



# Staff Report

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**Agenda Item:**            **FISCAL YEAR 2007-2008 AUDITED FINANCIAL STATEMENTS** – Presentation of the audit reports and consideration of approval of the 2007-2008 Fiscal Year Audit.

**Staff Contact:**            Kathy Bainbridge, Finance Director

**Meeting Date:**            February 10, 2009

**Background:**

The annual audit and the auditor reports have been completed for Fiscal Year 2008. 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 on page 3 provides an overview of the financial activities and an introduction to the basic financial statements.

**Recommendation:**       Staff recommends Council approve the Fiscal Year 2008 Audit.

**DRAFT**

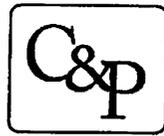
**TOWN OF CLARKDALE, ARIZONA**

**Annual Expenditure Limitation Report  
and Independent Auditors' Report  
June 30, 2008**

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POWELL, PLC**  
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## INDEPENDENT AUDITORS' REPORT

The Auditor General of the State of Arizona and  
The Honorable Mayor and Town Council  
of the Town of Clarkdale, Arizona

**D R A F T**

We have audited the accompanying Annual Expenditure Limitation Report of the Town of Clarkdale, Arizona, for the year ended June 30, 2008. This report is the responsibility of the Town of Clarkdale, Arizona, management. Our responsibility is to express an opinion on this report based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the report is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the report. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall report presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying Annual Expenditure Limitation Report was prepared for the purpose of complying with the uniform expenditure reporting system as discussed in Note 1, and is not intended to be a presentation in conformity with generally accepted accounting principles.

In our opinion, the Annual Expenditure Limitation Report of the Town of Clarkdale, Arizona, for the year ended June 30, 2008, referred to above presents fairly, in all material respects, the information required by the uniform expenditure reporting system on the basis of accounting described in Note 1.

This report is intended solely for the information and use of management, and for filing with the Auditor General of the State of Arizona, and is not intended to be and should not be used by anyone other than these specified parties.

February 3, 2009

**TOWN OF CLARKDALE, ARIZONA**  
**Annual Expenditure Limitation Report - Part I**  
**Year Ended June 30, 2008**

**DRAFT**

1. Voter approved expenditure limitation (Approved November 14, 2006)	\$ 9,675,000
2. Amount subject to the expenditure limitation (total amount from <b>Part II, Line C</b> )	<u>7,860,018</u>
3. Amount under the expenditure limitation	<u>\$ 1,814,982</u>

I hereby certify, to the best of my knowledge and belief, that the information contained in this report is accurate and in accordance with the requirements of the uniform expenditure reporting system.

Signature of Chief Fiscal Officer: \_\_\_\_\_

Name and Title: \_\_\_\_\_

Telephone Number: \_\_\_\_\_ Date: \_\_\_\_\_

*See accompanying notes to report.*

**TOWN OF CLARKDALE, ARIZONA**  
**Annual Expenditure Limitation Report – Part II**  
**Year Ended June 30, 2008**

D R A F T

<u>Description</u>	<u>Governmental Funds</u>	<u>Enterprise Funds</u>	<u>Fiduciary Funds</u>	<u>Total</u>
A. Amounts reported on the Reconciliation, Line D	<u>\$ 4,243,985</u>	<u>\$ 3,405,553</u>	<u>\$ 210,480</u>	<u>\$ 7,860,018</u>
B. Less exclusions claimed:	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
C. Amounts subject to the expenditure limitation	<u><u>\$ 4,243,985</u></u>	<u><u>\$ 3,405,553</u></u>	<u><u>\$ 210,480</u></u>	<u><u>\$ 7,860,018</u></u>

*See accompanying notes to report.*

**TOWN OF CLARKDALE, ARIZONA**  
**Annual Expenditure Limitation Report – Reconciliation**  
**Year Ended June 30, 2008**

D R A F T

Description	Governmental Funds	Enterprise Funds	Fiduciary Funds	Total
<b>A. Total expenditures/expenses/deductions and applicable other financing uses, special items, and extraordinary items reported within the fund-based financial statements</b>	<b>\$ 4,424,820</b>	<b>\$ 2,176,672</b>	<b>\$ 210,480</b>	<b>\$ 6,811,972</b>
<b>B. Subtractions</b>				
1. Items not requiring use of working capital				
a. Depreciation and amortization	-	338,576	-	338,576
b. Bad debt expense	-	-	-	-
2. Expenditures of separate legal entities established under Arizona Revised Statutes	-	-	-	-
3. Present value of minimum capital lease and installment purchase contract payments recorded as expenditures at inception of the agreements	180,835	-	-	180,835
4. Involuntary court judgments	-	-	-	-
<b>Total subtractions</b>	<b>180,835</b>	<b>338,576</b>	<b>-</b>	<b>519,411</b>
<b>C. Additions</b>				
1. Principal payments on long-term debt	-	187,677	-	187,677
2. Acquisition of capital assets	-	1,379,780	-	1,379,780
<b>Total additions</b>	<b>-</b>	<b>1,567,457</b>	<b>-</b>	<b>1,567,457</b>
<b>D. Amounts reported on Part II, Line A</b>	<b>\$ 4,243,985</b>	<b>\$ 3,405,553</b>	<b>\$ 210,480</b>	<b>\$ 7,860,018</b>

*See accompanying notes to report.*

**TOWN OF CLARKDALE, ARIZONA**  
**Notes to Annual Expenditure Limitation Report**  
**Year Ended June 30, 2008**

**D R A F T**

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

The Annual Expenditure Limitation Report (AELR) is presented on the basis of accounting prescribed by the *Uniform Expenditure Reporting System (UERS)*, as required by Arizona Revised Statutes Section 41-1279.07, and in accordance with the voter approved alternative expenditure limitation adopted November 14, 2006, as authorized by the Arizona Constitution, Article IX, Section 20(9).

In accordance with the UERS requirements, a note to the AELR is presented below for any exclusion claimed on Part II and each deduction or addition in the Reconciliation that cannot be traced directly to an amount reported in the fund-based financial statements. All references to financial statement amounts in the following notes refer to the Statement of Revenues, Expenditures, and Changes in Fund Balance for the Governmental Funds, Statement of Revenues, Expenses, and Changes in Fund Net Assets for the Proprietary Funds, and the Statement of Cash Flows for the Proprietary Funds, and the Statement of Fiduciary Net Assets for the Fiduciary Funds.

***NOTE 2 – CAPITAL LEASE AGREEMENTS***

The total amount claimed as a subtraction on the reconciliation for the present value of net minimum capital lease payments recorded as expenditures at the inception of the agreement is as follows:

Cash held in escrow	\$ 234,165
Present value of lease payments recorded as expenditures	<u>180,835</u>
Capital lease acquisition	<u><u>\$ 415,000</u></u>

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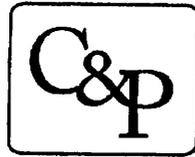
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## INDEPENDENT AUDITORS' REPORT

To the Town Council  
Town of Clarkdale, Arizona

**D R A F T**

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and aggregate remaining fund information of the Town of Clarkdale, Arizona as of and for the year ended June 30, 2008, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Clarkdale, Arizona's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Clarkdale, Arizona, as of June 30, 2008, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 3, 2009, on our consideration of the Town of Clarkdale, Arizona's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The management's discussion and analysis, budgetary comparison information, and Schedule of Agent Retirement Plans' Funding Progress on pages 3 through 10, 39 through 42, and 43, respectively, 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.

February 3, 2009

D R A F T

**TOWN OF CLARKDALE, ARIZONA**  
**Management's Discussion and Analysis**  
**June 30, 2008**

We (the Town of Clarkdale, Arizona) are pleased to provide an overview of our financial activities for the fiscal year ended June 30, 2008. 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**

D R A F T

- The assets of the Town of Clarkdale, Arizona exceeded its liabilities at the close of the most recent fiscal year by \$5,431,523 (net assets).
- As of the close of the current fiscal year, the Town of Clarkdale, Arizona's governmental funds reported combined ending fund balances of \$360,266, a decrease of 745,294 in comparison with the prior year.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$174,162 or 5% of total General Fund expenditures.
- General Fund revenues were exceeded by expenditures by \$703,011 for the fiscal year.
- 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 Financial Statements. 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 financial statements and the required supplementary schedules presented after the financial statements. The financial statements include the government-wide financial statements, fund financial statements, and notes to the financial statements.

**TOWN OF CLARKDALE, ARIZONA**  
**Management's Discussion and Analysis**  
**June 30, 2008**

**D R A F T**

**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.

**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.

**Government 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.

**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.

**TOWN OF CLARKDALE, ARIZONA**  
**Management's Discussion and Analysis**  
**June 30, 2008**

**D R A F T**

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.

**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.

**Notes to the financial statements.** The notes to the financial statements 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 financial statements or as required supplementary information. The Town has chosen to present these budgetary statements as required supplementary information. Additionally, governments are required to disclose certain information about employee pension funds. The Town has disclosed this information in Note 7 to the financial statements.

**TOWN OF CLARKDALE, ARIZONA**  
**Management's Discussion and Analysis**  
**June 30, 2008**

D R A F T

**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, 2008 showing that assets exceeded liabilities by \$5,431,523.

**TOWN OF CLARKDALE, ARIZONA**  
**CONDENSED STATEMENT OF NET ASSETS**  
**JUNE 30, 2008 AND 2007**

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
<b>ASSETS</b>						
Current and other assets	\$701,946	\$ 1,269,810	\$6,729,559	\$ 5,192,500	\$ 7,431,505	\$ 6,462,310
Capital assets						
Non-depreciable	568,785	568,785	1,109,577	283,369	1,678,362	852,154
Depreciable (net)	1,813,682	1,561,204	6,383,135	6,147,551	8,196,817	7,708,755
<b>Total assets</b>	<b>3,084,413</b>	<b>3,399,799</b>	<b>14,222,271</b>	<b>11,623,420</b>	<b>17,306,684</b>	<b>15,023,219</b>
<b>LIABILITIES</b>						
Other liabilities	111,959	157,416	3,140,046	409,233	3,252,005	566,649
Noncurrent liabilities						
Due within one year	263,852	149,771	54,035	187,677	317,887	337,448
Due in more than one year	586,873	441,342	7,718,396	7,717,287	8,305,269	8,158,629
<b>Total liabilities</b>	<b>962,684</b>	<b>748,529</b>	<b>10,912,477</b>	<b>8,314,197</b>	<b>11,875,161</b>	<b>9,062,726</b>
<b>NET ASSETS</b>						
Invested in capital assets, of related debt	1,655,401	1,636,726	4,095,942	1,589,369	5,751,343	3,226,095
Restricted	129,274	313,875	296,532	195,247	425,806	509,122
Unrestricted	337,054	700,669	(1,082,680)	1,524,607	(745,626)	2,225,276
<b>Total net assets</b>	<b>\$ 2,121,729</b>	<b>\$ 2,651,270</b>	<b>\$ 3,309,794</b>	<b>\$ 3,309,223</b>	<b>\$ 5,431,523</b>	<b>\$ 5,960,493</b>

Net assets consist of three components. The largest portion of the Town of Clarkdale, Arizona's net assets 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.

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

**TOWN OF CLARKDALE, ARIZONA**  
**Management's Discussion and Analysis**  
**June 30, 2008**

D R A F T

**Governmental and business-type activities**

**TOWN OF CLARKDALE, ARIZONA**  
**CONDENSED STATEMENT OF CHANGES IN NET ASSETS**  
**FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND 2007**

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
<b>Revenues</b>						
Program revenues						
Fees, fines, and charges for services	\$ 540,628	\$ 423,025	\$ 1,867,762	\$ 2,197,661	\$ 2,408,390	\$ 2,620,686
Operating grants and contributions	175,554	523,280	-	35,000	175,554	558,280
Capital grants and contributions	373,059	514,518	185,799	303,439	558,858	817,957
General revenues						
Local taxes	1,169,700	2,065,512	-	-	1,169,700	2,065,512
State shared revenues	1,081,461	651,094	-	-	1,081,461	651,094
Investment earnings	50,989	122,317	123,700	128,737	174,689	251,054
Miscellaneous	96,022	-	-	-	96,022	-
<b>Total revenues</b>	<b>3,487,413</b>	<b>4,299,746</b>	<b>2,177,261</b>	<b>2,664,837</b>	<b>5,664,674</b>	<b>6,964,583</b>
<b>Expenses</b>						
General government	1,622,720	1,734,382	-	-	1,622,720	1,734,382
Public safety	1,461,795	1,460,782	-	-	1,461,795	1,460,782
Highways and streets	635,383	559,138	-	-	635,383	559,138
Culture and recreation	297,056	121,376	-	-	297,056	121,376
Wastewater	-	-	548,862	380,294	548,862	380,294
Sanitation	-	-	275,199	217,160	275,199	217,160
Cemetery	-	-	83,742	83,619	83,742	83,619
Water	-	-	1,268,887	1,580,493	1,268,887	1,580,493
<b>Total expenses</b>	<b>4,016,954</b>	<b>3,875,678</b>	<b>2,176,690</b>	<b>2,261,566</b>	<b>6,193,644</b>	<b>6,137,244</b>
Change in net assets before transfers	(529,541)	424,068	571	403,271	(528,970)	827,339
Transfers	-	(30,026)	-	30,026	-	-
Change in net assets	(529,541)	394,042	571	433,297	(528,970)	827,339
Net assets, beginning of year	2,651,270	2,257,228	3,309,223	2,875,926	5,960,493	5,133,154
<b>Net assets, end of year</b>	<b>\$ 2,121,729</b>	<b>\$ 2,651,270</b>	<b>\$ 3,309,794</b>	<b>\$ 3,309,223</b>	<b>\$ 5,431,523</b>	<b>\$ 5,960,493</b>

Net assets for the governmental activities decreased over the prior year by \$529,541. This net decrease is a result of the significant reduction in town sales tax and property tax revenues realized throughout the fiscal year as compared to the previous year.

Expenses of the governmental activities increased slightly mainly in the Highways and Culture/Recreation functions. The expenses increased mainly due to the increased parks and recreation expenses relating to several new programs and increased activity in existing programs.

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 capital projects related to the design of a new wastewater treatment facility. There was also a significant reduction in maintenance/repair costs in the Water Fund resulting in lower total operating expenses that was able to offset a reduction in operating revenue. This reduction in

**TOWN OF CLARKDALE, ARIZONA**  
**Management's Discussion and Analysis**  
**June 30, 2008**

D R A F T

Water Fund operating revenue was a result of increased water conservation by the Town of Clarkdale residents.

**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 are the General Fund and Special Revenue Funds.

As of the end of the current fiscal year the Town's governmental funds reported combined ending fund balances of \$360,266, a decrease of \$745,294 in comparison with the prior year. Approximately 48% of this total amount (\$174,162) 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 2007
General Fund	\$ 174,162	\$ (288,011)
HURF Fund	6,356	(307,519)
Developer Reimbursement Fund	(39,451)	(166,552)
Nonmajor Governmental Funds	219,199	16,788

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 5% of total General Fund expenditures, while total fund balance represents 8% of total governmental funds' expenditures.

The fund balance of the Town of Clarkdale, Arizona's General Fund decreased by \$(288,011) during the current fiscal year mainly due to the decrease in collected general fund revenues in a weakening economy.

The slowing economy was also the major factor in the decrease of \$(166,552) in the Developer Reimbursement Fund.

**TOWN OF CLARKDALE, ARIZONA**  
**Management's Discussion and Analysis**  
**June 30, 2008**

D R A F T

**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 39-41. 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 \$2,696,690 were lower than budgeted revenues of \$3,848,659 by \$1,151,969 while General Fund expenditures of \$3,399,701 were lower than budgeted expenditures of \$5,069,182 by \$1,669,481. These variances were primarily due to the following: contingency profits were not expended, new development revenues were not budgeted, and local sales tax was lower than expected.

**Capital Asset and Debt Administration**

The Town's net capital assets for its governmental and business-type activities as of June 30, 2008 amount to \$9,875,179, a net increase of 15% from 2007. 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 4 in the Notes to the Financial Statements for further information regarding capital assets.

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

- Purchase of Information Technology equipment and software
- Purchase of Communication Technology hardware
- Additions to the water and wastewater infrastructure
- Improvements in existing water and wastewater infrastructure

**Long-term Obligations**

At the end of the current fiscal year, the Town of Clarkdale, Arizona had total long-term obligations outstanding of \$8,623,156. The Town entered into a lease purchase agreement for the purchase of information and communication systems and software during the fiscal year. All outstanding debt is secured by pledges of specific revenue sources of the Town.

**TOWN OF CLARKDALE, ARIZONA**  
**Management's Discussion and Analysis**  
**June 30, 2008**

**Economic Factors and Next Year's Budgets and Rates**

- Developer bankruptcy proceedings.
- Construction sales tax.
- IT/Communication improvements.
- Decrease in Arizona State Retirement rates.
- Increase in Public Safety Retirement rates.
- Increase in Mining Tax revenues.

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**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  
Finance Department  
P.O. Box 308  
Clarkdale, AZ 86324  
(928) 639-2400

Or visit our website at:  
<http://www.clarkdale.az.us>

**TOWN OF CLARKDALE, ARIZONA**  
**Statement of Net Assets**  
**June 30, 2008**

D R A F T

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 238,252	\$ 2,486,533	\$ 2,724,785
Cash and cash equivalents - restricted	-	3,460,870	3,460,870
Investments - restricted	-	35,512	35,512
Accounts receivable - net	249,609	200,343	449,952
Taxes receivable	113,170	-	113,170
Due from other governments	100,915	-	100,915
Interest receivable	-	8,413	8,413
Interest receivable - restricted	-	846	846
Bond issue costs, net	-	7,917	7,917
Deferred charges, net	-	529,125	529,125
Capital assets, not being depreciated	568,785	1,109,577	1,678,362
Capital assets, being depreciated, net	1,813,682	6,383,135	8,196,817
<b>Total assets</b>	<b>3,084,413</b>	<b>14,222,271</b>	<b>17,306,684</b>
<b>LIABILITIES</b>			
Accounts payable	52,137	17,971	70,108
Accrued expenses	59,822	10,122	69,944
Interest payable	-	9,464	9,464
Deferred revenue	-	3,030,905	3,030,905
Refundable deposits	-	71,584	71,584
Noncurrent liabilities			
Due within 1 year	263,852	54,035	317,887
Due in more than 1 year	586,873	7,718,396	8,305,269
<b>Total liabilities</b>	<b>962,684</b>	<b>10,912,477</b>	<b>11,875,161</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	1,655,401	4,095,942	5,751,343
Restricted for:			
Debt service	-	98,225	98,225
Highways and streets	129,274	-	129,274
Water system improvements	-	198,307	198,307
Unrestricted (deficit)	337,054	(1,082,680)	(745,626)
<b>Total net assets</b>	<b>\$ 2,121,729</b>	<b>\$ 3,309,794</b>	<b>\$ 5,431,523</b>

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

**TOWN OF CLARKDALE, ARIZONA**  
**Statement of Activities**  
**Year Ended June 30, 2008**

Functions / Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
<b>Primary government:</b>							
<b>Governmental activities</b>							
General government	\$ 1,622,720	\$ 323,148	\$ 51,282	\$ -	\$ (1,248,290)	\$ -	\$ (1,248,290)
Public safety	1,461,795	196,393	63,705	200	(1,201,497)	-	(1,201,497)
Highways and streets	635,383	-	23,004	372,859	(239,520)	-	(239,520)
Culture and recreation	297,056	21,087	37,563	-	(238,406)	-	(238,406)
<b>Total governmental activities</b>	<u>4,016,954</u>	<u>540,628</u>	<u>175,554</u>	<u>373,059</u>	<u>(2,927,713)</u>	<u>-</u>	<u>(2,927,713)</u>
<b>Business-type activities</b>							
Wastewater	548,862	242,406	-	185,799	-	(120,657)	(120,657)
Sanitation	275,199	248,921	-	-	-	(26,278)	(26,278)
Water	1,268,887	1,318,730	-	-	-	49,843	49,843
Cemetery	83,742	57,705	-	-	-	(26,037)	(26,037)
<b>Total business-type activities</b>	<u>2,176,690</u>	<u>1,867,762</u>	<u>-</u>	<u>185,799</u>	<u>-</u>	<u>(123,129)</u>	<u>(123,129)</u>
<b>Total primary government</b>	<u>\$ 6,193,644</u>	<u>\$ 2,408,390</u>	<u>\$ 175,554</u>	<u>\$ 558,858</u>	<u>(2,927,713)</u>	<u>(123,129)</u>	<u>(3,050,842)</u>
<b>General revenue:</b>							
Taxes:							
Sales Taxes					891,513	-	891,513
Property taxes					243,435	-	243,435
Franchise tax					34,752	-	34,752
State sales tax revenue sharing					338,207	-	338,207
Auto lieu tax revenue sharing					225,368	-	225,368
State revenue sharing					517,886	-	517,886
Interest income					50,989	123,700	174,689
Miscellaneous					96,022	-	96,022
<b>Total general revenue</b>					<u>2,398,172</u>	<u>123,700</u>	<u>2,521,872</u>
Change in net assets					(529,541)	571	(528,970)
Net assets, July 1, 2007, restated					2,651,270	3,309,223	5,960,493
Net assets, June 30, 2008					<u>\$ 2,121,729</u>	<u>\$ 3,309,794</u>	<u>\$ 5,431,523</u>

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

**TOWN OF CLARKDALE, ARIZONA**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2008**

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	General Fund	HURF/LTAF Fund	Developer Reimbursement Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 4,087	\$ 4,087
Cash held in escrow	234,165	-	-	-	234,165
Taxes receivable	113,170	-	-	-	113,170
Due from other governments	-	30,109	-	70,806	100,915
Other receivable	-	-	249,609	-	249,609
Due from other funds	-	3,280	-	144,581	147,861
<b>Total assets</b>	<b>\$ 347,335</b>	<b>\$ 33,389</b>	<b>\$ 249,609</b>	<b>\$ 219,474</b>	<b>\$ 849,807</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Accounts payable	\$ 30,293	\$ 21,569	\$ -	\$ 275	\$ 52,137
Accrued expenses	54,358	5,464	-	-	59,822
Deferred revenue	6,937	-	222,784	-	229,721
Due to other funds	81,585	-	66,276	-	147,861
<b>Total liabilities</b>	<b>173,173</b>	<b>27,033</b>	<b>289,060</b>	<b>275</b>	<b>489,541</b>
<b>Fund balances</b>					
Unreserved, reported in:					
General fund	174,162	-	-	-	174,162
Special revenue funds	-	6,356	(39,451)	219,199	186,104
Capital projects funds	-	-	-	-	-
<b>Total fund balances</b>	<b>174,162</b>	<b>6,356</b>	<b>(39,451)</b>	<b>219,199</b>	<b>360,266</b>
<b>Total liabilities and fund balances</b>	<b>\$ 347,335</b>	<b>\$ 33,389</b>	<b>\$ 249,609</b>	<b>\$ 219,474</b>	<b>\$ 849,807</b>

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

**TOWN OF CLARKDALE, ARIZONA**  
**Reconciliation of the Balance Sheet to the Statement of Net Assets**  
**Governmental Funds**  
**June 30, 2008**

Fund balances--total governmental funds		\$ 360,266
<p>Amounts reported for governmental activities in the Statement of Net Assets are different because:</p>		
<span style="font-size: 2em; font-weight: bold; letter-spacing: 0.5em;">D R A F T</span>		
<p>Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.</p>		
Capital assets	4,018,898	
Less accumulated depreciation	<u>(1,636,431)</u>	2,382,467
<p>Some receivables are not available to pay for current-period expenditures and therefore, are deferred in the funds.</p>		
Reimbursable development expenses	222,784	
Property taxes	<u>6,937</u>	229,721
<p>Some liabilities, including notes payable, are not due and payable in the current period and therefore, are not reported in the funds</p>		
Compensated absences	(123,659)	
Notes payable	(275,000)	
Capital leases	<u>(452,066)</u>	<u>(850,725)</u>
Net assets of governmental activities		<u><u>\$ 2,121,729</u></u>

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

**TOWN OF CLARKDALE, ARIZONA**  
**Statement of Revenue, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
**Year Ended June 30, 2008**

D R A F T

	General Fund	HURF/LTAF Fund	Developer Reimbursement Fund	Other Governmental Funds	Total Governmental Fund
<b>Revenue</b>					
Taxes	\$ 1,410,729	\$ -	\$ -	\$ -	\$ 1,410,729
Intergovernmental	645,370	331,939	-	124,985	1,102,294
Fines and forfeitures	72,466	-	-	-	72,466
Licenses and permits	290,443	-	-	-	290,443
Charges for services	14,804	-	-	-	14,804
Rental income	128,189	-	-	-	128,189
Contributions	70,565	-	-	-	70,565
Interest	-	41,713	-	9,276	50,989
Other revenue	64,124	33,213	15,310	11,400	124,047
<b>Total revenue</b>	<u>2,696,690</u>	<u>406,865</u>	<u>15,310</u>	<u>145,661</u>	<u>3,264,526</u>
<b>Expenditures</b>					
<b>Current</b>					
General government	1,367,286	-	181,862	-	1,549,148
Public safety	1,300,107	-	-	53,514	1,353,621
Highways and streets	-	493,792	-	75,359	569,151
Culture and recreation	287,084	-	-	-	287,084
Capital outlay	296,738	179,795	-	-	476,533
Debt service					
Principal	123,564	32,633	-	-	156,197
Interest	24,922	8,164	-	-	33,086
<b>Total expenditures</b>	<u>3,399,701</u>	<u>714,384</u>	<u>181,862</u>	<u>128,873</u>	<u>4,424,820</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(703,011)</u>	<u>(307,519)</u>	<u>(166,552)</u>	<u>16,788</u>	<u>(1,160,294)</u>
<b>Other financing sources</b>					
Capital lease acquisition	415,000	-	-	-	415,000
<b>Total other financing sources</b>	<u>415,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>415,000</u>
<b>Net change in fund balances</b>	<u>(288,011)</u>	<u>(307,519)</u>	<u>(166,552)</u>	<u>16,788</u>	<u>(745,294)</u>
Fund balances, July 1, 2007	<u>462,173</u>	<u>313,875</u>	<u>127,101</u>	<u>202,411</u>	<u>1,105,560</u>
<b>Fund balances, June 30, 2008</b>	<u>\$ 174,162</u>	<u>\$ 6,356</u>	<u>\$ (39,451)</u>	<u>\$ 219,199</u>	<u>\$ 360,266</u>

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

**TOWN OF CLARKDALE, ARIZONA**  
**Reconciliation of the Statement of Revenue, Expenditures,**  
**and Changes in Fund Balances to the Statement of Activities**  
**Governmental Funds**  
**Year Ended June 30, 2008**

Net change in fund balances--total governmental funds \$ (745,294)

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

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Governmental funds report capital outlays as expenditures.

However, in the Statement of Activities the cost of  
those assets is allocated over their estimated useful  
lives and reported as depreciation expense.

Capital outlay	476,533	
Depreciation expense	<u>(160,826)</u>	
		315,707

In the Statement of Activities, only the gain/loss on the sale  
of capital assets is reported whereas in the governmental  
funds, the proceeds from the sale increase financial  
resources. Thus, the change in net assets differ from the  
change in fund balance by the book value of the capital  
assets sold

(63,229)

Revenues in the Statement of Activities that do not provide  
current financial resources are not reported as revenues  
in the funds.

Reimbursable development expenses	222,784	
Property taxes	<u>103</u>	
		222,887

Debt proceeds provide current financial resources to  
governmental funds, but issuing debt increases long-term  
liabilities in the Statement of Net Assets.

Repayment of debt principal is an expenditure in the  
governmental funds, but the repayment reduces  
long-term liabilities in the Statement of Net Assets.

Proceeds from capital lease	(415,000)	
Principal repaid	<u>156,197</u>	
		(258,803)

Some expenses reported in the Statement of Activities  
do not require the use of current financial resources  
and therefore, are not reported as expenditures in  
governmental funds.

Change in compensated absences		<u>(809)</u>
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Change in net assets of governmental activities		<u><u>\$ (529,541)</u></u>
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*The accompanying notes are an integral part of these financial statements*

**TOWN OF CLARKDALE, ARIZONA**  
**Statement of Net Assets**  
**Proprietary Funds**  
**June 30, 2008**

D R A F T

	Business-type Activities--Enterprise Funds				
	Wastewater Fund	Sanitation Fund	Water Fund	Cemetery Fund	Total
<b>ASSETS</b>					
<b>Current assets</b>					
Cash	\$ 1,155,012	\$ 256,301	\$ 993,225	\$ 81,995	\$ 2,486,533
Cash - restricted	98,225	-	3,310,485	52,160	3,460,870
Investments - restricted	-	-	35,512	-	35,512
Accounts receivable - net	25,233	20,645	113,831	40,634	200,343
Interest receivable	1,972	-	5,915	526	8,413
Interest receivable - restricted	-	-	846	-	846
Due from other funds	165,925	-	-	-	165,925
<b>Total current assets</b>	<u>1,446,367</u>	<u>276,946</u>	<u>4,459,814</u>	<u>175,315</u>	<u>6,358,442</u>
<b>Noncurrent assets</b>					
Bond issue costs, net of accumulated amortization	7,917	-	-	-	7,917
Deferred charges, net of accumulated amortization	-	-	529,125	-	529,125
<b>Capital assets, net of accumulated depreciation, where applicable:</b>					
Land	347,600	-	283,369	-	630,969
Utilities systems, net	4,021,954	-	2,808,401	-	6,830,355
Equipment, net	31,388	-	-	-	31,388
<b>Capital assets, net</b>	<u>4,400,942</u>	<u>-</u>	<u>3,091,770</u>	<u>-</u>	<u>7,492,712</u>
<b>Total noncurrent assets</b>	<u>4,408,859</u>	<u>-</u>	<u>3,620,895</u>	<u>-</u>	<u>8,029,754</u>
<b>Total assets</b>	<u>5,855,226</u>	<u>276,946</u>	<u>8,080,709</u>	<u>175,315</u>	<u>14,388,196</u>
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Accounts payable	6,294	1,761	9,856	60	17,971
Accrued expenses	5,294	1,033	3,030	765	10,122
Interest payable	9,464	-	-	-	9,464
Deferred revenue	3,030,905	-	-	-	3,030,905
Refundable deposits	-	-	19,424	52,160	71,584
Due to other funds	-	-	-	165,925	165,925
Compensated absences, current	2,906	11,636	9,779	2,037	26,358
Bonds payable, current	20,000	-	-	-	20,000
Notes payable, current	-	-	7,677	-	7,677
<b>Total current liabilities</b>	<u>3,074,863</u>	<u>14,430</u>	<u>49,766</u>	<u>220,947</u>	<u>3,360,006</u>
<b>Noncurrent liabilities</b>					
Compensated absences	969	3,879	3,259	679	8,786
Bonds payable	285,000	-	-	-	285,000
Notes payable	-	-	7,424,610	-	7,424,610
<b>Total noncurrent liabilities</b>	<u>285,969</u>	<u>3,879</u>	<u>7,427,869</u>	<u>679</u>	<u>7,718,396</u>
<b>Total liabilities</b>	<u>3,360,832</u>	<u>18,309</u>	<u>7,477,635</u>	<u>221,626</u>	<u>11,078,402</u>
<b>Net assets</b>					
Invested in capital assets, net of related debt	4,095,942	-	-	-	4,095,942
<b>Restricted for:</b>					
Debt service	98,225	-	-	-	98,225
Water system improvements	-	-	198,307	-	198,307
Unrestricted (deficit)	(1,699,773)	258,637	404,767	(46,311)	(1,082,680)
<b>Total net assets</b>	<u>\$ 2,494,394</u>	<u>\$ 258,637</u>	<u>\$ 603,074</u>	<u>\$ (46,311)</u>	<u>\$ 3,309,794</u>

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

**TOWN OF CLARKDALE, ARIZONA**  
**Statement of Revenue, Expenses, and Changes in Fund Net Assets**  
**Proprietary Funds**  
**Year Ended June 30, 2008**

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Business-type Activities--Enterprise Funds

	Wastewater Fund	Sanitation Fund	Water Fund	Cemetery Fund	Total
<b>Operating Revenue</b>					
Charges for services					
Wastewater (bad debts of \$4,330)	\$ 242,406	\$ -	\$ -	\$ -	\$ 242,406
Sanitation (bad debts of \$8,837)	-	248,921	-	-	248,921
Water (bad debts of \$19,535)	-	-	1,318,730	-	1,318,730
Cemetery	-	-	-	57,705	57,705
<b>Total operating revenue</b>	<u>242,406</u>	<u>248,921</u>	<u>1,318,730</u>	<u>57,705</u>	<u>1,867,762</u>
<b>Operating expenses:</b>					
Personnel	264,535	65,342	177,447	64,370	571,694
Insurance	6,795	2,548	-	3,398	12,741
Professional services	34,608	194,830	278,113	-	507,551
Utilities	25,739	1,008	32,301	2,000	61,048
Repairs and maintenance	29,283	1,559	4,284	6,629	41,755
Materials and supplies	27,542	7,164	14,505	6,607	55,818
Other	5,638	2,748	118,371	738	127,495
Depreciation	55,677	-	262,311	-	317,988
Amortization	991	-	19,597	-	20,588
Chemical tests	79,126	-	-	-	79,126
<b>Total operating expenses</b>	<u>529,934</u>	<u>275,199</u>	<u>906,929</u>	<u>83,742</u>	<u>1,795,804</u>
<b>Operating income (loss)</b>	<u>(287,528)</u>	<u>(26,278)</u>	<u>411,801</u>	<u>(26,037)</u>	<u>71,958</u>
<b>Nonoperating revenue (expenses)</b>					
Capital reimbursements	185,799	-	-	-	185,799
Investment income	28,396	4,208	85,144	5,934	123,682
Interest expense	(18,928)	-	(361,940)	-	(380,868)
<b>Total nonoperating revenue (expenses)</b>	<u>195,267</u>	<u>4,208</u>	<u>(276,796)</u>	<u>5,934</u>	<u>(71,387)</u>
<b>Increase (decrease) in net assets</b>	<u>(92,261)</u>	<u>(22,070)</u>	<u>135,005</u>	<u>(20,103)</u>	<u>571</u>
<b>Total net assets, July 1, 2007, restated</b>	<u>2,586,655</u>	<u>280,707</u>	<u>468,069</u>	<u>(26,208)</u>	<u>3,309,223</u>
<b>Total net assets, June 30, 2008</b>	<u>\$ 2,494,394</u>	<u>\$ 258,637</u>	<u>\$ 603,074</u>	<u>\$ (46,311)</u>	<u>\$ 3,309,794</u>

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

**TOWN OF CLARKDALE, ARIZONA**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**Year Ended June 30, 2008**

D R A F T

	Business-type Activities--Enterprise Funds				
	Wastewater Fund	Sanitation Fund	Water Fund	Cemetery Fund	Total
<b>Cash flows from operating activities:</b>					
Receipts from customers	\$ 247,670	\$ 228,276	\$ 1,344,603	\$ 23,470	\$ 1,844,019
Payments to suppliers and providers of goods and services	(202,437)	(208,096)	(451,522)	(19,312)	(881,367)
Payments to employees	(255,366)	(48,794)	(161,379)	(60,889)	(526,428)
<b>Net cash provided by (used by)     operating activities</b>	<b>(210,133)</b>	<b>(28,614)</b>	<b>731,702</b>	<b>(56,731)</b>	<b>436,224</b>
<b>Cash flows from noncapital financing activities:</b>					
Borrowed from other funds	-	-	-	133,318	133,318
Received from other funds	-	-	727,259	-	727,259
Paid to other funds	(810,715)	-	-	-	(810,715)
<b>Net cash provided by (used by)     noncapital financing activities</b>	<b>(810,715)</b>	<b>-</b>	<b>727,259</b>	<b>133,318</b>	<b>49,862</b>
<b>Cash flows from capital and related financing activities:</b>					
Principal paid on long-term debt	(20,000)	-	(167,677)	-	(187,677)
Interest paid	(19,508)	-	(533,106)	-	(552,614)
Purchase of capital assets	(890,716)	-	(489,064)	-	(1,379,780)
Capital contributions received	3,078,337	-	-	-	3,078,337
<b>Net cash provided by (used by)     capital and related financing     activities</b>	<b>2,148,113</b>	<b>-</b>	<b>(1,189,847)</b>	<b>-</b>	<b>958,266</b>
<b>Cash flows from investing activities:</b>					
Interest received on investments	26,424	4,208	79,246	5,408	115,286
<b>Net cash provided by (used by)     investing activities</b>	<b>26,424</b>	<b>4,208</b>	<b>79,246</b>	<b>5,408</b>	<b>115,286</b>
<b>Net increase (decrease) in cash     and cash equivalents</b>	<b>1,153,689</b>	<b>(24,406)</b>	<b>348,360</b>	<b>81,995</b>	<b>1,559,638</b>
<b>Cash and cash equivalents, July 1, 2007</b>	<b>99,548</b>	<b>280,707</b>	<b>3,955,350</b>	<b>52,160</b>	<b>4,387,765</b>
<b>Cash and cash equivalents, June 30, 2008</b>	<b>\$ 1,253,237</b>	<b>\$ 256,301</b>	<b>\$ 4,303,710</b>	<b>\$ 134,155</b>	<b>\$ 5,947,403</b>
<b>Cash</b>	<b>\$ 1,155,012</b>	<b>\$ 256,301</b>	<b>\$ 993,225</b>	<b>\$ 81,995</b>	<b>\$ 2,486,533</b>
<b>Cash - restricted</b>	<b>98,225</b>	<b>-</b>	<b>3,310,485</b>	<b>52,160</b>	<b>3,460,870</b>
<b>Cash and cash equivalents, June 30, 2008</b>	<b>\$ 1,253,237</b>	<b>\$ 256,301</b>	<b>\$ 4,303,710</b>	<b>\$ 134,155</b>	<b>\$ 5,947,403</b>

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

**TOWN OF CLARKDALE, ARIZONA**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**Year Ended June 30, 2008**  
*(Continued)*

D R A F T

	Business-type Activities--Enterprise Funds				
	Wastewater Fund	Sanitation Fund	Water Fund	Cemetery Fund	Total
<b>Reconciliation of operating income</b>					
<b>(loss) to net cash provided by</b>					
<b>(used by) operating activities:</b>					
Operating income (loss)	\$ (287,528)	\$ (26,278)	\$ 411,801	\$ (26,037)	\$ 71,958
Adjustments to reconcile operating					
income (loss) to net cash provided					
by (used by) operating activities:					
Amortization	991	-	19,597	-	20,588
Depreciation	55,677	-	262,311	-	317,988
Bad debts	4,330	8,837	19,535	-	32,702
(Increase) decrease in assets:					
Accounts receivable	(18,657)	(29,482)	10,197	(34,235)	(72,177)
Increase (decrease) in liabilities:					
Accounts payable	6,294	1,761	(3,948)	60	4,167
Accrued expenses	5,294	1,033	3,030	765	10,122
Deferred revenue	19,591	-	-	-	19,591
Refundable deposits	-	-	(3,859)	-	(3,859)
Compensated absences	3,875	15,515	13,038	2,716	35,144
<b>Net cash provided by (used for)</b>					
<b>operating activities</b>	<u>\$ (210,133)</u>	<u>\$ (28,614)</u>	<u>\$ 731,702</u>	<u>\$ (56,731)</u>	<u>\$ 436,224</u>

**Noncash investing, capital, and noncapital financing activities:**

The net unrealized loss on investments in the current fiscal year in the Water Fund was \$18

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

**TOWN OF CLARKDALE, ARIZONA**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**June 30, 2008**

**D R A F T**

	<u>Pension Trust Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	<u>\$ -</u>
<b>Total assets</b>	<u>-</u>
<b>LIABILITIES</b>	
<b>Total liabilities</b>	<u>-</u>
<b>NET ASSETS</b>	
Held in trust for investment trust participants	<u><u>\$ -</u></u>

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

**TOWN OF CLARKDALE, ARIZONA**  
**Statement of Changes in Fiduciary Net Assets**  
**Fiduciary Funds**  
**Year Ended June 30, 2008**

D R A F T

	<u>Pension Trust Fund</u>
<b>Deductions:</b>	
Close out payment to new fire district	<u>\$ 210,480</u>
<b>Total deductions</b>	<u>210,480</u>
Change in net assets	(210,480)
Net assets, July 1, 2007	<u>210,480</u>
Net assets, June 30, 2008	<u><u>\$ -</u></u>

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

**TOWN OF CLARKDALE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2008**

D R A F T

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

The accompanying financial statements of the Town of Clarkdale, Arizona (Town) have been prepared in conformity with U.S. generally accepted accounting principles applicable to governmental units adopted by the Governmental Accounting Standards Board (GASB). A summary of the Town's more significant accounting policies follows.

**A. Reporting Entity**

The Town is a general purpose local government that is governed by a separately elected Town Council. The accompanying financial statements present the activities of the Town (the primary government) and its component units.

Component units are legally separate entities for which the Town is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the Town's operations. Therefore, data from these units is combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the combined financial statements to emphasize they are legally separate from the Town. The Town has no discretely presented component units. The following is a discussion of the Town's blended component unit.

**The Town of Clarkdale Municipal Property Corporation (MPC)** is a nonprofit corporation incorporated under the laws of the State of Arizona. The principal objective of the MPC is to assist the Town of Clarkdale, Arizona, in acquiring financing for various projects of the Town. The Town has a "moral obligation" for the repayment of the MPC's bonds. The MPC's board of directors consists of three members, all of which are appointed by the Town of Clarkdale, Arizona's Town Council.

**B. Basis of Presentation**

The basic financial statements include both government-wide statements and fund financial statements. The government-wide statements focus on the Town as a whole, while the fund financial statements focus on major funds. Each presentation provides valuable information that can be analyzed and compared between years and between governments to enhance the usefulness of the information.

Government-wide statements—provide information about the primary government (the Town). The statements include a statement of net assets and a statement of activities. These statements report the financial activities of the overall government, except for fiduciary activities. They also distinguish between the governmental and business-type activities of the Town. Governmental activities generally are financed through taxes and intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties.

TOWN OF CLARKDALE, ARIZONA  
Notes to Financial Statements  
June 30, 2008

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

A statement of activities presents a comparison between direct expenses and program revenues for each function of the Town's governmental activities and each segment of its business-type activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The Town does not allocate indirect expenses to programs or functions. Program revenues include:

- charges to customers or applicants for goods, services, or privileges provided,
- operating grants and contributions, and
- capital grants and contributions.

Revenues that are not classified as program revenues, including internally dedicated resources and all taxes, are reported as general revenues.

Generally, the effect of interfund activity has been eliminated from the government-wide financial statements to minimize the double counting of internal activities. However, charges for interfund services provided and used are not eliminated if the prices approximate their external exchange values.

Fund financial statements—provide information about the Town's funds. Separate statements are presented for the governmental, proprietary, and fiduciary fund categories. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Fiduciary funds are aggregated and reported by fund type.

Proprietary fund operating revenues, such as charges for services, result from transactions associated with the fund's principal activity in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from transactions in which the parties do not exchange equal values. Revenues generated by ancillary activities are also reported as nonoperating revenues.

The Town reports the following major governmental funds:

The **General Fund** is the Town's primary operating fund. It accounts for all financial resources of the Town, except those required to be accounted for in another fund.

The **HURF/LTAF Fund** accounts for specific revenue received from the State of Arizona Highway User Revenue Fund and from State of Arizona Local Transportation Assistance Fund which are legally restricted to expenditures for street repairs and maintenance.

**TOWN OF CLARKDALE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2008**

**D R A F T**

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

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

The Town reports the following major enterprise funds:

The ***Wastewater Fund*** accounts for the costs to operate, construct, and finance the Town's wastewater treatment system.

The ***Sanitation Fund*** accounts for the costs to operate and finance the Town's contracted sanitation operations. The Town does not operate a landfill.

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

The ***Cemetery Fund*** accounts for the costs to operate the Town's cemetery. The perpetual care of the cemetery is accounted for in a governmental fund.

The Town reports the following fiduciary fund:

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.

**C. Basis of Accounting**

The government-wide, proprietary fund, and fiduciary fund financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Grants and donations are recognized as revenue as soon as all eligibility requirements the provider imposed have been met.

Governmental funds in the fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Town considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, compensated absences, and landfill closure and post closure care costs, which are recognized as expenditures to the extent they are due and payable. General capital asset acquisitions are reported as expenditures in governmental funds. Issuances of general long-term debt and acquisitions under capital lease agreements are reported as other financing sources.

**TOWN OF CLARKDALE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2008**

**D R A F T**

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

The Town's business-type activities and enterprise funds follow FASB Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989, unless those pronouncements conflict with GASB pronouncements.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

**D. Cash and Investments**

For purposes of its statement of cash flows, the Town considers only those highly liquid investments with a maturity of 3 months or less when purchased to be cash equivalents.

Nonparticipating interest-earning investment contracts are stated at cost. Money market investments and participating interest-earning investment contracts with a remaining maturity of 1 year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value.

Cash and investments are pooled except for funds required to be held by fiscal agents or restricted under provisions of bond indentures. Interest earned from such monies is allocated to each of the funds based on the average daily cash balances.

The Town does not have a formal policy regarding the various risks associated with its deposits and investments.

**E. Property Tax Calendar**

Property taxes are levied on or before the third Monday in August and are payable in two equal installments. The first installment is due on the first day of October and becomes delinquent after the first business day of November. The second installment is due on the first day of March of the next year and becomes delinquent after the first business day of May.

A lien assessed against real property assessed attaches on the first day of January preceding assessment and levy thereof.

The property tax rate for the year ended June 30, 2008, was \$0.71 per \$100 of the primary assessed valuation of \$34,671,810.

**F. Capital Assets**

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

**TOWN OF CLARKDALE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2008**

D R A F T

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

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

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

**G. Investment Income**

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

**H. Allowance for Uncollectible Accounts**

Allowances for uncollectible accounts receivable are estimated by the Town. The amount recorded as uncollectible at June 30, 2008 in the Wastewater, Sanitation, Water, and Cemetery Funds were \$4,330, \$3,543, \$19,535, and \$0, respectively.

**I. Compensated Absences**

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

**TOWN OF CLARKDALE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2008**

D R A F T

***NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY***

Deficit fund balances or net assets—At June 30, 2008, the following funds reported deficits in fund balance or net assets.

Fund	Deficit
<b>Governmental Funds:</b>	
Developer Reimbursement	\$ 39,451
CDGB Grants	8,142
<b>Proprietary Funds:</b>	
Cemetery	\$ 46,311

The governmental deficit fund balances listed above is expected to be recovered through transfers from other funds. The deficit net asset balance in the Cemetery Fund is due to the incurrence of higher than anticipated costs. The Town plans to review the operations of the Cemetery to determine appropriate measures necessary to reduce this deficit.

***NOTE 3 – DEPOSITS AND INVESTMENTS***

Arizona Revised Statutes (A.R.S.) authorize the Town to invest public monies in the State Treasurer’s investment pool; U.S. Treasury obligations; specified state and local government bonds; and interest-earning investments such as savings accounts, certificates of deposit, and repurchase agreements in eligible depositories. The statutes require collateral for demand deposits, certificates of deposit, and repurchase agreements at 101 percent of all deposits not covered by federal depository insurance.

Deposits and investments at June 30, 2008 consist of the following:

<b>Deposits</b>	
Cash on hand	\$ 5,648
Cash in bank	1,733,410
Cash on deposit with paying agent	31,354
Cash held in escrow	234,165
Cash held by trustee	794,936
<b>Investments</b>	
State Treasurer’s Investment Pool	3,386,142
Total deposits and investments	6,185,655
Cash and cash equivalents - restricted	(3,460,870)
Total cash and cash equivalents	\$ 2,724,785

**TOWN OF CLARKDALE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2008**

D R A F T

**NOTE 3 – DEPOSITS AND INVESTMENTS – Continued**

*Deposits*—At June 30, 2008, the carrying amount of the Town’s total cash in bank was \$1,733,410, and the bank balance was \$2,096,883. Of the bank balance, \$100,000 was covered by federal depository insurance and the remaining balance was covered by collateral held by the pledging financial institution in the Town’s name.

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

Water System Improvements	\$ 2,594,350
Water System Debt Reserve	534,762
Clarkdale Water Trust Fund	161,949
MPC Trust	98,225
Customer deposits	71,584
	\$ 3,460,870

*Investments*—At June 30, 2008, the Town’s investments were reported at fair value. The Town’s investments consisted of the State Treasurer’s Investment Pool and municipal bonds of other incorporated cities located in Arizona.

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.

Municipal bonds held by the Town at June 30, 2008 were held in trust under the Clarkdale Water Trust Fund Agreement and were restricted for purposes indicated in the agreement. Restricted interest receivable in the amount of \$846 on the Statement of Net Assets under the Water Fund was restricted for the same purpose. Municipal bonds held by the Town at June 30, 2008 consisted of the following:

	Maturity Date	Value at June 30, 2008	Par Value	Coupon Rate
TUCSON ARIZ WTR REV Bonds (Aa3)	07/01/09	\$ 10,324	\$ 10,000	5.00%
PHOENIX ARIZ CIVIC IMPT Bonds (Aa3)	07/01/11	10,013	10,000	4.80%
PHOENIX ARIZ REF-SER A Bonds (Aa1)	07/01/12	15,175	15,000	4.75%
		\$ 35,512	\$ 35,000	

**TOWN OF CLARKDALE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2008**

D R A F T

**NOTE 4 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2008, was as follows:

	Balance July 1, 2007	Increases	Decreases	Balance June 30, 2008
<b>Governmental activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 568,785	\$ -	\$ -	\$ 568,785
<b>Total capital assets not being depreciated</b>	<b>568,785</b>	<b>-</b>	<b>-</b>	<b>568,785</b>
 <b>Capital assets being depreciated:</b>				
Buildings and improvements	1,874,028	-	-	1,874,028
Infrastructure	300,939	121,248	-	422,187
Machinery and equipment	179,903	269,916	-	449,819
Vehicles	766,806	85,369	(148,096)	704,079
<b>Total</b>	<b>3,121,676</b>	<b>476,533</b>	<b>(148,096)</b>	<b>3,450,113</b>
 <b>Less accumulated depreciation for:</b>				
Buildings and improvements	(1,063,373)	(47,866)	-	(1,111,239)
Infrastructure	(25,409)	(20,063)	-	(45,472)
Machinery and equipment	(154,625)	(14,576)	-	(169,201)
Vehicles	(317,065)	(78,321)	84,867	(310,519)
<b>Total</b>	<b>(1,560,472)</b>	<b>(160,826)</b>	<b>84,867</b>	<b>(1,636,431)</b>
<b>Total capital assets being depreciated, net</b>	<b>1,561,204</b>	<b>315,707</b>	<b>(63,229)</b>	<b>1,813,682</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 2,129,989</b>	<b>\$ 315,707</b>	<b>\$ (63,229)</b>	<b>\$ 2,382,467</b>

**TOWN OF CLARKDALE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2008**

D R A F T

**NOTE 4 – CAPITAL ASSETS – Continued**

	Balance July 1, 2007	Increases	Decreases	Balance June 30, 2008
<b>Business-type activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 283,369	\$ 347,600	\$ -	\$ 630,969
Construction in progress	-	478,608	-	478,608
<b>Total capital assets not       being depreciated</b>	<b>283,369</b>	<b>826,208</b>	<b>-</b>	<b>1,109,577</b>
<b>Capital assets being depreciated:</b>				
Sewer plant and equipment	4,248,055	64,509	-	4,312,564
Water distribution system	2,941,707	489,063	-	3,430,770
<b>Total</b>	<b>7,189,762</b>	<b>553,572</b>	<b>-</b>	<b>7,743,334</b>
<b>Less accumulated depreciation for:</b>				
Sewer plant and equipment	(682,152)	(55,677)	-	(737,829)
Water distribution system	(360,059)	(262,311)	-	(622,370)
<b>Total</b>	<b>(1,042,211)</b>	<b>(317,988)</b>	<b>-</b>	<b>(1,360,199)</b>
<b>Total capital assets being depreciated, net</b>	<b>6,147,551</b>	<b>235,584</b>	<b>-</b>	<b>6,383,135</b>
<b>Business-type activities capital assets, net</b>	<b>\$ 6,430,920</b>	<b>\$ 1,061,792</b>	<b>\$ -</b>	<b>\$ 7,492,712</b>

**TOWN OF CLARKDALE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2008**

**D R A F T**

**NOTE 4 – CAPITAL ASSETS – Continued**

Depreciation expense was charged to each function as follows:

Governmental activities:	
General government	\$ 47,841
Public safety	44,945
Highways and streets	58,068
Culture and recreation	<u>9,972</u>
 Total governmental activities depreciation expense	 <u><u>\$ 160,826</u></u>
 Business-type activities:	
Wastewater	\$ 55,677
Water	<u>262,311</u>
 Total business-type activities depreciation expense	 <u><u>\$ 317,988</u></u>

**TOWN OF CLARKDALE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2008**

D R A F T

**NOTE 5 – LONG-TERM LIABILITIES**

The following schedule details the Town’s long-term liability and obligation activity for the year ended June 30, 2008.

	Balance July 1, 2007	Additions	Reductions	Balance June 30, 2008	Due within 1 year
<b>Governmental activities:</b>					
Compensated absences	\$ 122,850	\$ 184,205	\$ 183,396	\$ 123,659	\$ 92,744
Capital leases payable	168,263	415,000	131,197	452,066	171,108
Notes payable	300,000	-	25,000	275,000	-
Governmental activities long-term liabilities	<u>\$ 591,113</u>	<u>\$ 599,205</u>	<u>\$ 339,593</u>	<u>\$ 850,725</u>	<u>\$ 263,852</u>
<b>Business-type activities:</b>					
Compensated absences	\$ -	\$ 48,075	\$ 12,931	\$ 35,144	\$ 26,358
Bonds payable	325,000	-	20,000	305,000	20,000
Notes payable	7,385,000	-	160,000	7,225,000	-
Plus: deferred amount on premium	214,964	-	7,677	207,287	7,677
Business-type activities long-term liabilities	<u>\$ 7,924,964</u>	<u>\$ 48,075</u>	<u>\$ 200,608</u>	<u>\$ 7,772,431</u>	<u>\$ 54,035</u>

**Bonds Payable** – The Town’s bonded debt consists of a 1996 Revenue Bond issuance of \$500,000. The Revenue Bond requires repayments of interest due semi-annually starting July 1, 1997, and principle due annually starting July 1, 1997. Bonds outstanding at June 30, 2008, were as follows:

Description	Original Amount	Maturity Ranges	Interest Rates	Outstanding Principal
Revenue Bonds, Series 1996	<u>\$ 500,000</u>	1997- 2016	4.50-6.35%	<u>\$ 305,000</u>

**TOWN OF CLARKDALE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2008**

D R A F T

**NOTE 5 – LONG-TERM LIABILITIES – Continued**

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

	Governmental Activities	Business-type Activities
<p>Note payable to Greater Arizona Development Authority (GADA) requiring repayments of interest due semiannually beginning August 1, 2003 and principal payments due annually beginning August 1, 2004 with final payment due August 1, 2017. Interest rates follow a GADA bond issue rate that varies between 2.25% and 4.38%.</p>	\$ 275,000	\$ -
<p>Note payable to the City of Cottonwood requiring repayments of interest due annually beginning July 1, 2006 and principal payments due annually beginning July 1, 2008 with final payment due July 1, 2035. The annual interest rate varies between 3.50% and 5.00%.</p>	-	7,225,000
	\$ 275,000	\$ 7,225,000

The following schedule details debt service requirements to maturity for the Town’s bond and notes payable at June 30, 2008.

Year Ending June 30	Governmental Activities		Business-type Activities			
	Notes Payable		Notes Payable		Bonds Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ -	\$ 11,553	\$ -	\$ 337,733	\$ 20,000	\$ 17,748
2010	25,000	10,709	160,000	331,333	20,000	16,548
2011	25,000	9,771	160,000	324,933	25,000	15,035
2012	30,000	8,671	160,000	318,533	25,000	13,510
2013	30,000	7,471	160,000	312,133	25,000	11,973
2014-18	165,000	18,128	890,000	1,447,825	190,000	24,383
2019-23	-	-	1,150,000	1,224,472	-	-
2024-28	-	-	1,420,000	929,500	-	-
2029-33	-	-	1,810,000	519,000	-	-
2034-38	-	-	1,315,000	68,000	-	-
<b>Total</b>	<b>\$ 275,000</b>	<b>\$ 66,303</b>	<b>\$7,225,000</b>	<b>\$5,813,462</b>	<b>\$ 305,000</b>	<b>\$ 99,196</b>

**TOWN OF CLARKDALE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2008**

D R A F T

**NOTE 5 – LONG-TERM LIABILITIES – Continued**

*Capital leases* – The Town has acquired office equipment and a street sweeper under the provisions of long-term lease agreements classified as a capital leases for accounting purposes because they provide for a bargain purchase option or a transfer of ownership by the end of the lease term.

The assets acquired through capital leases are as follows:

	Governmental Activities
Cash held in escrow	\$ 234,165
Office equipment	180,835
Street sweeper	179,554
Less: accumulated depreciation	(26,841)
Carrying value	\$ 567,713

The following schedule details debt service requirements to maturity for the Town’s capital leases payable at June 30, 2008.

Year Ending June 30	Governmental Activities
2009	\$ 189,500
2010	189,500
2011	77,972
2012	27,198
Total minimum lease payments	484,170
Less amount representing interest	(32,104)
Present value of net minimum lease payments	\$ 452,066

*Interest expense* – The total amount of interest expense included as direct functional expenses on the government-wide financial statements is \$33,086. \$25,731 was included as a direct functional of the general government and \$8,164 was included as a direct functional expense of highways and streets.

**TOWN OF CLARKDALE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2008**

D R A F T

***NOTE 6 – RISK MANAGEMENT***

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

***NOTE 7 – RETIREMENT PLANS***

Plan Descriptions—The Town contributes to the two plans described below. Benefits are established by state statute and generally provide retirement, death, long-term disability, survivor, and health insurance premium benefits.

The *Arizona State Retirement System (ASRS)* administers a cost-sharing multiple-employer defined benefit pension plan that covers general employees of the Town. The ASRS is governed by the Arizona State Retirement System Board according to the provisions of A.R.S. Title 38, Chapter 5, Article 2.

The *Public Safety Personnel Retirement System (PSPRS)* is an agent multiple-employer defined benefit pension plan that covers public safety personnel who are regularly assigned hazardous duty as employees of the State of Arizona or one of its political subdivisions. The PSPRS, acting as a common investment and administrative agent, is governed by a five-member board, known as The Fund Manager, and the participating local boards according to the provisions of A.R.S. Title 38, Chapter 5, Article 4.

Each plan issues a publicly available financial report that includes its financial statements and required supplementary information. A report may be obtained by writing or calling the applicable plan.

ASRS  
3300 N. Central Ave.  
Phoenix, AZ 85012-0250  
(602) 240-2000

PSPRS  
3010 E. Camelback Rd., Ste. 200  
Phoenix, AZ 85016  
(602) 255-5575

Funding Policy—The Arizona State Legislature establishes and may amend active plan members' and the Town's contribution rates.

*Cost-sharing plans* – For the year ended June 30, 2008, active ASRS members and the Town were each required by statute to contribute at the actuarially determined rate of 9.6 percent (9.1 percent retirement and 0.5 percent long-term disability) of the members' annual covered payroll. The Town's contributions to ASRS for the years ended June 30, 2008, 2007 and 2006, were \$140,302, \$94,780, and \$77,923, respectively, which were equal to the required contributions for the year.

**TOWN OF CLARKDALE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2008**

D R A F T

**NOTE 7 – RETIREMENT PLANS – Continued**

*Agent plans* – For the year ended June 30, 2008, active PSPRS members were required by statute to contribute 7.65 percent of the members’ annual covered payroll, and the Town was required to contribute at the actuarially determined rate of 10.72 percent.

**Annual Pension Cost** – The Town’s pension cost for the agent plan for the year ended June 30, 2008, and related information follows.

	PSPRS
Contribution rates:	
City	10.72%
Plan members	7.65%
Annual pension cost	\$ 48,331
Contributions made	\$ 48,331

**Annual Pension Cost**—The Town’s pension cost for the agent plan for the year ended June 30, 2008, and related information follows:

	PSPRS
Actuarial valuation date	06/30/08
Actuarial cost method	Projected Unit Credit
Actuarial assumptions:	
Investment rate of return	8.50%
Projected salary increases	5.50%-9.00%
Includes inflation at	5.50%
Cost-of-living adjustments	None
Amortization method	Level percent closed
Remaining amortization period	28 years for unfunded actuarial accrued liability, 20 years open for excess
Asset valuation method	Smoothed market value

**Trend Information** – Annual pension cost information for the current and 2 preceding years follows for each of the agent plans.

Plan	Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PSPRS	2008	\$ 48,331	100 %	\$ -
	2007	44,582	100 %	-
	2006	33,600	100 %	-

**TOWN OF CLARKDALE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2008**

D R A F T

**NOTE 9 – INTERFUND BALANCES AND ACTIVITY**

Interfund receivables and payables—Interfund balances at June 30, 2008, were as follows:

Payable from	Payable to			
	Major		Non-major	
	HURF/LTAF Fund	Wastewater Fund	Perpetual Care Fund	Total
General Fund	\$ 3,280	\$ -	\$ 78,305	\$ 81,585
Developer Reimbursement Fund	-	-	66,276	66,276
Cemetery Fund	-	165,925	-	165,925
	<u>\$ 3,280</u>	<u>\$ 165,925</u>	<u>\$ 144,581</u>	<u>\$ 313,786</u>

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

**NOTE 10 – BEGINNING NET ASSETS RESTATED**

Net assets in the Water Fund at July 1, 2007 were restated to include cash and investments held in trust under the Clarkdale Water Trust Fund agreement. Beginning net assets prior to the restatement were \$272,822. The change includes an addition of \$195,247 to net assets. In addition to the change in net assets, beginning balances of restricted cash, restricted investments, and restricted accrued interest at July 1, 2007 have been increased by \$158,871, \$35,530, and \$846, respectively.

**TOWN OF CLARKDALE, ARIZONA**  
**Required Supplementary Information**  
**Budgetary Comparison Schedules**  
**General Fund**  
**June 30, 2008**

D R A F T

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenue</b>				
Taxes	\$ 1,926,339	\$ 1,926,339	\$ 1,410,729	\$ (515,610)
Intergovernmental	708,148	708,148	645,370	(62,778)
Fines and forfeitures	128,000	128,000	72,466	(55,534)
Licenses and permits	574,367	574,367	290,443	(283,924)
Charges for services	20,550	20,550	14,804	(5,746)
Rental income	392,849	392,849	128,189	(264,660)
Contributions	52,222	52,222	70,565	18,343
Interest	45,184	45,184	-	(45,184)
Other revenue	1,000	1,000	64,124	63,124
<b>Total revenue</b>	<u>3,848,659</u>	<u>3,848,659</u>	<u>2,696,690</u>	<u>(1,151,969)</u>
<b>Expenditures</b>				
Current				
General government	2,075,622	2,075,622	1,367,286	(708,336)
Public safety	1,538,375	1,538,375	1,300,107	(238,268)
Culture and recreation	243,905	243,905	287,084	43,179
Capital outlay	1,211,280	1,211,280	296,738	(914,542)
Debt service				
Principal	-	-	123,564	123,564
Interest	-	-	24,922	24,922
<b>Total expenditures</b>	<u>5,069,182</u>	<u>5,069,182</u>	<u>3,399,701</u>	<u>(1,669,481)</u>
<b>Excess (deficiency) of revenue over (under) expenditures</b>	<u>(1,220,523)</u>	<u>(1,220,523)</u>	<u>(703,011)</u>	<u>517,512</u>
<b>Other financing sources</b>				
Capital lease acquisition	600,000	600,000	415,000	(185,000)
Transfers out	(449,516)	(449,516)	-	449,516
<b>Total other financing sources</b>	<u>150,484</u>	<u>150,484</u>	<u>415,000</u>	<u>264,516</u>
<b>Net change in fund balances</b>	<u>(1,070,039)</u>	<u>(1,070,039)</u>	<u>(288,011)</u>	<u>782,028</u>
Fund balances, July 1, 2007	<u>462,173</u>	<u>462,173</u>	<u>462,173</u>	<u>-</u>
<b>Fund balances, June 30, 2008</b>	<u>\$ (607,866)</u>	<u>\$ (607,866)</u>	<u>\$ 174,162</u>	<u>\$ 782,028</u>

*See accompanying notes to budgetary comparison schedule.*

**TOWN OF CLARKDALE, ARIZONA**  
**Required Supplementary Information**  
**Budgetary Comparison Schedules**  
**HURF/LTAF Fund**  
**Year Ended June 30, 2008**

D R A F T

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenue</b>				
Intergovernmental	\$ 346,189	\$ 346,189	\$ 331,939	\$ (14,250)
Interest	15,904	15,904	41,713	25,809
Other revenue	49,635	49,635	33,213	(16,422)
<b>Total revenue</b>	<u>411,728</u>	<u>411,728</u>	<u>406,865</u>	<u>(4,863)</u>
<b>Expenditures</b>				
Current				
Highways and streets	1,668,688	1,668,688	493,792	(1,174,896)
Capital outlay	-	-	179,795	179,795
Debt service				
Principal	-	-	32,633	32,633
Interest	-	-	8,164	8,164
<b>Total expenditures</b>	<u>1,668,688</u>	<u>1,668,688</u>	<u>714,384</u>	<u>(954,304)</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(1,256,960)</u>	<u>(1,256,960)</u>	<u>(307,519)</u>	<u>949,441</u>
<b>Other financing sources</b>				
Transfers in	449,516	449,516	-	(449,516)
<b>Total other financing sources</b>	<u>449,516</u>	<u>449,516</u>	<u>-</u>	<u>(449,516)</u>
<b>Net change in fund balances</b>	<u>(807,444)</u>	<u>(807,444)</u>	<u>(307,519)</u>	<u>499,925</u>
Fund balances, July 1, 2007	<u>313,875</u>	<u>313,875</u>	<u>313,875</u>	<u>-</u>
<b>Fund balances, June 30, 2008</b>	<u>\$ (493,569)</u>	<u>\$ (493,569)</u>	<u>\$ 6,356</u>	<u>\$ 499,925</u>

*See accompanying notes to budgetary comparison schedule.*

**TOWN OF CLARKDALE, ARIZONA**  
**Required Supplementary Information**  
**Budgetary Comparison Schedules**  
**Developer Reimbursement Fund**  
**Year Ended June 30, 2008**

D R A F T

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenue</b>				
Other revenue	\$ 1,076,000	\$ 1,076,000	\$ 15,310	\$ (1,060,690)
<b>Total revenue</b>	<u>1,076,000</u>	<u>1,076,000</u>	<u>15,310</u>	<u>(1,060,690)</u>
<b>Expenditures</b>				
Current				
General government	1,076,000	1,076,000	181,862	(894,138)
<b>Total expenditures</b>	<u>1,076,000</u>	<u>1,076,000</u>	<u>181,862</u>	<u>(894,138)</u>
<b>Net change in fund balances</b>	-	-	(166,552)	(166,552)
Fund balances, July 1, 2007	<u>127,101</u>	<u>127,101</u>	<u>127,101</u>	-
<b>Fund balances, June 30, 2008</b>	<u><u>\$ 127,101</u></u>	<u><u>\$ 127,101</u></u>	<u><u>\$ (39,451)</u></u>	<u><u>\$ (166,552)</u></u>

*See accompanying notes to budgetary comparison schedule.*

**TOWN OF CLARKDALE, ARIZONA**  
**Required Supplementary Information**  
**Notes to Budgetary Comparison Schedules**  
**June 30, 2008**

**DRAFT**

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

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

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

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

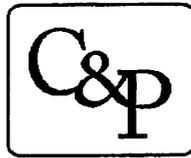
The Town's budget is prepared on a basis consistent with generally accepted accounting principles.

**TOWN OF CLARKDALE, ARIZONA**  
**Required Supplementary Information**  
**Schedule of Agent Retirement Plans' Funding Progress**  
**June 30, 2008**

D R A F T

Public Safety Personnel Retirement System

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Funding (Liability) Excess (a-b)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded Liability as Percentage of Covered Payroll ((a-b)/c)
06/30/08	\$1,500,446	\$1,837,566	\$(337,120)	81.7 %	\$464,836	72.5 %
06/30/07	1,257,598	1,505,533	(247,935)	83.5	403,652	61.4
06/30/06	1,188,753	1,220,590	(31,837)	97.4	348,619	9.1



**COLBY &  
POWELL, PLC**

CERTIFIED PUBLIC ACCOUNTANTS

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

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

To the Town Council  
Town of Clarkdale, Arizona

D R A F T

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and aggregate remaining fund information of the Town of Clarkdale, Arizona, as of and for the year ended June 30, 2008, which collectively comprise the Town of Clarkdale, Arizona's basic financial statements and have issued our report thereon dated February 3, 2009. 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 auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Clarkdale, Arizona's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Clarkdale, Arizona's internal control over financial reporting.

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 of Clarkdale, Arizona'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 of Clarkdale, Arizona's financial statements that is more than inconsequential will not be

prevented or detected by the Town of Clarkdale, Arizona's internal control. We consider the deficiencies with reference numbers 07-02 through 08-06 described 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 of Clarkdale, Arizona's internal control.

Our consideration of the 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 the 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 none of the significant deficiencies described above is a material weakness.

### **Compliance and Other Matters**

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

This report is intended solely for the information and use of management, the audit committee, Town Council, and 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.

February 3, 2009

D R A F T

**TOWN OF CLARKDALE, ARIZONA**  
**Schedule of Findings and Responses**  
**June 30, 2008**

**Financial Statement Findings**

**Prior year findings:**

D R A F T

**Item: 07-02**

**Subject:** General ledger

**Condition:** The Town's general ledger required numerous adjustments in order to prepare the financial statements.

**Status:** This finding has been repeated as a current year finding. See 08-01.

**Current year findings:**

**Item: 08-01**

**Subject:** Preparation of the working trial balance

**Criteria/Specific Requirements:** The Town should prepare a more complete and accurate working trial balance prior to the start of the audit.

**Condition:** The Town did not have a complete and accurate working trial balance prior to the start of the audit.

**Effect:** A misstatement could occur and not be detected by management within a timely manner.

**Recommendation:** The working trial balance should require very few accounting adjustments prior to the start of the annual audit. All material and necessary journal entries should be recorded in the trial balance prior to the start of the annual audit.

**Response:** The purchase of new financial accounting software should facilitate a more productive year end closing process. The system will be operational for the fiscal year ending 2009.

**TOWN OF CLARKDALE, ARIZONA**  
**Schedule of Findings and Responses**  
**June 30, 2008**

D R A F T

**Item: 08-02**

**Subject:** Completeness of cash and investments

**Criteria/Specific Requirements:** Internal controls should be implemented to verify that all cash and investments are being recorded in the financial statements of the Town.

**Condition:** In the prior year, the Town did not record cash and investments held in the Clarkdale Water Trust the result of which caused a restatement of the prior year net assets.

**Effect:** A misstatement could occur and not be detected by management within a timely manner.

**Recommendation:** The Town should develop and implement internal controls that assure that all assets to which the Town has title are being recorded in the financial statements of the Town.

**Response:** Internal controls are evaluated on an annual basis. Changes will be instituted to assure all assets are recorded in the financial statements.

**Item: 08-03**

**Subject:** Interest revenue and receivable allocations

**Criteria/Specific Requirements:** The Town should allocate interest revenue and receivables to each fund based on a logical and consistent method acceptable under generally accepted accounting principles.

**Condition:** There is not a method in place that appropriately allocates interest revenue and receivables among the funds carrying interest-earning deposits.

**Effect:** A misstatement could occur and not be detected by management within a timely manner.

**Recommendation:** Management should allocate interest to each fund using some method such as averaging the monthly interest-earning deposits by fund and allocating the interest accordingly.

**Response:** Accounting functions will be instituted in fiscal year 2009 that will allocate interest revenue and receivables using the new financial software system.

**TOWN OF CLARKDALE, ARIZONA**  
**Schedule of Findings and Responses**  
**June 30, 2008**

D R A F T

**Item: 08-04**

**Subject:** Internal controls over utility billing.

**Criteria/Specific Requirements:** Internal controls over utility billing adjustments should be implemented to prevent material misstatements on the financial statements.

**Condition:** At the Town of Clarkdale, the functions of utility billing adjustments and the collection of payments is performed by the same individual and there is no formal review of utility billing adjustments by a separate individual.

**Effect:** A material misstatement could occur due to error or fraud and not be discovered by management in a reasonable amount of time.

**Recommendation:** Management should have someone other than the employee who adjusts utility billings accept payment for utilities. Otherwise, there should be policies implemented for the regular review and approval of utility billing adjustments by a separate individual.

**Response:** Changes were immediately implemented upon recommendation from the audit process. Billing adjustments are now processed by the Utility Department, but reviewed and posted by the Accounting Supervisor in the Finance Department.

**Item: 08-05**

**Subject:** Reconciliations of asset and liability accounts

**Criteria/Specific Requirements:** Management should reconcile asset and liability accounts to their corresponding detail on a regular basis. Such accounts include the LGIP savings accounts and the miscellaneous payroll payable accounts.

**Condition:** At the time of the audit, the Town had balances in many of its asset and liability accounts which usually should not have such balances. Such balances were made up of misstatements due to error, which were corrected with management approved audit adjustments.

**Effect:** A material misstatement could occur due to error or fraud and not be discovered by management in a reasonable amount of time.

**Recommendation:** Management should ensure that asset and liability accounts are not materially misstated by reconciling such accounts to their corresponding detail on a regular basis.

**Response:** Cross training and additional staff time from other departments will facilitate the timely reconciliation process. With employee transitions, reconciliations of asset and liability account will be completed on a monthly basis.

**TOWN OF CLARKDALE, ARIZONA**  
**Schedule of Findings and Responses**  
**June 30, 2008**

**D R A F T**

**Item: 08-06**

**Subject: Accounts payable.**

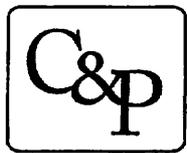
**Criteria/Specific Requirements:** The Town should compile a complete and accurate detailed listing of accounts payable at year end for audit testing.

**Condition:** The Town does not maintain a complete detailed listing of their accounts payable.

**Effect:** Accurate and complete accounts payable amounts are not being captured and recorded in the financial records of the Town causing financial records to be misstated.

**Recommendation:** A complete listing of accounts payable at the end of the year should be compiled by the Town.

**Response:** With the implementation of the new financial accounting system, a complete listing of all accounts payable will be maintained. Accurate and complete information will be recorded in the new system and reports will be reviewed on a monthly basis.



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**D R A F T**

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

To the Town Council  
Town of Clarkdale, Arizona

We have audited, in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and aggregate remaining fund information of the Town of Clarkdale as of and for the year ended June 30, 2008, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated February 3, 2009.

In connection with our audit, nothing came to our attention that caused us to believe that the Town failed to use highway user revenue fund monies received by the Town pursuant to Arizona Revised Statutes Title 28, Chapter 18, Article 2 and any other dedicated state transportation revenues received by the Town solely for the authorized transportation purposes. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance.

This report is intended solely for the information and use of management and the members of the Arizona State Legislature and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.

February 3, 2009