u>(349,631)</u>	<u>358,644</u>	<u>708,275</u>
Other financing sources (uses)			
Transfers in	-	4,423	4,423
Transfers out	(380,542)	(863,863)	(483,321)
Total other financing sources (uses)	<u>(380,542)</u>	<u>(859,440)</u>	<u>(478,898)</u>
Net change in fund balances	(730,173)	(500,796)	229,377
Fund balances, beginning of year	730,173	571,397	(158,776)
Fund balances, end of year	<u>\$ -</u>	<u>\$ 70,601</u>	<u>\$ 70,601</u>

The notes to the basic financial statements are an integral part of this statement.

TOWN OF CLARKDALE, ARIZONA
HURF FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	Original and Final Budget	Actual	Variance with Final Budget
Revenues			
Intergovernmental	\$ 341,521	\$ 361,896	\$ 20,375
Charges for services	71,306	5,805	(65,501)
Contributions and donations	3,000	-	(3,000)
Investment earnings	4,405	27,675	23,270
Other	<u>6,500</u>	<u>827</u>	<u>(5,673)</u>
Total Revenues	<u>426,732</u>	<u>396,203</u>	<u>(30,529)</u>
Expenditures			
Current			
Highways and streets	<u>1,090,915</u>	<u>779,734</u>	<u>311,181</u>
Total Expenditures	<u>1,090,915</u>	<u>779,734</u>	<u>311,181</u>
Excess (deficiency) of revenues over expenditures	<u>(664,183)</u>	<u>(383,531)</u>	<u>280,652</u>
Other financing sources (uses)			
Transfers in	<u>281,698</u>	<u>410,386</u>	<u>128,688</u>
Total other financing sources (uses)	<u>281,698</u>	<u>410,386</u>	<u>128,688</u>
Net change in fund balances	(382,485)	26,855	409,340
Fund balances, beginning of year	<u>382,485</u>	<u>287,020</u>	<u>(95,465)</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ 313,875</u>	<u>\$ 313,875</u>

The notes to the basic financial statements are an integral part of this statement.

TOWN OF CLARKDALE, ARIZONA
 DEVELOPER REIMBURSEMENT FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
 BALANCES - BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues			
Developer agreements	\$ 1,076,000	\$ 464,518	\$ (611,482)
Other	<u>-</u>	<u>9,312</u>	<u>9,312</u>
Total Revenues	<u>1,076,000</u>	<u>473,830</u>	<u>(602,170)</u>
Expenditures			
Current			
General government	<u>1,076,000</u>	<u>307,260</u>	<u>768,740</u>
Total Expenditures	<u>1,076,000</u>	<u>307,260</u>	<u>768,740</u>
Excess (deficiency) of revenues over expenditures	-	166,570	166,570
Fund balances, beginning of year	<u>-</u>	<u>(39,469)</u>	<u>(39,469)</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ 127,101</u>	<u>\$ 127,101</u>

The notes to the basic financial statements are an integral part of this statement.

TOWN OF CLARKDALE, ARIZONA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2007

	Business-type Activities - Enterprise Funds				Totals
	Wastewater	Sanitation	Cemetery	Water	
Assets					
Current assets					
Cash and cash equivalents	\$ -	\$ 280,707	\$ -	\$ 24,832	\$ 305,539
Receivables, net					
Accounts receivable	10,906	-	6,399	143,563	160,868
Due from other funds	-	-	-	727,259	727,259
Deferred charges	8,908	-	-	548,722	557,630
Restricted assets	99,548	-	52,160	3,771,646	3,923,354
Noncurrent assets					
Capital assets					
Non-depreciable	-	-	-	283,369	283,369
Depreciable (net)	<u>3,565,903</u>	<u>-</u>	<u>-</u>	<u>2,581,648</u>	<u>6,147,551</u>
Total assets	<u>3,685,265</u>	<u>280,707</u>	<u>58,559</u>	<u>8,081,039</u>	<u>12,105,570</u>
Liabilities					
Current liabilities					
Accounts payable	-	-	-	13,804	13,804
Interest payable	10,044	-	-	171,166	181,210
Due to other funds	644,790	-	32,607	-	677,397
Developer agreements payable	118,776	-	-	-	118,776
Customer deposits payable	-	-	52,160	23,283	75,443
Matured debt principal payable	20,000	-	-	-	20,000
Noncurrent liabilities					
Bonds, notes and loans payable	<u>305,000</u>	<u>-</u>	<u>-</u>	<u>7,599,964</u>	<u>7,904,964</u>
Total liabilities	<u>1,098,610</u>	<u>-</u>	<u>84,767</u>	<u>7,808,217</u>	<u>8,991,594</u>
Net assets					
Invested in capital assets, net of related debt	3,240,903	-	-	(1,651,534)	1,589,369
Unrestricted	<u>(654,248)</u>	<u>280,707</u>	<u>(26,208)</u>	<u>1,924,356</u>	<u>1,524,607</u>
Total net assets	<u>\$ 2,586,655</u>	<u>\$ 280,707</u>	<u>\$ (26,208)</u>	<u>\$ 272,822</u>	<u>\$ 3,113,976</u>

The notes to the basic financial statements are an integral part of this statement.

TOWN OF CLARKDALE, ARIZONA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	Business-type Activities - Enterprise Funds				Totals
	Wastewater	Sanitation	Cemetery	Water	
Operating revenues					
Charges for services	\$ 232,598	\$ 250,195	\$ 32,515	\$ 1,682,353	\$ 2,197,661
Total operating revenues	<u>232,598</u>	<u>250,195</u>	<u>32,515</u>	<u>1,682,353</u>	<u>2,197,661</u>
Operating expenses					
Costs of sales and services	311,151	217,160	83,619	972,082	1,584,012
Depreciation	48,064	-	-	254,159	302,223
Total operating expenses	<u>359,215</u>	<u>217,160</u>	<u>83,619</u>	<u>1,226,241</u>	<u>1,886,235</u>
Operating income (loss)	<u>(126,617)</u>	<u>33,035</u>	<u>(51,104)</u>	<u>456,112</u>	<u>311,426</u>
Nonoperating revenues (expenses)					
Intergovernmental	35,000	-	-	-	35,000
Connections	303,439	-	-	-	303,439
Investment earnings	79,615	18,655	7,209	23,258	128,737
Interest expense	(20,088)	-	-	(334,655)	(354,743)
Issuance costs	(991)	-	-	(19,597)	(20,588)
Total nonoperating revenues (expenses)	<u>396,975</u>	<u>18,655</u>	<u>7,209</u>	<u>(330,994)</u>	<u>91,845</u>
Income (loss) before contributions and transfers	270,358	51,690	(43,895)	125,118	403,271
Transfers in	<u>30,026</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,026</u>
Change in net assets	300,384	51,690	(43,895)	125,118	433,297
Total net assets, beginning of year	<u>2,286,271</u>	<u>229,017</u>	<u>17,687</u>	<u>147,704</u>	<u>2,680,679</u>
Total net assets, end of year	<u>\$ 2,586,655</u>	<u>\$ 280,707</u>	<u>\$ (26,208)</u>	<u>\$ 272,822</u>	<u>\$ 3,113,976</u>

The notes to the basic financial statements are an integral part of this statement.

TOWN OF CLARKDALE, ARIZONA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	Business-type Activities - Enterprise Funds				Totals
	Wastewater	Sanitation	Cemetery	Water	
Cash flows from operating activities					
Receipts from customers	\$ 227,468	\$ 250,195	\$ 61,647	\$ 1,682,003	\$ 2,221,313
Payments to suppliers	(145,449)	(180,921)	(23,897)	(934,546)	(1,284,813)
Payments to employees	(186,166)	(48,137)	(59,722)	(23,732)	(317,757)
Customer deposits	-	-	(29,020)	23,283	(5,737)
Other receipts (payments)	<u>35,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>35,000</u>
Net cash flows from operating activities	<u>(69,147)</u>	<u>21,137</u>	<u>(50,992)</u>	<u>747,008</u>	<u>648,006</u>
Cash flows from noncapital financing activities					
Cash received from (paid to) other funds for interfund borrowing	662,634	-	14,763	(727,259)	(49,862)
Transfers in	<u>30,026</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,026</u>
Net cash flows from noncapital financing activities	<u>692,660</u>	<u>-</u>	<u>14,763</u>	<u>(727,259)</u>	<u>(19,836)</u>
Cash flows from capital and financing activities					
Purchases of capital assets	(1,261,062)	-	-	-	(1,261,062)
Principal paid on capital debt	(20,000)	-	-	-	(20,000)
Interest paid on capital debt	(20,658)	-	-	(320,897)	(341,555)
Developer agreements received	<u>6,499</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,499</u>
Net cash flows from capital and financing activities	<u>(1,295,221)</u>	<u>-</u>	<u>-</u>	<u>(320,897)</u>	<u>(1,616,118)</u>
Cash flows from investing activities					
Interest and dividends	<u>79,615</u>	<u>18,655</u>	<u>7,209</u>	<u>23,258</u>	<u>128,737</u>
Net cash flows from investing activities	<u>79,615</u>	<u>18,655</u>	<u>7,209</u>	<u>23,258</u>	<u>128,737</u>
Net change in cash and cash equivalents	(592,093)	39,792	(29,020)	(277,890)	(859,211)
Cash and cash equivalents, beginning of year	<u>691,641</u>	<u>240,915</u>	<u>81,180</u>	<u>4,074,368</u>	<u>5,088,104</u>
Cash and cash equivalents, end of year	<u>\$ 99,548</u>	<u>\$ 280,707</u>	<u>\$ 52,160</u>	<u>\$ 3,796,478</u>	<u>\$ 4,228,893</u>
Reconciliation of cash and cash equivalents to the statement of net assets					
Cash and cash equivalents	\$ -	\$ 280,707	\$ -	\$ 24,832	\$ 305,539
Restricted assets	<u>99,548</u>	<u>-</u>	<u>52,160</u>	<u>3,771,646</u>	<u>3,923,354</u>
Total cash and cash equivalents	<u>\$ 99,548</u>	<u>\$ 280,707</u>	<u>\$ 52,160</u>	<u>\$ 3,796,478</u>	<u>\$ 4,228,893</u>

The notes to the basic financial statements are an integral part of this statement.

TOWN OF CLARKDALE, ARIZONA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	Business-type Activities - Enterprise Funds				Totals
	Wastewater	Sanitation	Cemetery	Water	
Reconciliation of operating income (loss) to net cash provided by operating activities					
Operating income (loss)	\$ (126,617)	\$ 33,035	\$ (51,104)	\$ 456,112	\$ 311,426
Adjustments to reconcile operating income to net cash provided by operating activities					
Depreciation	48,064	-	-	254,159	302,223
Nonoperating receipts (payments)	35,000	-	-	-	35,000
Increase in operating assets					
Receivables, net	(5,130)	-	29,132	(350)	23,652
Accounts payable	(20,464)	(11,898)	-	13,804	(18,558)
Customer deposits	-	-	(29,020)	23,283	(5,737)
Net cash provided by operating activities	<u>\$ (69,147)</u>	<u>\$ 21,137</u>	<u>\$ (50,992)</u>	<u>\$ 747,008</u>	<u>\$ 648,006</u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES

Bond issuance costs of \$991 and \$19,597 were amortized during the fiscal year in the Wastewater and Water Funds, respectively.

The notes to the basic financial statements are an integral part of this statement.

TOWN OF CLARKDALE, ARIZONA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2007

	<u>Pension Trust</u>
Assets	
Cash and cash equivalents	\$ 3,334
Investments	<u>207,146</u>
Total assets	<u>210,480</u>
Net Assets	
Held in trust for pension benefits	<u>\$ 210,480</u>

The notes to the basic financial statements are an integral part of this statement.

TOWN OF CLARKDALE, ARIZONA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	Pension Trust
Additions	
Contributions	
State insurance premium	\$ <u>8,878</u>
Total contributions	<u>8,878</u>
Investment earnings	
Interest	6,791
Net increase in fair value of investments	<u>16,869</u>
Total additions	<u>32,538</u>
 Deductions	
Benefits	12,030
Administration	<u>3,311</u>
Total deductions	<u>15,341</u>
 Change in net assets	 17,197
Net assets, beginning of year	<u>193,283</u>
Net assets, end of year	<u>\$ 210,480</u>

The notes to the basic financial statements are an integral part of this statement.

TOWN OF CLARKDALE, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Town of Clarkdale, Arizona (Town) have been prepared in conformity with accounting principles generally accepted in the United States of America 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 municipal government that is governed by a separately elected governing body. It is legally separate from and fiscally independent of other state and local governments. The accompanying financial statements present the Town and its component units, 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.

Included within the reporting entity:

Town of Clarkdale Municipal Property Corporation. The Town of Clarkdale, Arizona, Arizona Municipal Property Corporation's (MPC) board of directors consists of three members which are appointed by the Town of Clarkdale, Arizona's Town Council. The MPC, which is a nonprofit corporation incorporated under the laws of the State of Arizona, was formed for the sole purpose of assisting the Town in obtaining financing for various projects of the Town. The Town has a "moral obligation" for the repayment of the MPC's bonds. For financial reporting purposes, transactions of the MPC are combined together and included as if they were part of the Town's operations.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. The effect of interfund activity has been removed from these statements. *Governmental activities*, which are normally supported by taxes and intergovernmental revenues are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

TOWN OF CLARKDALE, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2007

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds even though the latter are excluded from the government-wide financial statements. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting, except expenditures related to compensated absences and claims and judgments, which are recorded only when payment is due. However, since debt service resources are provided during the current year for payment of long-term principal and interest due early in the following year, the expenditures and related liabilities have been recognized.

Property taxes, intergovernmental grants and aid, and interest associated with the current fiscal period are all considered to be susceptible to accrual and; therefore, have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

TOWN OF CLARKDALE, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2007

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 *Highway User Revenue (HURF) Fund* accounts for the operations of the street maintenance department. Financing is provided by the Town's share of state gasoline taxes. State law requires these gasoline taxes be used to maintain streets.

The *Developer Reimbursement Fund* accounts for the revenues and expenditures related to new developments within the Town.

The Town reports the following major proprietary 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 *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 type.

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

Additionally, the Town reports the following fiduciary fund type:

The *Pension Trust Fund* is used to account for the Town's Volunteer Firefighters' Relief and Pension Fund, a defined contribution plan for which the assets are held by the Town in a trustee capacity. Contributions are made by the Town as well as by the Town's volunteer firefighters.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for the business-type activities and enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

TOWN OF CLARKDALE, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2007

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, for governmental activities it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed. For business-type activities, the use of restricted resources is governed by the applicable bond covenants.

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, cash and investments held by the State Treasurer, and highly liquid investments with maturities of three months or less from the date of acquisition.

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 investments purchased with such pooled monies is allocated to each of the funds based on the average daily cash balances. State statutes authorize the Town to invest in obligations of the U.S. Treasury and U.S. agencies, certificates of deposit in eligible depositories, repurchase agreements, obligations of the State of Arizona or any of its counties or incorporated cities, Towns or duly organized school districts, improvement districts in this state and the State Treasurer's Local Government Investment Pool. Investments are stated at fair value.

TOWN OF CLARKDALE, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2007

2. Receivables

All trade and property taxes receivables are shown net of an allowance for uncollectibles.

Yavapai County levies real property taxes on or before the third Monday in August that become due and 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. However, a lien against real and personal property assessed attaches on the first day of January preceding assessment and levy thereof.

3. Inventories and Prepaid Items

Inventories consist of expendable supplies held for consumption. Inventories are recorded as expenditures at the time of purchase, and because the amounts on hand at June 30, 2007 were immaterial, they are not included in the government-wide and fund financial statements.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The Town had no prepaid items at June 30, 2007.

4. Restricted Assets

Certain proceeds of the Town's bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net assets because their use is limited by applicable bond covenants.

5. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year.

Property, plant and equipment purchased or acquired is carried at historical cost or estimated historical cost. Contributed assets are recorded at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

TOWN OF CLARKDALE, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2007

Depreciation on all assets is provided on a straight-line basis over the following estimated useful lives:

Buildings	25 years
Improvements other than buildings	18-75 years
Water distribution system	5-30 years
Sewer plant	75 years
Infrastructure	15 years
Furniture, machinery and equipment	5-10 years
Vehicles	10 years

6. Compensated Absences

The liability for compensated absences reported in the government-wide statements consists of unpaid, accumulated leave balances (Proprietary Fund compensated absences were immaterial). The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

7. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statements of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

TOWN OF CLARKDALE, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2007

8. Net Assets

In the government-wide financial statements, net assets are reported in three categories: net assets invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. Net assets invested in capital assets, net of related debt is separately reported because capital assets make up a significant portion of total net assets. Restricted net assets account for the portion of net assets restricted by parties outside the Town. Unrestricted net assets are the remaining net assets not included in the previous two categories.

9. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

The Town Council follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with Arizona Revised Statutes, the Town Manager submits a proposed budget for the fiscal year commencing the following July 1 to the Town Council. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.
2. Public hearings are conducted to obtain taxpayer comment.
3. Prior to the third Monday in August, the expenditure limitation for the Town is legally enacted through passage of an ordinance. To ensure compliance with the expenditure limitation, a uniform expenditure report must be filed with the State each year. This report, issued under a separate cover, reconciles total Town expenditures from the audited financial statements to total expenditures for reporting in accordance with the State's uniform expenditure reporting system (A.R.S. §41-1279.07).

TOWN OF CLARKDALE, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2007

4. Expenditures may not legally exceed the expenditure limitation described below of all fund types as a whole. For management purposes, the Town adopts a budget by department for the General Fund and in total by fund for other funds. The Town Manager, subject to Town Council approval, may at any time transfer any unencumbered appropriation balance or portion thereof between a department or activity. The adopted budget cannot be amended in any way without Town Council approval.
5. Formal budgetary integration is employed as a management control device during the year for all funds on essentially the same modified accrual basis of accounting used to record actual revenues and expenditures.

The Town is subject to the State of Arizona's Spending Limitation Law for Towns and Cities. This law does not permit the Town to spend more than budgeted revenues plus the carryover unrestricted cash balance from the prior fiscal year. The limitation is applied to the total of the combined funds. The Town complied with this law during the year.

No supplementary budgetary appropriations were necessary during the year.

B. Excess of Expenditures Over Appropriations

Expenditures exceeded appropriations in the following funds:

	<u>Amount of Overexpenditure</u>
General Fund:	
Clarkdale/Jerome School	\$ 710
Cottonwood maintenance contract	3,448
Library	10,244

Cash was available to meet all the overexpenditures listed above.

C. Deficit Fund Equity

Deficit net assets in the amount of \$26,208 was reported in the Cemetery Fund. The deficit was due to higher than expected costs. The Town plans to review the operations of the cemetery to determine the appropriate measures necessary to reduce this deficit.

TOWN OF CLARKDALE, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 FISCAL YEAR ENDED JUNE 30, 2007

NOTE 3 - DETAILED NOTES ON ALL FUNDS

A. Assets

1. Deposits and Investments

Deposits and investments at June 30, 2007 consist of the following:

Deposits	
Cash on hand	\$ 659
Cash in bank	2,863,609
Cash on deposit with paying agent	31,354
Investments	
Money Market Mutual Fund	764,498
State Treasurer's Investment Pool	1,609,153
Pension Trust Fund	<u>207,146</u>
Total deposits and investments	5,476,419
Fiduciary Fund cash and cash equivalents	(3,334)
Restricted assets	(3,923,354)
Fiduciary Fund investments	<u>(207,146)</u>
Total cash and cash equivalents	<u>\$ 1,342,585</u>

Deposits

Custodial credit risk - This is the risk that, in the event of a failure by a counterparty, the Town will not be able to recover its deposits or collateralized securities that are in the possession of an outside party. The Town does not have a formal policy regarding custodial credit risk. However, the bank balance of cash in bank was \$3,791,989, of which \$100,000 was covered by federal depository insurance and \$3,691,989 was collateralized by securities held by the pledging financial institution in the Town's name.

TOWN OF CLARKDALE, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2007

Investments

At June 30, 2007, the Town's investments were reported at fair value. The Town's investments consisted of the State Treasurer's Investment Pool.

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. Cash on deposit with trustee is invested in a U.S. Treasury obligations mutual fund and is not subject to custodial credit risk. The Pension Trust Fund is invested in real estate, U.S. Government Securities and mutual funds.

Interest rate risk - The Town does not have a formal investment policy regarding interest rate risk; however, the Town manages its exposure to declines in fair values by limiting the average maturity of its investment portfolio to one year or less.

Credit risk - The Town does not have a formal investment policy regarding credit risk. However, the Town is prohibited by State law from investing in investments other than obligations of the U.S. Treasury and U.S. agencies, certificates of deposit in eligible depositories, repurchase agreements, obligations of the State of Arizona or any of its counties or incorporated cities, towns or duly organized school districts, improvement districts in this state and the State Treasurer's Local Government Investment Pool. As of June 30, 2007, the Town's investment in the Pension Trust Fund included \$15,000 invested in real estate, \$42,694 invested in U.S. Government Securities and \$149,452 was invested in mutual funds which were not insured or collateralized.

2. Restricted Assets

Restricted assets in the Enterprise Funds at June 30, 2007 consisted of the following:

MPC Reserve	\$ 68,775
Customer deposits	75,443
Future debt service	493,284
Current debt service	202,439
Construction	<u>3,083,413</u>
	\$ <u>3,923,354</u>

TOWN OF CLARKDALE, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2007

3. Receivables

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, deferred revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>
Delinquent property taxes receivable:	
(General Fund)	\$ <u> 6,834</u>

TOWN OF CLARKDALE, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 FISCAL YEAR ENDED JUNE 30, 2007

4. Capital Assets

Capital asset activity for the year ended June 30, 2007 was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ <u>568,785</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>568,785</u>
Total capital assets, not being depreciated	<u>568,785</u>	<u>-</u>	<u>-</u>	<u>568,785</u>
Capital assets being depreciated:				
Buildings and improvements	1,791,794	82,234	-	1,874,028
Infrastructure	80,195	220,744	-	300,939
Machinery and equipment	179,903	-	-	179,903
Vehicles	<u>491,095</u>	<u>275,711</u>	<u>-</u>	<u>766,806</u>
Total capital assets being depreciated	<u>2,542,987</u>	<u>578,689</u>	<u>-</u>	<u>3,121,676</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,018,797)	(44,576)	-	(1,063,373)
Infrastructure	(5,346)	(20,063)	-	(25,409)
Machinery and equipment	(147,165)	(7,460)	-	(154,625)
Vehicles	<u>(266,078)</u>	<u>(50,987)</u>	<u>-</u>	<u>(317,065)</u>
Total accumulated depreciation	<u>(1,437,386)</u>	<u>(123,086)</u>	<u>-</u>	<u>(1,560,472)</u>
Total capital assets, being depreciated, net	<u>1,105,601</u>	<u>455,603</u>	<u>-</u>	<u>1,561,204</u>
Governmental activities capital assets, net	<u>\$ 1,674,386</u>	<u>\$ 455,603</u>	<u>\$ -</u>	<u>\$ 2,129,989</u>

TOWN OF CLARKDALE, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 FISCAL YEAR ENDED JUNE 30, 2007

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type Activities:				
Capital assets not being depreciated:				
Land	\$ 283,369	\$ -	\$ -	\$ 283,369
Construction in progress	<u>1,561,744</u>	<u>1,261,062</u>	<u>(2,822,806)</u>	<u>-</u>
Total capital assets, not being depreciated	<u>1,845,113</u>	<u>1,261,062</u>	<u>(2,822,806)</u>	<u>283,369</u>
Capital assets being depreciated:				
Sewer plant and equipment	1,425,249	2,822,806	-	4,248,055
Water distribution system	<u>2,941,707</u>	<u>-</u>	<u>-</u>	<u>2,941,707</u>
Total capital assets being depreciated	<u>4,366,956</u>	<u>2,822,806</u>	<u>-</u>	<u>7,189,762</u>
Less accumulated depreciation for:				
Sewer plant and equipment	(634,088)	(48,064)	-	(682,152)
Water distribution system	<u>(105,900)</u>	<u>(254,159)</u>	<u>-</u>	<u>(360,059)</u>
Total accumulated depreciation	<u>(739,988)</u>	<u>(302,223)</u>	<u>-</u>	<u>(1,042,211)</u>
Total capital assets, being depreciated, net	<u>3,626,968</u>	<u>2,520,583</u>	<u>-</u>	<u>6,147,551</u>
Business-type activities capital assets, net	<u>\$ 5,472,081</u>	<u>\$ 3,781,645</u>	<u>\$ (2,822,806)</u>	<u>\$ 6,430,920</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 35,870
Public safety	44,174
Highways and streets	36,359
Culture and recreation	<u>6,683</u>
Total depreciation expense-governmental activities	<u>\$ 123,086</u>
Business-type activities:	
Wastewater	\$ 48,064
Water	<u>254,159</u>
Total depreciation expense - business-type activities	<u>\$ 302,223</u>

TOWN OF CLARKDALE, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 FISCAL YEAR ENDED JUNE 30, 2007

B. Interfund Transfers, Receivables and Payables

As of June 30, 2007 interfund receivable and payables were as follows:

	Due From			
Due To	Wastewater Fund	Cemetery Fund	Nonmajor	Total
Water Fund	\$ <u>644,790</u>	\$ <u>32,607</u>	\$ <u>49,862</u>	\$ <u>727,259</u>

The above interfund receivables and payables are due to short-term borrowings of the Town's pooled cash.

Interfund transfers for the year ended June 30, 2007 consist of the following:

	Transfers From		
Transfers To	General Fund	Nonmajor	Total
General Fund	\$ -	\$ 4,423	\$ 4,423
HURF Fund	410,386	-	410,386
Wastewater Fund	30,026	-	30,026
Nonmajor Governmental Funds	<u>423,451</u>	<u>-</u>	<u>423,451</u>
	<u>\$ 863,863</u>	<u>\$ 4,423</u>	<u>\$ 868,286</u>

Transfers were made to fund budgeted projects in the HURF, Capital Projects, Wastewater and Grant funds.

C. Obligations Under Leases

Capital Leases

The Town has entered into lease agreements as a lessee for financing the acquisition of a fire truck and a street sweeper for its governmental activities. These lease agreements qualify as capital leases for accounting purposes and; therefore, have been recorded at the present value of its future minimum lease payments as of the inception date.

TOWN OF CLARKDALE, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 FISCAL YEAR ENDED JUNE 30, 2007

The assets acquired through the capital leases are as follows:

	Governmental Activities
Assets:	
Machinery and equipment	\$ 144,168
Vehicles	179,554
Less: accumulated depreciation	(89,356)
Total	\$ 234,366

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2007, were as follows:

	Governmental Activities
Year Ending June 30, 2008	\$ 40,797
2009	40,797
2010	40,797
2011	40,797
2012	27,198
Less: amount representing interest	(22,123)
Present value of minimum lease payments	\$ 168,263

TOWN OF CLARKDALE, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 FISCAL YEAR ENDED JUNE 30, 2007

D. Long-term Obligations

The Town has long-term bonds and a loan payable issued to provide funds for the acquisition and construction of major capital facilities. Compensated absences are paid by the applicable fund where each employee is regularly paid.

The loan payable currently outstanding consists of a loan from the Greater Arizona Development Authority (GADA) for building renovations. The interest rates range from 2.25 to 4.38 percent. The original issue was \$400,000.

The revenue bonds payable currently outstanding consists of the Town of Clarkdale Municipal Property Corporation Municipal Facilities Revenue Bonds, Series 1996. The interest rates range from 4.5 to 6.35 percent. The original issue was \$665,000.

The notes payable currently outstanding are payable to the City of Cottonwood for the purchase of a water company and future system improvements. The interest rates range from 3.5 to 5.0 percent. The original issue was \$7,385,000.

Changes in long-term obligations for the year ended June 30, 2007 are as follows:

	<u>July 1, 2006</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2007</u>	<u>Due Within One Year</u>
Governmental Activities:					
Loans payable:					
Loan payable	\$ 325,000	\$ -	\$ (25,000)	\$ 300,000	\$ 25,000
Total loans payable	<u>325,000</u>	<u>-</u>	<u>(25,000)</u>	<u>300,000</u>	<u>25,000</u>
Other liabilities:					
Capital leases	8,353	179,554	(19,644)	168,263	32,633
Compensated absences	<u>115,466</u>	<u>152,780</u>	<u>(145,396)</u>	<u>122,850</u>	<u>92,138</u>
Governmental activities long-term liabilities	<u>\$ 448,819</u>	<u>\$ 332,334</u>	<u>\$ (190,040)</u>	<u>\$ 591,113</u>	<u>\$ 149,771</u>
Business-type Activities:					
Bonds and notes payable:					
Revenue bonds	\$ 325,000	\$ -	\$ (20,000)	\$ 305,000	\$ 20,000
Notes payable	7,385,000	-	-	7,385,000	160,000
Plus: deferred amount on premium	<u>222,641</u>	<u>-</u>	<u>(7,677)</u>	<u>214,964</u>	<u>7,677</u>
Total bonds and notes payable	<u>7,932,641</u>	<u>-</u>	<u>(27,677)</u>	<u>7,904,964</u>	<u>187,677</u>
Business-type activities long-term liabilities	<u>\$ 7,932,641</u>	<u>\$ -</u>	<u>\$ (27,677)</u>	<u>\$ 7,904,964</u>	<u>\$ 187,677</u>

TOWN OF CLARKDALE, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 FISCAL YEAR ENDED JUNE 30, 2007

Debt service requirements on long-term debt at June 30, 2007 are as follows:

Year Ending June 30,	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 25,000	\$ 11,959	\$ 180,000	\$ 362,261
2009	25,000	11,146	180,000	355,481
2010	25,000	10,271	185,000	347,881
2011	30,000	9,271	185,000	339,968
2012	160,000	28,104	185,000	332,043
2013-17	35,000	1,531	1,080,000	1,524,460
2018-22	-	-	1,150,000	1,271,025
2023-27	-	-	1,420,000	998,550
2028-32	-	-	1,810,000	609,500
2033-37	-	-	<u>1,315,000</u>	<u>133,750</u>
	<u>\$ 300,000</u>	<u>\$ 72,282</u>	<u>\$ 7,690,000</u>	<u>\$ 6,274,919</u>

NOTE 4 - OTHER INFORMATION

A. Risk Management

The Town of Clarkdale, Arizona, is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The Town's insurance protection is provided by the Arizona Municipal Risk Retention Pool, of which the Town is a participating member. The limit for basic coverage is for \$2,000,000 per occurrence on a claims made basis. Excess coverage is for an additional \$2,000,000 per occurrence on a follow form, claims made basis. No significant reduction in insurance coverage occurred during the year and no settlements exceeded insurance coverage during any of the past three fiscal years.

The Arizona Municipal Risk Retention Pool is structured such that member premiums are based on an actuarial review that will provide adequate reserves to allow the pool to meet its expected financial obligations. The pool has the authority to assess its members additional premiums should reserves and annual premiums be insufficient to meet the pool's obligations.

The Town is also insured by Arizona Municipal Workers Compensation Fund for potential worker related accidents.

TOWN OF CLARKDALE, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 FISCAL YEAR ENDED JUNE 30, 2007

B. Contingent Liabilities

Accumulated Sick Leave - Sick leave benefits provide for ordinary sick pay and are cumulative but do not vest with employees and, therefore, are not accrued. Unvested accumulated sick leave of Town employees at June 30, 2007, totaled \$7,193.

C. Budgetary Basis of Accounting

The adopted budget of the Town was prepared on a basis consistent with accounting principles generally accepted in the United States of America, with one exception. The present value of net minimum capital lease payments was not budgeted as part of HURF Fund expenditures and other financing sources. Consequently, the following adjustments are necessary to present actual expenditures and other financing sources on a budgetary basis in order to provide a meaningful comparison.

	HURF Fund	
	Total Expenditures	Total Other Financing Sources
Statement of Revenues, Expenditures and Changes in Fund Balances	\$ 959,288	\$ 589,940
Present value of net minimum capital lease payments	<u>(179,554)</u>	<u>(179,554)</u>
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	<u>\$ 779,734</u>	<u>\$ 410,386</u>

D. Subsequent Events

Subsequent to June 30, 2007 the Town entered into an agreement with the Clarkdale Fire District (District) for the District to provide improved fire protection services and emergency medical services to the residents of the Clarkdale, Arizona area. This agreement became effective on July 1, 2007.

TOWN OF CLARKDALE, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2007

E. Retirement Plans

Arizona State Retirement System

Plan Description - The Town contributes to a cost-sharing multiple-employer defined benefit pension plan administered by the Arizona State Retirement System (System). Benefits are established by state statute and generally provide retirement, death, long-term disability, survivor, and health insurance premium benefits. The System is governed by the Arizona State Retirement System Board according to the provisions of A.R.S. Title 38, Chapter 5, Article 2.

The System issues a comprehensive annual financial report that includes financial statements and required supplementary information. The most recent report may be obtained by writing the System, 3300 North Central Avenue, P.O. Box 33910, Phoenix, AZ 85067-3910 or by calling (602) 240-2000 or (800) 621-3778.

Funding Policy - The Arizona State Legislature establishes and may amend active plan members' and the Town's contribution rate. For the year ended June 30, 2007, active plan members and the Town were each required by statute to contribute at the actuarially determined rate of 9.1 percent (8.6 percent retirement and .5 percent long-term disability) of the members' annual covered payroll. The Town's contributions to the System for the years ended June 30, 2007, 2006, and 2005 were \$94,780, \$77,923, and \$43,255, respectively, which were equal to the required contributions for the year.

Public Safety Personnel Retirement System (PSPRS)

Plan Description - The Town contributes to the Public Safety Personnel Retirement System (PSPRS), an agent multiple-employer, public employee retirement system that acts as a common investment and administrative agent to provide retirement and death and disability benefits for public safety personnel who are regularly assigned hazardous duty in the employ of the State of Arizona or a political subdivision thereof. All benefit provisions and other requirements are established by State statute. The Public Safety Personnel Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for PSPRS. That report may be obtained by writing to Public Safety Personnel, 3040 E. Camelback, Suite 200, Phoenix, AZ 85016 or by calling (602) 255-5575.

Funding Policy - Covered employees are required to contribute 7.65 percent of their annual salary to the PSPRS. The Town is required to contribute the remaining amounts necessary to fund the PSPRS, as determined by the actuarial basis specified by statute. The current rate is 11.04 percent of annual covered payroll.

TOWN OF CLARKDALE, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 FISCAL YEAR ENDED JUNE 30, 2007

Annual Pension Cost - During the year ended June 30, 2007 the Town of Clarkdale, Arizona's annual pension cost of \$44,582 for police was equal to the Town of Clarkdale, Arizona's required and actual contributions.

The required contribution was determined as part of the June 30, 2007 actuarial valuation using an entry age actuarial funding method. Significant actuarial assumptions used in determining the entry age actuarial accrued liability include (a) a rate of return on the investment of present and future assets of 8.5% per year compounded annually, (b) projected salary increases of 5.5-8.5% (including inflation at 5.0%) per year compounded annually, and (c) additional projected salary increases of 0.0% to 3.0% per year attributable to seniority/merit.

The actuarial value of the Town of Clarkdale, Arizona's assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a four-year period. The Town of Clarkdale, Arizona's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2007, was 20 years.

The preceding methods comply with the financial reporting standards established by the Governmental Accounting Standards Board.

Three-Year Trend Information

Police

<u>Fiscal Year Ended June 30,</u>	<u>Annual Pension Cost (APC)</u>	<u>Percent Contributed</u>	<u>Net Pension Obligation</u>
2005	\$ 27,543	100.0 %	\$ -
2006	33,600	100.0	-
2007	44,582	100.0	-

Additional historical trend information for the Town's PSPRS is disclosed on page 50.

Historical trend information is presented in order for a reader to assess the progress made in accumulating sufficient assets to pay pension benefits as they become payable.

Required Supplementary Information

TOWN OF CLARKDALE, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
 PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM
 SCHEDULE OF FUNDING PROGRESS

Police

Valuation Date June 30,	Actuarial Value of Assets	Entry Age Actuarial Accrued Liability (AAL)	Percent Funded	Over(Under) funded AAL	Annual Covered Payroll	Over(Under) funded AAL as a Percentage of Covered Payroll
1998	\$ 481,530	\$ 456,187	105.6 %	\$ 25,343	\$ 282,515	9.0 %
1999	618,558	600,103	103.1	18,455	297,759	6.2
2000	716,875	711,041	100.8	5,834	259,576	2.2
2001	808,790	624,545	129.5	184,245	245,614	75.0
2002	865,827	723,398	119.7	142,429	273,872	52.0
2003	933,389	845,925	110.3	87,464	291,866	30.0
2004	1,000,811	936,177	106.9	64,634	330,821	19.5
2005	1,092,536	1,136,943	96.1	(44,407)	293,938	(15.1)
2006	1,188,753	1,220,590	97.4	(31,837)	348,619	(9.1)
2007	1,257,598	1,505,533	83.5	(247,935)	403,652	(61.4)

GOVERNMENT AUDITING STANDARDS REPORT

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**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**

The Town Council of the
Town of Clarkdale, Arizona

We have audited 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 (Town) as of and for the year ended June 30, 2007, and have issued our report thereon dated February 15, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Town's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the Town's financial statements that is more than inconsequential will not be prevented or detected by the Town's internal control. We consider the deficiencies described as items 07-1 and 07-2 in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Town's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiencies described above are not material weaknesses.

Compliance and Other Matters

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

We noted certain matters that we reported to management of the Town of Clarkdale, Arizona in a separate letter dated February 15, 2008.

This report is intended solely for the information and use of the members of the Town Council, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Cronstrom, Osuch & Company, P.C.

Cronstrom, Osuch & Company, P.C.

February 15, 2008

TOWN OF CLARKDALE, ARIZONA
SCHEDULE OF FINDINGS AND RESPONSES
FISCAL YEAR ENDED JUNE 30, 2007

SECTION II - FINANCIAL STATEMENT FINDINGS

FINANCIAL REPORTING

07-1	<i>Condition/ Context</i>	Annual financial statements and related disclosures were not prepared by management.
	<i>Criteria</i>	Internal control procedures.
	<i>Effect</i>	Internal control weakness and the financial statements and related disclosures were compiled by the auditors and reviewed by management.
	<i>Cause</i>	Proper procedures were not established.
	<i>Recommendation</i>	In order to strengthen internal controls, annual financial statements and related disclosures should be prepared by management.
	<i>Corrective Action Plan</i>	The Town concurs with this recommendation and will consider preparing its own basic financial statements and related disclosures.
	<i>Contact Person</i>	Carlton Woodruff, Finance Director

TOWN OF CLARKDALE, ARIZONA
SCHEDULE OF FINDINGS AND RESPONSES
FISCAL YEAR ENDED JUNE 30, 2007

SECTION II - FINANCIAL STATEMENT FINDINGS (Concl'd)

GENERAL LEDGER

<i>07-2 Condition</i>	The Town's general ledger required numerous adjustments in order to prepare the financial statements.
<i>Context</i>	A. Several revenue and expenditure line items had mispostings. B. Grants were not properly reconciled. C. Payroll liabilities were not reconciled. D. Capital asset balances were not properly updated. E. The main checking account was not reconciled to the general ledger in a timely manner.
<i>Criteria</i>	Internal control procedures and Accounting Principles Generally Accepted in the United States of America (GAAP).
<i>Effect</i>	Internal control weaknesses and the financial statements (prior to any audit adjustments) were not prepared in accordance with GAAP.
<i>Cause</i>	Clerical error.
<i>Recommendation</i>	In order to strengthen internal controls and comply with GAAP, the Town should ensure accurate information is included in the Town's general ledger and financial statements. In addition, year-end accruals, adjustments and reconciliations should be properly prepared.
<i>Corrective Action Plan</i>	The Town concurs with this recommendation and will ensure accurate information is included in the Town's records in the future.
<i>Contact Person</i>	Carlton Woodruff, Finance Director