Staff Report

Agenda Item: **FISCAL YEAR 2009-2010 AUDITED FINANCIAL STATEMENTS** – Presentation of the audit reports and consideration of approval of the 2009-2010 Fiscal Year Audit.

Staff Contact: Kathy Bainbridge, Finance Director

Meeting Date: December 14, 2010

Background:

The annual audit and the auditor reports have been completed for Fiscal Year 2010. The auditors will bring the reports with them to present to Council. Included in packet is a draft copy.

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 is the ANNUAL FINANCIAL REPORT. This report summarizes all funds including General, Streets, Water, Wastewater, Sanitation, and Cemetery. The Management's Discussion and Analysis, starting on page iii, has been written by Finance Director Kathy Bainbridge and provides an overview of the financial activities for the fiscal year ended June 30, 2010, along with an introduction to the basic financial statements.

Recommendation: Staff recommends Council approve the Fiscal Year 2010 Audit.

TOWN OF CLARKDALE, ARIZONA

Annual Expenditure Limitation Report
and Independent Auditors' Report
June 30, 2010

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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

We have audited the accompanying Annual Expenditure Limitation Report of the Town of Clarkdale, Arizona, for the year ended June 30, 2010. This report is the responsibility of the Town of Clarkdale, Arizona's 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, 2010, 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.

Colby & Powell

December 6, 2010

TOWN OF CLARKDALE, ARIZONA
Annual Expenditure Limitation Report - Part I
Year Ended June 30, 2010

1. Voter approved expenditure limitation (Approved March 14, 2006)	$ 33,699,902
2. Amount subject to the expenditure limitation (total amount from **Part II, Line C**)	5,007,216
3. Amount under the expenditure limitation	$ 28,692,686

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, 2010

Description	Governmental Funds	Enterprise Funds	Total
A. Amounts reported on the **Reconciliation, Line D**	$ 2,959,688	$ 2,047,528	$ 5,007,216
B. Less exclusions claimed:	-	-	-
C. Amounts subject to the expenditure limitation	$ 2,959,688	$ 2,047,528	$ 5,007,216

See accompanying notes to report.

TOWN OF CLARKDALE, ARIZONA
Annual Expenditure Limitation Report – Reconciliation
Year Ended June 30, 2010

Description	Governmental Funds	Enterprise Funds	Total
A. Total expenditures/expenses/deductions and applicable other financing uses, special items, and extraordinary items reported within the fund financial statements	$ 2,959,688	$ 1,793,053	$ 4,752,741
B. Subtractions			
1. Items not requiring use of working capital			
a. Depreciation and amortization	-	336,824	336,824
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	-	-	-
4. Involuntary court judgments	-	-	-
Total subtractions	-	336,824	336,824
C. Additions			
1. Principal payments on long-term debt	-	188,692	188,692
2. Acquisition of capital assets	-	402,607	402,607
Total additions	-	591,299	591,299
D. Amounts reported on **Part II, Line A**	$ 2,959,688	$ 2,047,528	$ 5,007,216

See accompanying notes to report.

TOWN OF CLARKDALE, ARIZONA
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2010

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 March 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 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.

TOWN OF CLARKDALE, ARIZONA

Annual Financial Statements
and Independent Auditors' Report
June 30, 2010

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INDEPENDENT AUDITORS' REPORT

To the Town Council
Town of Clarkdale, Arizona

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, 2010, 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, 2010, 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 December 6, 2010, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedule of agent retirement plans' funding progress on pages iii through xviii, 27 through 29, and 30 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

December 6, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

We, the Town of Clarkdale, Arizona, are pleased to provide an overview of our financial activities for the fiscal year ended June 30, 2010. The intended purpose of Management's Discussion and Analysis (MD&A) is to provide an introduction to the basic financial statements and notes, that provides an objective and easy to read analysis of our financial activities based on currently known facts, decisions, and conditions, by providing an easily readable summary of operating results and reasons for changes, which will help to determine if our financial position improved or deteriorated over the past year. This report addresses current operational activities, the sources, uses, and changes in resources, adherence to budget, service levels, limitations, significant economic factors, and the status of infrastructure and its impacts on our debt and operations. We encourage readers to consider the information presented here in conjunction with the Town's financial statements following this section.

FINANCIAL HIGHLIGHTS

- Total net assets showed an increase of 2.48%, between fiscal years 2009 and 2010. The 2010 governmental net assets increased 16.42% and the business-type activities decreased 7.53%.

- The Town's 2010 revenues total $4,871,583 and expenses total $4,737,559, resulting in an increase in net assets of $134,024, or 2.48% This net increase is a result of expenses being decreased by 8.53%.

- Local sales tax, property tax, and franchise taxes are the largest revenue source for governmental activities, accounting for 37.65% of total revenues with State Shared General Revenues accounting for 31.73% of the total revenues.

- Expenditures for governmental activities total $2,944,506. Public Safety activities each account for 32.03%. Highway and Streets spent 18.97% of the expenditures, Culture and Recreation 6.94%, and General Government services accounted for 42.06% of total expenditures for 2010.

- At the end of the current fiscal year the Town's total governmental funds reported combined ending fund balances of $547,368, an increase of $254,251 in comparison with the prior year.

- General Fund actual revenues of $2,242,512 were lower than budgeted revenues of $2,705,188 by $462,676, or 17.10% while General Fund actual expenditures of $2,289,107 were lower than budgeted expenditures of $2,556,688 by $267,581, or 10.47%.

ECONOMIC HIGHLIGHTS

- Town reaction to the local sales tax shortfall was to implement a 10% furlough program for all staff, including Council as of January 2009, which was continued for fiscal year 2009-2010. The furlough kept Town offices closed on Friday in an effort to realize additional utility cost savings.

- A Voluntary Early Retirement Program (VERIP) was developed in which four employees took advantage of and is reflected in the 2010 budget, with an additional employee retirement during the year that was not filled.

- There were no merit or COLA increases for staff along with another reorganization of staff, implemented in February of 2010, to cover two eliminated positions due to the budgetary shortfalls.

- Due to the reorganization of staff, the Community Services Department was developed which included the Library, Parks & Recreation Department, and new volunteer recruitment services. The Library was open an additional 20 hours weekly by reorganizing staff without any additional cost.

- There was an emphasis on volunteer recruitment for the 2010 budget in which the Concerts in the Park Series was funded by donations and the July 4th and Halloween events were staffed by volunteers. Volunteers maintained the cemetery, helped with maintenance of the parks, served as janitors for the buildings, and helped with administration duties. In addition to the volunteers, court restitution workers were organized to perform duties in an effort to help staff.

- Due to budgetary shortfalls, the swimming pool was not opened for the 2009 pool season. The swimming pool was not budgeted to open for the 2010 season due to the lack of revenues to fund the program as well.

- The Town took over total operations of the water utility from the City of Cottonwood effective June 1, 2009. Two Streets/Buildings employees were transferred to the water utility instead of hiring additional employees due to budgetary shortfalls.

- The Town approved raising the local sales tax from 2.25% to 3% effective June 1, 2009, and conservatively budgeted for local sales tax for 2010. Even though local sales tax was raised, the Town only collected 75% of the budgeted revenue in 2010 and the actual construction sales tax revenue collected was only 20% of the budgeted revenue.

- The Town approved raising property tax for 2010 from $.71 to $.9120 per $100 of value.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

1. *The Management's Discussion and Analysis* provides a brief discussion of the basic financial statements, annual comparisons of the government-wide financial statements, and analysis of government's overall financial position.

2. *Basic Financial Statements:*
   - *Government-wide Financial Statements* provide both long-term and short-term information about the Town's overall financial status.
   - *Fund Financial Statements* focus on the individual parts of Town government and report the Town's operations in more detail than the government-wide statements.
   - *Notes to the Financial Statements* explain some of the information in the financial statements and provide more detailed data.

3. *Required Supplementary Information* further explains and supports the information in the financial statements and includes detailed budgetary comparison schedules for major special revenue funds as well as the General Fund. It also includes pension information for PSPRS members.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Town of Clarkdale's finances in a manner similar to private sector business. The statements distinguish between governmental and business type activities.

Governmental activities include the Town's basic services, such as general government (administration), public safety (police), highways and streets, and culture and recreation and are mainly financed through taxes and intergovernmental revenues.

Business-type activities include the water and sewer utility, cemetery, and sanitation and are financed by fees charged to cover the costs of services they provide.

The *Statement of Net Assets* presents information on all of the Town of Clarkdale'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 a useful indicator of whether the financial position of the Town is improving or deteriorating. (The Statement of Net Assets can be found on Page 1 of this report)

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

Fund Financial Statements

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

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

Governmental Funds – Most of the Town's basic services are included in governmental funds which focus on how cash, and other financial assets that can be converted to cash, flow in and out, along with the balances left at the end of the year that are available for spending. The governmental fund financial statements tell how general government services were funded as well as what is available for future spending. Because fund financial statements do not include the additional long-term focus of government-wide statements, additional information is provided reconciling the difference between them. (The Governmental Fund financial statements can be found on pages 3-6 of this report)

- General Fund - Accounts for the Town's primary operating activities and is used to account for all financial resources, except those required to be accounted for in another fund.

- HURF/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.

The remaining funds are classified as non-major governmental (Other Governmental) funds:

- Grants Fund
- Impact Fees Fund
- Developer Reimbursement Fund
- Capital Improvement Fund
- Cemetery Perpetual Care Fund
- Donations Fund
- Court Enhancement Fund

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

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. (The Notes to Financial Statements can be found on pages 11-26 of this report)

Supplemental Information

In addition to the basic financial statements and accompanying notes, required supplementary information presents a budgetary comparison schedule for the General Fund to demonstrate compliance with the budget. Additionally, governments are required to disclose certain information about employee pension funds. (The schedules can be found on pages 27-30 of this report)

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
ASSETS						
Current and other assets	846,895	543,692	6,361,182	6,714,835	7,208,077	7,258,527
Capital assets						
Non-depreciable	563,785	563,785	1,291,507	970,537	1,855,292	1,534,322
Depreciable (net)	1,718,742	1,928,519	5,997,006	6,252,193	7,715,748	8,180,712
Total Assets	3,129,422	3,035,996	13,649,695	13,937,565	16,779,117	16,973,561
LIABILITIES						
Other liabilities	62,830	115,709	3,275,695	3,204,729	3,338,525	3,320,438
Noncurrent liabilities						
Due within one year	156,026	275,870	227,149	203,358	383,175	479,228
Due in more than one year	278,775	383,890	7,232,009	7,377,396	7,510,784	7,761,286
Total Liabilities	497,631	775,469	10,734,853	10,785,483	11,232,484	11,560,952
NET ASSETS						
Invested in capital assets, of related debt	1,955,837	1,961,346	4,145,122	4,052,812	6,100,959	6,014,158
Restricted	103,763	-	332,493	304,218	436,256	304,218
Unrestricted	572,191	299,181	(1,562,773)	(1,204,948)	(990,582)	(905,767)
Total Net Assets	2,631,791	2,260,527	2,914,842	3,152,082	5,546,633	5,412,609
CHANGE IN NET ASSETS	371,264	209,707	(237,240)	(157,712)	134,024	51,995
PERCENTAGE CHANGE IN NET ASSETS	16.42%	10.23%	-7.53%	-4.77%	2.48%	0.96%

Net Assets: Net assets may serve over time as useful indicators of a government's financial position. The table above reflects the Condensed Statement of Net Assets of the Town showing that net assets increased 2.48%, between fiscal years 2009 and 2010. The 2010 governmental net assets increased 16.42% and the business-type activities decreased 7.53%.

Net assets consist of three components. The largest portion of the Town of Clarkdale's net assets reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment). The Town of Clarkdale uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the Town's net assets represents resources that are

subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets may be used to meet the government's ongoing obligations to citizens and creditors.

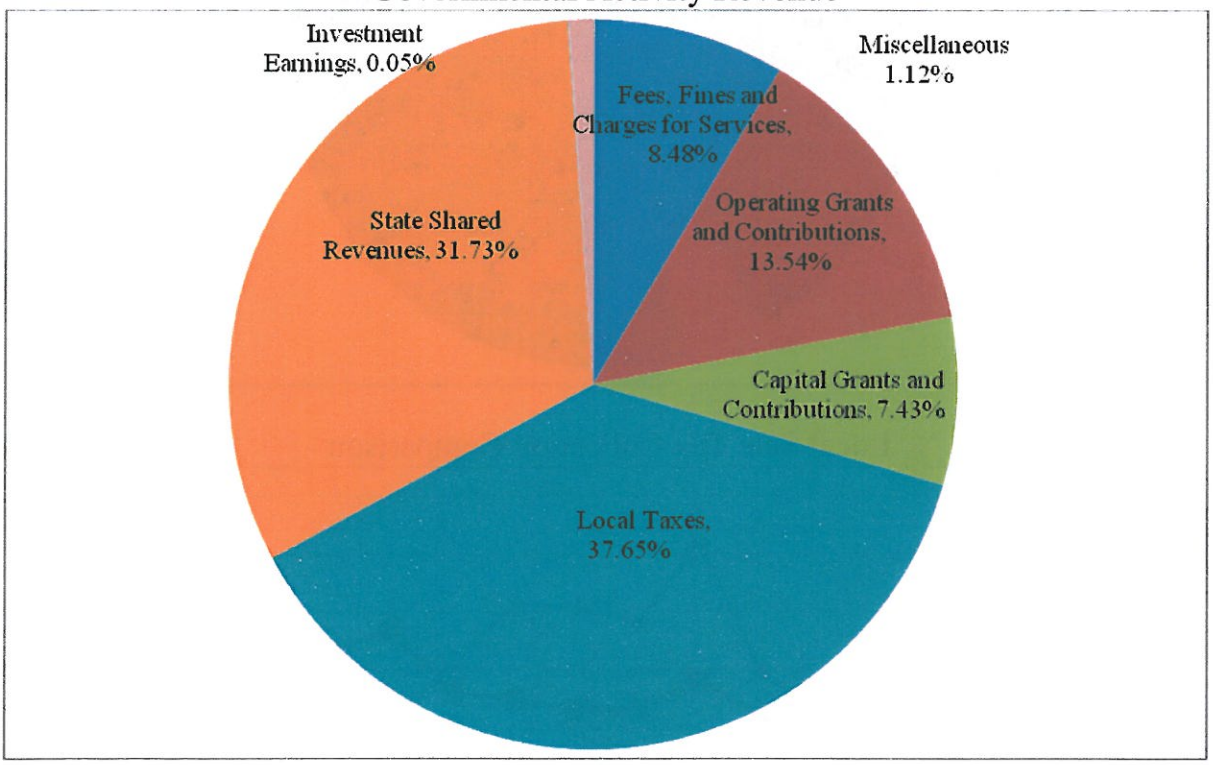
Condensed Statement of Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Program Revenues						
Fees, Fines, Charges for Services	254,854	560,162	1,834,055	1,719,165	2,088,909	2,279,327
Operating Grants & Contributions	407,150	362,058	-	-	407,150	362,058
Capital Grants & Contributions	223,362	401,535	26,468	9,414	249,830	410,949
General Revenues						
Local Taxes	1,132,057	1,093,363	-	-	1,132,057	1,093,363
State Shared Revenues	954,149	1,051,969			954,149	1,051,969
Investment Earnings	1,506	5,891	4,342	(7,049)	5,848	(1,158)
Miscellaneous	33,640	34,758	-	-	33,640	34,758
Total Revenues	3,006,718	3,509,736	1,864,865	1,721,530	4,871,583	5,231,266
Expenses						
General Government	1,238,450	1,468,830			1,238,450	1,468,830
Public Safety	943,255	1,012,116			943,255	1,012,116
Highway and Streets	558,452	583,121			558,452	583,121
Culture and Recreation	204,349	235,962			204,349	235,962
Wastewater	-	-	354,264	432,066	354,264	432,066
Sanitation	-	-	214,114	253,182	214,114	253,182
Cemetery	-	-	39,367	54,389	39,367	54,389
Water	-	-	1,185,308	1,139,605	1,185,308	1,139,605
Total Expenses	2,944,506	3,300,029	1,793,053	1,879,242	4,737,559	5,179,271
Transfers	309,052	-	(309,052)	-	-	-
Change in Net Assets	62,212	209,707	71,812	(157,712)	134,024	51,995
Net Assets Beginning of Year	2,260,527	2,050,820	3,152,082	3,309,794	5,412,609	5,360,614
Net Assets - End of Year	2,322,739	2,260,527	3,223,894	3,152,082	5,546,633	5,412,609

Change in Net Assets: The Town's 2010 revenues total $4,871,583 and expenses total $4,737,559, resulting in an increase in net assets of $134,024, or 2.48% This net increase was a combined result of a 6.88% decrease in revenues, and expenses being decreased by 8.53%.

Governmental Activities:
Revenues for the Town's governmental activities total $3,315,770, a 5.53% decrease from 2009. Local taxes are the largest revenue source for governmental activities, accounting for 37.65% of total revenues. State Shared Revenues account for 31.73% of the total revenues. Charges for services contribute 8.48% of the total revenues, along with operating grants, which are comprised of HURF and LTAF revenues, contributing 13.54% of the total revenues. LTAF funding was discontinued in January of 2010. Yavapai County Flood Control funds and RICO funds made up the majority of the Capital Grants and Contributions which was 7.43% of total revenues. Miscellaneous revenues make up 1.12%.

Governmental Activity Revenue

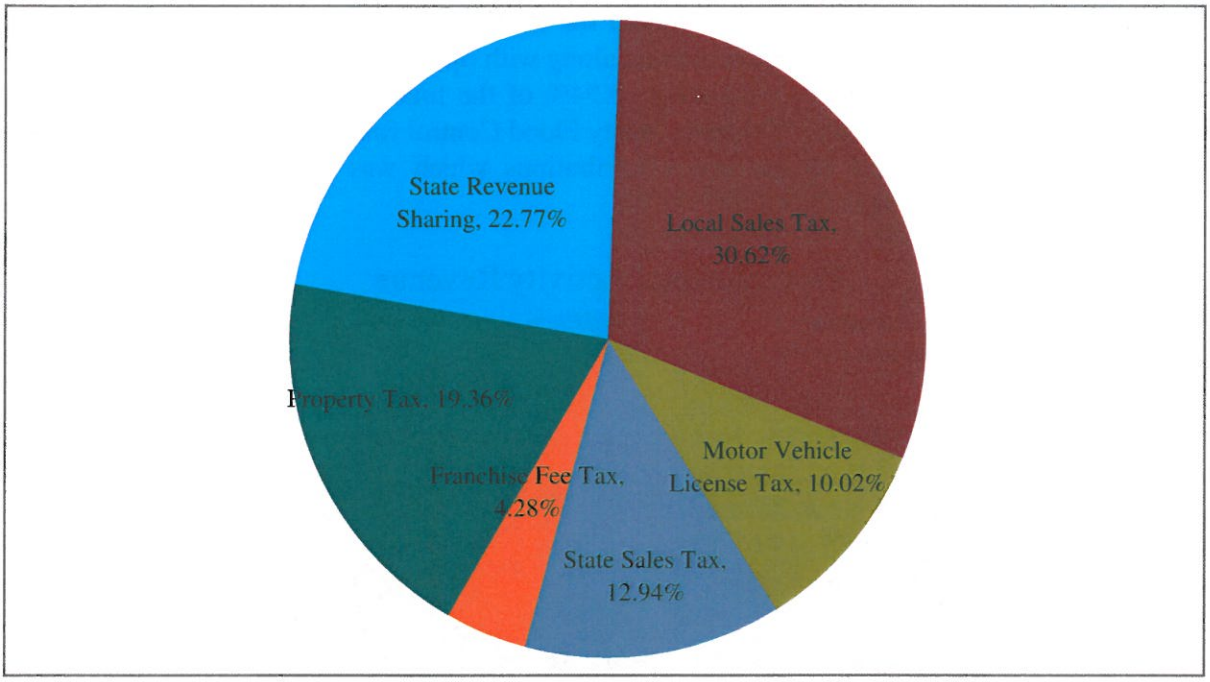


The two largest revenue sources were local taxes and state shared revenues with a total percentage of revenues equaling 69.38%. The local tax revenue of $1,132,057 consists of local sales tax, property tax, and franchise taxes. Local sales tax was 21.25% of the total revenue. The Town approved raising the local sales tax from 2.25% to 3% effective June 1, 2009, and conservatively budgeted for local sales tax for 2010. Even though local sales tax was raised, the Town only collected 71% of the budgeted revenue in 2010, and taxes collected were less than in

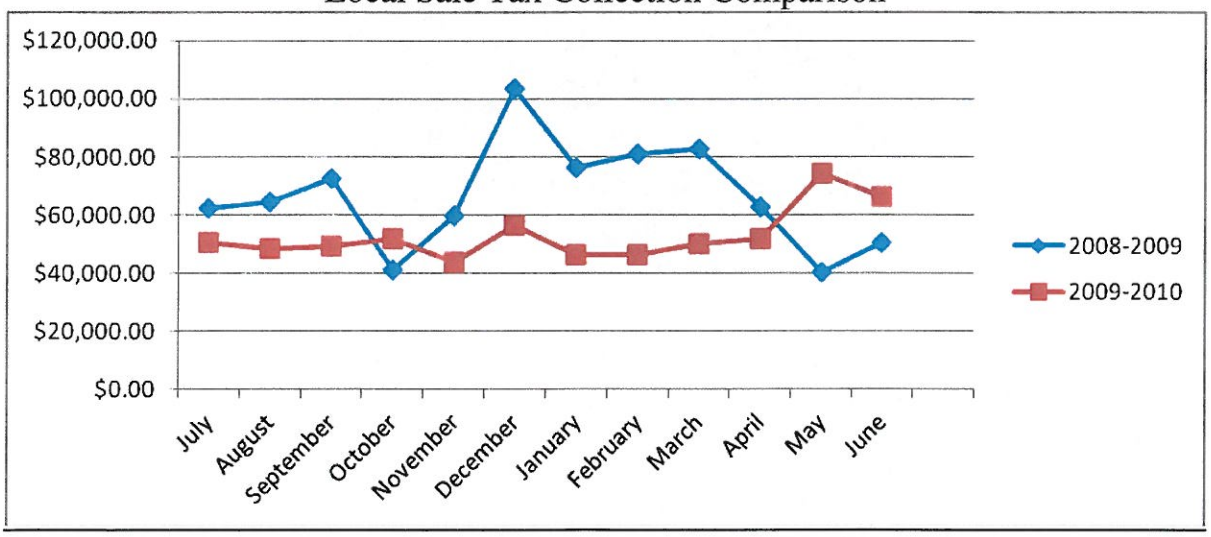
2009. The actual construction sales tax revenue collected was only 25% of the budgeted revenue for construction tax. Property tax was 13.43% of revenues, and franchise tax was 2.97%.

The state shared revenues of $954,149, consist of state revenue sharing with 15.80% of the total, state sales tax with 8.98%, and motor vehicle tax with 6.95%.

Tax Distributions

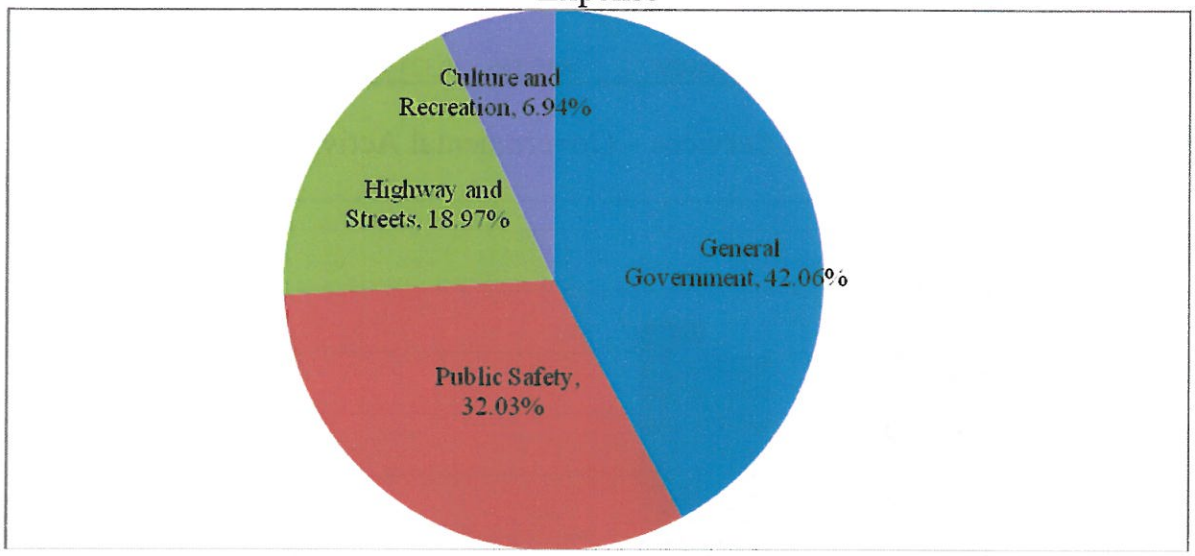


Local Sale Tax Collection Comparison



Expenditures for the Town's governmental activities total $2,944,506. Public Safety activities account for 32.03%, Highway and Streets spent 18.97% of the expenditures, Culture and Recreation 6.94%, and General Government services accounted for 42.06% of total expenditures for 2010. General Government services include Administration, Community Services, Community Development and Finance. Mainly, the decrease of 10.77% in expenses was due to the continued 10% furlough along with position eliminations initiated at mid-year. Limited spending, which included not opening the swimming pool for the 2010 season also added to the decrease in expenditures.

Governmental Activity
Expense



Net Cost of Town of Clarkdale Activities

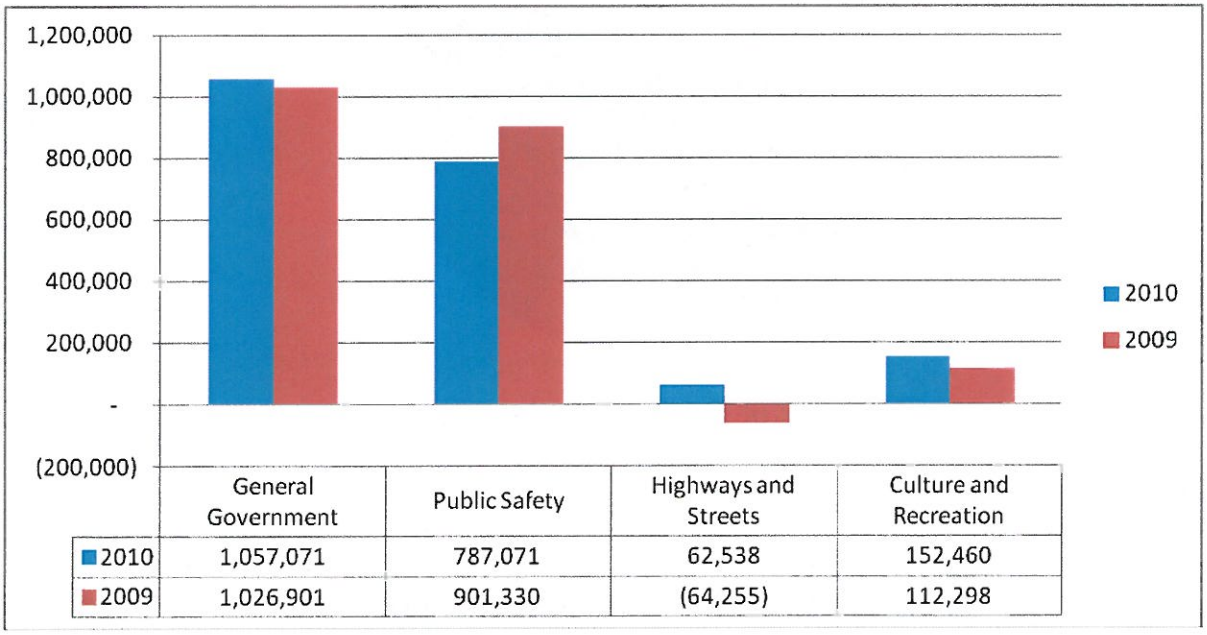
Governmental Activities

The following table presents the total cost of each of the Town's activities as well as their net cost. The net costs are the total costs less fees generated by the activities, direct intergovernmental aid, and capital grants and contributions. Although the actual cost of services was less in 2010 than in 2009, the net cost of all governmental activities during 2010 was $2,111,009 which was an increase of 6.38% from 2009. This was a result of the loss of LTAF funds, lack of sales tax revenue and less grant funding in 2010.

Net Cost of Services – Governmental Activities

	Cost of Services		Direct Revenues		Net Cost of Services	
	2010	2009	2010	2009	2010	2009
General Government	1,238,450	1,468,830	181,379	441,929	1,057,071	1,026,901
Public Safety	943,255	1,012,116	156,184	110,786	787,071	901,330
Highways and Streets	558,452	583,121	495,914	647,376	62,538	(64,255)
Culture and Recreation	204,349	235,962	51,889	123,664	152,460	112,298
Total	2,944,506	3,300,029	885,366	1,323,755	2,059,140	1,976,274

Net Cost of Services – Governmental Activities



Business-type Activities

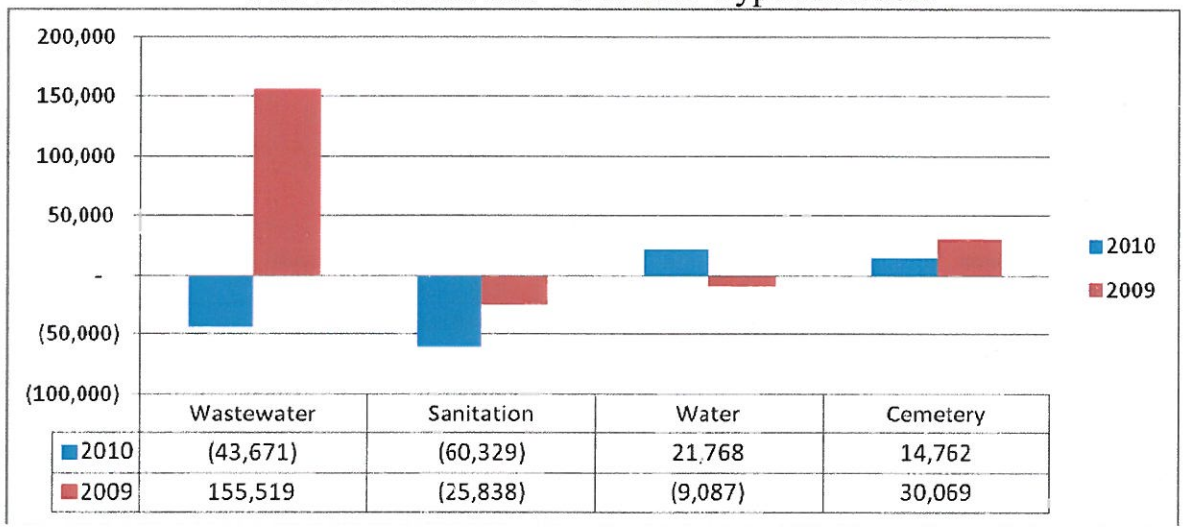
Net cost of the water program increased by $30,855, to $21,768. This was a result of operating revenues increasing due to the adjustment of late fee collection and overall monitoring of water usage. The Town took over total operations of the water utility from the City of Cottonwood effective June 1, 2009. Two Streets/Buildings employees were transferred to the water utility instead of hiring additional employees due to budgetary shortfalls, which increased program expenses for the water utility. The wastewater program net cost decreased from $155,519 in 2009 to $(43,671) in 2010. The decrease of net cost was due to the wastewater rates being increased

from $20.47 per month to $28.00 per month which reflected a 36.79% increase in the rate, effective with the June, 2009 billing.

Net Cost of Service – Business-Type Activities

	Program Expenses		Program Revenues		Net Cost of Program	
	2010	2009	2010	2009	2010	2009
Wastewater	354,264	432,066	397,935	276,547	(43,671)	155,519
Sanitation	214,114	253,182	274,443	279,020	(60,329)	(25,838)
Water	1,185,308	1,139,605	1,163,540	1,148,692	21,768	(9,087)
Cemetery	39,367	54,389	24,605	24,320	14,762	30,069
Total	1,793,053	1,879,242	1,860,523	1,728,579	(67,470)	150,663

Net Cost of Service – Business-Type Activities



Town of Clarkdale's Capital Assets

In the governmental-wide financial statement, fixed assets are accounted for as capital assets. Capital assets are defined as assets with an initial cost of more than $5,000.

The Town had capital assets of $2,282,527 in the governmental activities and $7,288,513 in the business-type activities for a total of $9,571,040 at the end of 2010. The largest investment in capital assets was the wastewater plant and equipment. Of the total Capital Assets, the governmental activities account for 23.85% and the business-type activities total 76.15%. The business-type activities represent the water utility with 39.49% of the business-type net capital assets and the sewer utility having 60.51% of the business-type net capital assets. For

government-wide financial statement presentation, all depreciable capital assets were depreciated from acquisition date to the end of the current fiscal year. 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:

- Additions to the water and wastewater infrastructure
- Improvements in existing water and wastewater infrastructure

Capital Assets

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Capital Assets Not Being Depreciated						
Land	563,785	563,785	491,929	491,929	1,055,714	1,055,714
Construction in Progress	-	-	799,578	478,608	799,578	478,608
Capital Assets Not Being Depreciated	563,785	563,785	1,291,507	970,537	1,855,292	1,534,322
Capital Assets Being Depreciated						
Buildings and Improvements	1,825,528	1,825,528	-	-	1,825,528	1,825,528
Infrastructure	751,529	751,529	-	-	751,529	751,529
Machinery and Equipment	634,827	672,272	-	-	634,827	672,272
Vehicles	402,248	407,248	-	-	402,248	407,248
Sewer Plant and Equipment	-	-	4,451,604	4,451,604	4,451,604	4,451,604
Water Distribution System	-	-	3,576,017	3,494,380	3,576,017	3,494,380
Total	3,614,132	3,656,577	8,027,621	7,945,984	11,641,753	11,602,561
Accumulated Depreciation						
Buildings and Improvements	1,158,471	1,110,605	-	-	1,158,471	1,110,605
Infrastructure	125,550	75,448	-	-	125,550	75,448
Machinery and Equipment	332,063	306,339	-	-	332,063	306,339
Vehicles	279,306	235,666	-	-	279,306	235,666
Sewer	-	-	864,089	800,959	864,089	800,959
Water	-	-	1,166,526	892,832	1,166,526	892,832
Total Depreciation	1,895,390	1,728,058	2,030,615	1,693,791	3,926,005	3,421,849
Net Total Capital Assets Being Depreciated	1,718,742	1,928,519	5,997,006	6,252,193	7,715,748	8,180,712
TOTAL CAPITAL ASSETS	2,282,527	2,492,304	7,288,513	7,222,730	9,571,040	9,715,034

Long Term Liabilities

Long-term Liabilities

At the end of the current fiscal year, the Town of Clarkdale had total long-term obligations outstanding of $7,893,959, of which Governmental activities were 5.51% and Business-type activities accounted for 94.49%. All notes and bonds payable are secured by pledges of specific

revenue sources of the Town, with the Business-type activities liabilities payable by revenues from user fees of those funds.

Long Term Liabilities

	2010	2009
Governmental Activities		
Compensated absences	108,111	128,802
Capital leases payable	101,690	280,958
Notes payable	225,000	250,000
Long-term Liabilities	434,801	659,760
Business-type Activities		
Compensated absences	30,203	31,144
Capital leases payable	67,022	-
Bonds payable	265,000	285,000
Notes payable	6,905,000	7,065,000
Deferred amount on premium	191,933	199,610
Long-term Liabilities	7,459,158	7,580,754
Total Long Term Liabilities	7,893,959	8,240,514

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 serves as a useful measure of a government's net resources available for spending at the end of the fiscal year. At the end of the current fiscal year the Town's total governmental funds reported combined ending fund balances of $547,368, an increase of $254,251 in comparison with the prior year. The General Fund balances of the Town increased by $147,497 and the HURF Fund $122,546 during the current fiscal year mainly due to the repayment of developer reimbursement fees and uncompleted street projects. At fiscal year-end fund balances were as follows:

Change in Fund Balance/Net Assets

	2010	2009	Change
Governmental			
General Fund	138,113	(9,384)	147,497
HURF Fund	81,141	(41,405)	122,546
Other Governmental Funds	328,114	343,906	(15,792)
Total	547,368	293,117	254,251
Business Type			
Wastewater Fund	2,340,648	2,339,491	1,157
Sanitation Fund	143,608	284,475	(140,867)
Water Fund	511,872	604,496	(92,624)
Cemetery Fund	(81,286)	(76,380)	(4,906)
Total	2,914,842	3,152,082	(237,240)

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 27-29. These statements compare the original adopted budget, the budget if amended throughout the fiscal year, and the actual expenditures.

General Fund actual revenues of $2,242,512 were lower than budgeted revenues of $2,705,188 by $462,676, or 17.10% while General Fund actual expenditures of $2,289,107 were lower than budgeted expenditures of $2,556,688 by $267,581, or 10.47%. The revenue variances were primarily due to the economic downturn reflected in local sales tax revenues and permits being lower than expected. Expenditures were reduced to reflect the revenue shortfall mainly through the continued implementation a 10% furlough program along terminating two positions and by not opening the swimming pool for the 2010 season.

ECONOMIC FACTORS FOR NEXT YEAR

- The 10% furlough program for all staff, including Council, will be continued.
- The swimming pool will not open unless pool fundraisers raise operating funds.
- There will be no merit or COLA increases for staff.
- Developer bankruptcy proceedings are expected to be settled.
- LTAF funding is expected to be discontinued.
- Cuts in shared revenue are expected to be about 25%.
- A variety of grant projects will be started.
- Library renovations are expected to be completed with a combination of Grant funds.

Contacting The Town's Financial Management

This financial report is designed to provide a general overview of the Town's finances for all of those with an interest and to demonstrate accountability for the use of public funds. Questions about any of the information provided in this report, or requests for additional financial information should be addressed to:

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

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

TOWN OF CLARKDALE, ARIZONA
Statement of Net Assets
June 30, 2010

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	$ 464,877	$ 2,240,377	$ 2,705,254
Cash and cash equivalents - restricted	-	3,401,127	3,401,127
Accounts receivable - net	-	128,767	128,767
Taxes receivable	88,399	-	88,399
Due from other governments	85,634	-	85,634
Other accounts receivable	207,985	95,045	303,030
Bond issue costs, net	-	5,935	5,935
Deferred charges, net	-	489,931	489,931
Capital assets, not being depreciated	563,785	1,291,507	1,855,292
Capital assets, being depreciated, net	1,718,742	5,997,006	7,715,748
Total assets	3,129,422	13,649,695	16,779,117
LIABILITIES			
Accounts payable	27,413	153,377	180,790
Accrued expenses	23,607	6,808	30,415
Interest payable	-	8,274	8,274
Deferred revenue	11,810	3,021,226	3,033,036
Refundable deposits	-	86,010	86,010
Noncurrent liabilities			
Due within 1 year	156,026	227,149	383,175
Due in more than 1 year	278,775	7,232,009	7,510,784
Total liabilities	497,631	10,734,853	11,232,484
NET ASSETS			
Invested in capital assets, net of related debt	1,955,837	4,145,122	6,100,959
Restricted for:			
Debt service	-	99,780	99,780
System improvements	-	232,713	232,713
Highways and streets	81,141		81,141
Development	22,622		22,622
Unrestricted (deficit)	572,191	(1,562,773)	(990,582)
Total net assets	$ 2,631,791	$ 2,914,842	$ 5,546,633

The accompanying notes are an integral part of these financial statements

TOWN OF CLARKDALE, ARIZONA
Statement of Activities
Year Ended June 30, 2010

Functions / Programs	Expenses	Program Revenue: Charges for Services	Program Revenue: Operating Grants and Contributions	Program Revenue: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets, Primary Government: Governmental Activities	Net (Expense) Revenue and Changes in Net Assets, Primary Government: Business-type Activities	Net (Expense) Revenue and Changes in Net Assets, Primary Government: Total
Primary government:							
Governmental activities							
General government	$ 1,238,450	$ 169,691	$ 10,688	$ 1,000	$ (1,057,071)	$ -	$ (1,057,071)
Public safety	943,255	36,657	57,163	62,364	(787,071)	-	(787,071)
Highways and streets	558,452	45,906	290,010	159,998	(62,538)	-	(62,538)
Culture and recreation	204,349	2,600	49,289	-	(152,460)	-	(152,460)
Total governmental activities	2,944,506	254,854	407,150	223,362	(2,059,140)	-	(2,059,140)
Business-type activities							
Wastewater	354,264	378,344	-	19,591	-	43,671	43,671
Sanitation	214,114	274,443	-	-	-	60,329	60,329
Water	1,185,308	1,156,663	-	6,877	-	(21,768)	(21,768)
Cemetery	39,367	24,605	-	-	-	(14,762)	(14,762)
Total business-type activities	1,793,053	1,834,055	-	26,468	-	67,470	67,470
Total primary government	$ 4,737,559	$ 2,088,909	$ 407,150	$ 249,830	(2,059,140)	67,470	(1,991,670)
General revenue:							
Taxes:							
Sales Taxes					638,862	-	638,862
Property taxes					403,810	-	403,810
Franchise tax					89,385	-	89,385
State sales tax revenue sharing					270,058	-	270,058
Auto lieu tax revenue sharing					208,964	-	208,964
State revenue sharing					475,127	-	475,127
Investment income					1,506	4,342	5,848
Miscellaneous					33,640	-	33,640
Transfers					309,052	(309,052)	-
Total general revenue					2,430,404	(304,710)	2,125,694
Change in net assets					371,264	(237,240)	134,024
Net assets, July 1, 2009					2,260,527	3,152,082	5,412,609
Net assets, June 30, 2010					$ 2,631,791	$ 2,914,842	$ 5,546,633

The accompanying notes are an integral part of these financial statements

TOWN OF CLARKDALE, ARIZONA
Balance Sheet
Governmental Funds
June 30, 2010

	General Fund	HURF/LTAF Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$ 57,994	$ 61,568	$ 345,315	$ 464,877
Taxes receivable	88,399	-	-	88,399
Due from other governments	41,172	24,991	19,471	85,634
Other receivable	-	-	207,985	207,985
Total assets	$ 187,565	$ 86,559	$ 572,771	$ 846,895
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	$ 22,297	$ 2,728	$ 2,388	$ 27,413
Accrued expenses	15,318	2,690	5,599	23,607
Deferred revenue	11,837	-	236,670	248,507
Total liabilities	49,452	5,418	244,657	299,527
Fund balances				
Reserved for civic development	-	-	9,189	9,189
Reserved for police development	-	-	1,849	1,849
Reserved for park development	-	-	9,967	9,967
Reserved for library development	-	-	1,617	1,617
Unreserved, reported in:				
General fund	138,113	-	-	138,113
Special revenue funds	-	81,141	305,492	386,633
Total fund balances	138,113	81,141	328,114	547,368
Total liabilities and fund balances	$ 187,565	$ 86,559	$ 572,771	$ 846,895

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, 2010

Fund balances--total governmental funds		$ 547,368
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.		
Capital assets	4,177,917	
Less accumulated depreciation	(1,895,390)	
		2,282,527
Some receivables are not available to pay for current-period expenditures and therefore, are deferred in the funds.		
Reimburseable development expenditures	207,985	
Reimburseable grant expenditures	16,875	
Property taxes	11,837	
		236,697
Some liabilities, including notes payable, are not due and payable in the current period and therefore, are not reported in the funds		
Compensated absences	(108,111)	
Notes payable	(225,000)	
Capital leases	(101,690)	
		(434,801)
Net assets of governmental activities		$ 2,631,791

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, 2010

	General Fund	HURF/LTAF Fund	Other Governmental Funds	Total Governmental Fund
Revenue				
Taxes	$ 1,132,056	$ -	$ -	$ 1,132,056
Intergovernmental	981,916	289,760	280,828	1,552,504
Fines and forfeitures	37,178	-	-	37,178
Licenses and permits	26,320	-	-	26,320
Charges for services	1,205	3,823	-	5,028
Rental income	3,446	42,279	-	45,725
Contributions	30,012	-	-	30,012
Investment income	1,436	-	70	1,506
Other revenue	28,943	4,706	40,909	74,558
Total revenue	2,242,512	340,568	321,807	2,904,887
Expenditures				
Current				
General government	1,073,424	-	77,593	1,151,017
Public safety	845,080	-	72,260	917,340
Highways and streets	-	326,523	142,879	469,402
Culture and recreation	186,633	-	10,435	197,068
Debt service				
Principal	167,980	36,288	-	204,268
Interest	15,990	4,603	-	20,593
Total expenditures	2,289,107	367,414	303,167	2,959,688
Excess (deficiency) of revenue over (under) expenditures	(46,595)	(26,846)	18,640	(54,801)
Other financing sources				
Transfers in	194,092	149,392	-	343,484
Transfers out	-	-	(34,432)	(34,432)
Total other financing sources	194,092	149,392	(34,432)	309,052
Net change in fund balances	147,497	122,546	(15,792)	254,251
Fund balances, July 1, 2009	(9,384)	(41,405)	343,906	293,117
Fund balances, June 30, 2010	$ 138,113	$ 81,141	$ 328,114	$ 547,368

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, 2010

Net change in fund balances--total governmental funds		$ 254,251
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlay	-	
Depreciation expense	(209,777)	
		(209,777)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		
Reimburseable development expenditures	76,989	
Reimburseable grant expenditures	16,875	
Property taxes	7,967	
		101,831
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.		
Principal repaid		204,268
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		20,691
Change in net assets of governmental activities		$ 371,264

The accompanying notes are an integral part of these financial statements

TOWN OF CLARKDALE, ARIZONA
Statement of Net Assets
Proprietary Funds
June 30, 2010

	Business-type Activities--Enterprise Funds				
	Wastewater Fund	Sanitation Fund	Water Fund	Cemetery Fund	Total
ASSETS					
Current assets					
Cash and cash equivalents	$ 1,092,415	$ 146,860	$ 1,001,102	$ -	$ 2,240,377
Cash and cash equivalents - restricted	99,780	-	3,249,062	52,285	3,401,127
Accounts receivable - net	19,248	14,283	62,262	32,974	128,767
Other accounts receivable	-	-	95,045	-	95,045
Due from other funds	113,738	-	-	-	113,738
Total current assets	1,325,181	161,143	4,407,471	85,259	5,979,054
Noncurrent assets					
Bond issue costs, net	5,935	-	-	-	5,935
Deferred charges, net	-	-	489,931	-	489,931
Capital assets, net of accumulated depreciation, where applicable:					
Land	208,560	-	283,369	-	491,929
Construction in process	614,047	-	185,531	-	799,578
Buildings, net	129,771	-	-	-	129,771
Utility systems, net	3,441,028	-	2,342,264	-	5,783,292
Equipment, net	16,716	-	67,227	-	83,943
Capital assets, net	4,410,122	-	2,878,391	-	7,288,513
Total noncurrent assets	4,416,057	-	3,368,322	-	7,784,379
Total assets	5,741,238	161,143	7,775,793	85,259	13,763,433
LIABILITIES					
Current liabilities					
Accounts payable	100,352	16,320	36,514	191	153,377
Accrued expenses	817	85	5,575	331	6,808
Interest payable	8,274	-	-	-	8,274
Deferred revenue	3,011,649	1,130	8,447	-	3,021,226
Refundable deposits	-	-	33,725	52,285	86,010
Due to other funds	-	-	-	113,738	113,738
Compensated absences, current	10,560	-	11,440	-	22,000
Bonds payable, current	25,000	-	-	-	25,000
Leases payable, current	-	-	12,472	-	12,472
Notes payable, current	-	-	167,677	-	167,677
Total current liabilities	3,156,652	17,535	275,850	166,545	3,616,582
Noncurrent liabilities					
Compensated absences	3,938	-	4,265	-	8,203
Bonds payable	240,000	-	-	-	240,000
Leases payable	-	-	54,550	-	54,550
Notes payable	-	-	6,929,256	-	6,929,256
Total noncurrent liabilities	243,938	-	6,988,071	-	7,232,009
Total liabilities	3,400,590	17,535	7,263,921	166,545	10,848,591
Net assets					
Invested in capital assets, net of related debt	4,145,122	-	-	-	4,145,122
Restricted for:					
Debt service	99,780	-	-	-	99,780
System improvements	26,683	-	206,030	-	232,713
Unrestricted (deficit)	(1,930,937)	143,608	305,842	(81,286)	(1,562,773)
Total net assets	$ 2,340,648	$ 143,608	$ 511,872	$ (81,286)	$ 2,914,842

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, 2010

	Business-type Activities--Enterprise Funds				
	Wastewater Fund	Sanitation Fund	Water Fund	Cemetery Fund	Total
Operating revenue					
Charges for services	$ 378,344	$ 274,443	$ 1,156,663	$ 24,605	$ 1,834,055
Total operating revenue	378,344	274,443	1,156,663	24,605	1,834,055
Operating expenses					
Personnel	164,848	10,526	281,794	29,569	486,737
Depreciation	63,130	-	273,694	-	336,824
Repairs and maintenance	5,138	467	150,681	1,191	157,477
Professional services	13,240	196,160	25,674	-	235,074
Utilities	35,829	465	57,670	1,175	95,139
Chemical tests	21,221	-	-	-	21,221
Materials and supplies	16,459	3,959	17,606	4,453	42,477
Amortization	991	-	19,597	-	20,588
Other	8,005	3	23,155	549	31,712
Insurance	8,255	2,534	11,529	2,430	24,748
Total operating expenses	337,116	214,114	861,400	39,367	1,451,997
Operating income (loss)	41,228	60,329	295,263	(14,762)	382,058
Nonoperating revenue (expenses)					
Investment income	2,346	-	1,996	-	4,342
Interest expense	(17,148)	-	(323,908)	-	(341,056)
Total nonoperating revenue (expenses)	(14,802)	-	(321,912)	-	(336,714)
Income (loss) before contributions, gains, losses, and transfers	26,426	60,329	(26,649)	(14,762)	45,344
Transfers in (out)	(44,860)	(201,196)	(72,852)	9,856	(309,052)
Impact fees	19,591	-	6,877	-	26,468
Increase (decrease) in net assets	1,157	(140,867)	(92,624)	(4,906)	(237,240)
Total net assets, July 1, 2009	2,339,491	284,475	604,496	(76,380)	3,152,082
Total net assets, June 30, 2010	$ 2,340,648	$ 143,608	$ 511,872	$ (81,286)	$ 2,914,842

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, 2010

	Business-type Activities--Enterprise Funds				
	Wastewater Fund	Sanitation Fund	Water Fund	Cemetery Fund	Total
Cash flows from operating activities:					
Receipts from customers	$ 382,517	$ 274,031	$ 1,170,070	$ 32,265	$ 1,858,883
Payments to suppliers and providers of goods and services	(109,931)	(203,948)	(290,768)	(10,501)	(615,148)
Internal activity	(787)	-	-	787	-
Payments to employees	(159,835)	(22,125)	(275,146)	(32,407)	(489,513)
Net cash provided by (used by) operating activities	111,964	47,958	604,156	(9,856)	754,222
Cash flows from noncapital financing activities:					
Transfers (to)from other funds	(44,860)	(201,196)	(72,852)	9,856	(309,052)
Net cash provided by (used by) noncapital financing activities	(44,860)	(201,196)	(72,852)	9,856	(309,052)
Cash flows from capital and related financing activities:					
Principal paid on long-term debt	(20,000)	-	(168,692)	-	(188,692)
Interest paid	(17,748)	-	(323,908)	-	(341,656)
Purchase of capital assets	(40,761)	-	(199,130)	-	(239,891)
Impact fees received	-	-	6,877	-	6,877
Net cash provided by (used by) capital and related financing activities	(78,509)	-	(684,853)	-	(763,362)
Cash flows from investing activities:					
Sale of investments	-	-	25,043	-	25,043
Interest received on investments	2,346	-	6,393	-	8,739
Net cash provided by (used by) investing activities	2,346	-	31,436	-	33,782
Net increase (decrease) in cash and cash equivalents	(9,059)	(153,238)	(122,113)	-	(284,410)
Cash and cash equivalents, July 1, 2009	1,201,254	300,098	4,372,277	52,285	5,925,914
Cash and cash equivalents, June 30, 2010	$ 1,192,195	$ 146,860	$ 4,250,164	$ 52,285	$ 5,641,504
Cash	$ 1,092,415	$ 146,860	$ 1,001,102	$ -	$ 2,240,377
Cash - restricted	99,780	-	3,249,062	52,285	3,401,127
Cash and cash equivalents, June 30, 2010	$ 1,192,195	$ 146,860	$ 4,250,164	$ 52,285	$ 5,641,504

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, 2010
(Continued)

	Business-type Activities--Enterprise Funds				
	Wastewater Fund	Sanitation Fund	Water Fund	Cemetery Fund	Total
Reconciliation of operating income (loss) to net cash provided by (used by) operating activities:					
Operating income (loss)	$ 41,228	$ 60,329	$ 295,263	$ (14,762)	$ 382,058
Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating activities:					
Amortization	991	-	19,597	-	20,588
Depreciation	63,130	-	273,694	-	336,824
(Increase) decrease in:					
Accounts receivable	4,173	(412)	7,794	7,660	19,215
Increase (decrease) in:					
Accounts and other payables	(2,571)	(360)	(4,453)	84	(7,300)
Accrued expenses	(1,610)	(84)	(19)	(122)	(1,835)
Deferred revenue	-	-	1,988	-	1,988
Refundable deposits	-	-	3,625	-	3,625
Compensated absences	6,623	(11,515)	6,667	(2,716)	(941)
Net cash provided by (used for) operating activities	$ 111,964	$ 47,958	$ 604,156	$ (9,856)	$ 754,222

Noncash investing, capital, and noncapital financing activities:

	Wastewater Fund	Water Fund
Property and equipment additions financed through accounts and leases payable.	$ 94,679	$ 68,037

The accompanying notes are an integral part of these financial statements

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.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

The Town reports the following major enterprise funds:

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

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

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

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

C. Basis of Accounting

The government-wide, 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.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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, 2010, was $0.912 per $100 of the primary assessed valuation of $44,281,580.

F. Capital Assets

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

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:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life (years)
Land	$5,000	N/A	-
Construction in progress	5,000	N/A	-
Buildings	5,000	Straight-line	25 - 30
Improvements	5,000	Straight-line	18 - 75
Water distribution system	5,000	Straight-line	5 - 30
Sewer plant	5,000	Straight-line	75
Infrastructure	5,000	Straight-line	15
Furntiture, machinery, and equipment	5,000	Straight-line	5 - 10
Vehicles	5,000	Straight-line	5 - 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, 2010 in the Wastewater, Sanitation, Water, and Cemetery Funds were $3,418, $1,383, $10,221, 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.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

The CDBG Fund and the Cemetery Fund recorded deficit fund balances/net assets as follows:

The CDBG fund is a non-major governmental fund with a deficit fund balances of $9,979. The deficit is due to grant expenditures that are unreimbursed at year end. The related reimbursement for grant expenses was deferred due to the reimbursement not being received within 60 days of year end.

The Cemetery net deficit of $81,286 is expected to be recovered through transfers from other funds. The deficit 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, 2010 consist of the following:

Deposits	
Cash on hand	$ 5,788
Cash in bank	5,098,960
Cash held by trustee	789,879
Investments	
State Treasurer's Investment Pool	211,754
Total deposits and investments	6,106,381
Cash and cash equivalents - restricted	(3,401,127)
Total cash and cash equivalents	$ 2,705,254

NOTE 3 – DEPOSITS AND INVESTMENTS – Continued

Deposits—At June 30, 2010, the carrying amount of the Town's total cash in bank was $5,098,960, and the bank balance was $5,192,785. Of the bank balance, $250,000 was covered by federal depository insurance and the remaining balance was covered by collateral held by the pledging financial institution in the Town's name.

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

Water System Debt Reserve	493,284
Clarkdale Water Trust Fund	196,815
MPC Trust	99,780
Customer deposits	86,010
	$ 3,401,127

Investments—At June 30, 2010, 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.

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2010, was as follows:

	Balance July 1, 2009	Increase	Decreases	Balance June 30, 2010
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 563,785	$ -	$ -	$ 563,785
Total capital assets not being depreciated	563,785	-	-	563,785
Capital assets being depreciated:				
Buildings and improvements	1,825,528	-	-	1,825,528
Infrastructure	751,529	-	-	751,529
Machinery and equipment	672,272	-	(37,445)	634,827
Vehicles	407,248	-	(5,000)	402,248
Total	3,656,577	-	(42,445)	3,614,132
Less accumulated depreciation for:				
Buildings and improvements	(1,110,605)	(47,866)	-	(1,158,471)
Infrastructure	(75,448)	(50,102)	-	(125,550)
Machinery and equipment	(306,339)	(63,169)	37,445	(332,063)
Vehicles	(235,666)	(48,640)	5,000	(279,306)
Total	(1,728,058)	(209,777)	42,445	(1,895,390)
Total capital assets being depreciated, net	1,928,519	(209,777)	-	1,718,742
Governmental activities capital assets, net	$ 2,492,304	$ (209,777)	$ -	$ 2,282,527

NOTE 4 – CAPITAL ASSETS – Continued

	Balance July 1, 2009	Increases	Decreases	Balance June 30, 2010
Business-type activities:				
Capital assets not being depreciated:				
Land	$ 491,929	$ -	$ -	$ 491,929
Construction in progress	478,608	320,970	-	799,578
Total capital assets not being depreciated	970,537	320,970	-	1,291,507
Capital assets being depreciated:				
Sewer plant and equipment	4,451,604	-	-	4,451,604
Water distribution system	3,494,380	81,637	-	3,576,017
Total	7,945,984	81,637	-	8,027,621
Less accumulated depreciation for:				
Sewer plant and equipment	(800,959)	(63,130)	-	(864,089)
Water distribution system	(892,832)	(273,694)	-	(1,166,526)
Total	(1,693,791)	(336,824)	-	(2,030,615)
Total capital assets being depreciated, net	6,252,193	(255,187)	-	5,997,006
Business-type activities capital assets, net	$ 7,222,730	$ 65,783	$ -	$ 7,288,513

Depreciation expense was charged to each function as follows:

Governmental activities:	
General government	$ 79,348
Public safety	31,915
Highways and streets	88,542
Culture and recreation	9,972
Total governmental activities depreciation expense	$ 209,777
Business-type activities:	
Wastewater	$ 63,130
Water	273,694
Total business-type activities depreciation expense	$ 336,824

NOTE 5 – DUE FROM OTHER GOVERNMENTS

Amounts due from other governments at June 30, 2010 consisted of the following:

State shared revenues:		
Highway user revenue fund	$	24,991
State sales tax		23,092
Auto lieu tax		18,080
State of Arizona grant revenues		19,471
	$	85,634

NOTE 6 – DEFERRED REVENUE

Government-wide, proprietary, and fund financial statements defer revenue on the receipt of funds that are unearned. Deferred revenue will be recognized as revenue in the period in which it is earned. In addition, governmental fund revenue must be available for financing current expenditures. As discussed in Note 1, *available* is considered received within 60 days from year end. Funds that are unavailable and or unearned are deferred in the fund statements. The following schedules detail the Town's deferred revenues for the year ended June 30, 2010.

		Business-type Activities			
Government-wide and Proprietary funds	Governmental Activities	Wastewater Fund	Sanitation Fund	Water Fund	Total
Builder advanced construction and planning costs	$ -	$ 1,826,201	$ -	$ -	$ 1,826,201
Phelps Dodge effluent water credit	-	1,066,337	-	-	1,066,337
Builder advanced capacity fee	-	118,776	-	-	118,776
Unapplied credits	-	335	1,130	8,447	9,912
Prepaid contract reimbursable	6,030	-	-	-	6,030
Grant advances	5,780	-	-	-	5,780
	$ 11,810	$ 3,011,649	$ 1,130	$ 8,447	$ 3,033,036

Governmental funds	General Fund	Other Governmental Funds	Total
Developer reimbursable	$ -	$ 214,015	$ 214,015
Grant receivables	-	22,655	22,655
Property tax receivables	11,837	-	11,837
	$ 11,837	$ 236,670	$ 248,507

NOTE 7 – LONG-TERM LIABILITIES

The following schedule details the Town's long-term liability and obligation activity for the year ended June 30, 2010.

	Balance July 1, 2009	Additions	Reductions	Balance June 30, 2010	Due within 1 year
Governmental activities:					
Compensated absences	$ 128,802	$ 109,684	$ 130,375	$ 108,111	$ 81,000
Capital leases payable	280,958	-	179,268	101,690	75,026
Notes payable	250,000	-	25,000	225,000	-
Governmental activities long-term liabilities	$ 659,760	$ 109,684	$ 334,643	$ 434,801	$ 156,026
Business-type activities:					
Compensated absences	$ 31,144	$ 21,270	$ 22,211	$ 30,203	$ 22,000
Capital leases payable	-	68,037	1,015	67,022	12,472
Bonds payable	285,000	-	20,000	265,000	25,000
Notes payable	7,065,000	-	160,000	6,905,000	160,000
Plus: deferred amount on premium	199,610	-	7,677	191,933	7,677
Business-type activities long-term liabilities	$ 7,580,754	$ 89,307	$ 210,903	$ 7,459,158	$ 227,149

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, 2010, were as follows:

Description	Original Amount	Maturity Ranges	Interest Rates	Outstanding Principal
Revenue Bonds, Series 1996	$ 500,000	1997- 2016	4.50-6.35%	$ 265,000

NOTE 7 – LONG-TERM LIABILITIES – Continued

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

	Governmental Activities	Business-type Activities
Note payable to Greater Arizona Development Authority (GADA) requiring repayments of interest due semiannually beginning August 1, 2003 and principal payments due annually beginning August 1, 2004 with final payment due August 1, 2017. Interest rates follow a GADA bond issue rate that varies between 2.25% and 4.38%.	$ 225,000	$ -
Note payable to the City of Cottonwood requiring repayments of interest due annually beginning July 1, 2006 and principal payments due annually beginning July 1, 2008 with final payment due July 1, 2035. The annual interest rate varies between 3.50% and 5.00%.	-	6,905,000
	$ 225,000	$ 6,905,000

The following schedule details debt service requirements to maturity for the Town's bond and notes payable at June 30, 2010.

Year Ending June 30	Governmental Activities		Business-type Activities			
	Notes Payable		Notes Payable		Bonds Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	-	9,771	-	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	30,000	6,271	155,000	304,383	30,000	10,113
2015	30,000	5,071	160,000	298,383	30,000	8,238
2016-20	105,000	6,786	1,005,000	1,363,165	130,000	6,033
2021-25	-	-	1,250,000	1,121,366	-	-
2026-30	-	-	1,560,000	777,250	-	-
2031-35	-	-	1,995,000	324,250	-	-
2036-39	-	-	460,000	-	-	-
Total	$ 225,000	$ 44,042	$ 6,905,000	$ 5,144,396	$ 265,000	$ 64,901

NOTE 7 – 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	Business-type Activities
Equipment	$ 419,008	$ 68,037
Less: accumulated depreciation	(137,028)	(810)
Carrying value	$ 281,980	$ 67,227

The following schedule details debt service requirements to maturity for the Town's capital leases payable at June 30, 2010.

Year Ending June 30	Governmental Activities	Business-type Activities
2011	$ 77,972	$ 15,202
2012	27,198	15,202
2013	-	15,202
2014	-	15,202
2015	-	13,936
Total minimum lease payments	105,170	74,744
Less amount representing interest	(3,480)	(7,722)
Present value of net minimum lease payments	$ 101,690	$ 67,022

Interest expense – The total amount of interest expense included as direct functional expenses on the government-wide financial statements is $20,593. $16,085 was included as a direct functional of the general government and $4,508 was included as a direct functional expense of highways and streets.

NOTE 8 – 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 9 – 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	PSPRS
3300 N. Central Ave.	3010 E. Camelback Rd., Ste. 200
Phoenix, AZ 85012-0250	Phoenix, AZ 85016
(602) 240-2000	(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, 2010, active ASRS members and the Town were each required by statute to contribute at the actuarially determined rate of 9.40 percent (9 percent retirement and 0.4 percent long-term disability) of the members' annual covered payroll. The Town's contributions to ASRS for the years ended June 30, 2010, 2009 and 2008, were $113,288, $131,490, and $140,302, respectively, which were equal to the required contributions for the year.

NOTE 9 – RETIREMENT PLANS – Continued

Agent plans – For the year ended June 30, 2010, 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 15.48 percent.

Annual Pension Cost – The Town's pension cost for the agent plan for the year ended June 30, 2010, and related information follows.

	PSPRS
Contribution rates:	
City	14.48%
Plan members	7.65%
Annual pension cost	$ 52,650
Contributions made	$ 52,650

Annual Pension Cost—The Town's pension cost for the agent plan for the year ended June 30, 2010, and related information follows:

	PSPRS
Actuarial valuation date	06/30/09
Actuarial cost method	Projected Unit Credit
Actuarial assumptions:	
Investment rate of return	8.50%
Projected salary increases	5.50%-8.50%
Includes inflation at	5.50%
Cost-of-living adjustments	None
Amortization method	Level percent-of-pay closed
Remaining amortization period	27 years for underfunded actuarial accrued liability, 20 years open for overfunded
Asset valuation method	7-year 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	2010	$ 52,650	100 %	$ -
	2009	76,314	100 %	-
	2008	48,415	100 %	-

NOTE 10 – INTERFUND BALANCES AND ACTIVITY

Interfund borrowings - At June 30, 2010 the cemetery fund had borrowed a total of $113,738 from the wastewater fund. The interfund receivables and payables are due to short-term borrowings of the Town's pooled cash.

Interfund transfers – During the year ended June 30, 2010, the Town transferred funds to cover shared expenses. Transfers made between funds during the year are as follows:

	Transfer to			
Transfers from	General Fund	HURF/LTAF Fund	Cemetery Fund	Total
Other Governmental Fund	$ -	$ 24,576	$ 9,856	$ 34,432
Wastewater Fund	44,860	-	-	44,860
Sanitation Fund	76,380	124,816	-	201,196
Water Fund	72,852	-	-	72,852
Total	$ 194,092	$ 149,392	$ 9,856	$ 353,340

TOWN OF CLARKDALE, ARIZONA
Required Supplementary Information
Budgetary Comparison Schedules
General Fund
Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenue				
Taxes	$ 1,364,807	$ 1,364,807	$ 1,132,056	$ (232,751)
Intergovernmental	990,799	990,799	981,916	(8,883)
Fines and forfeitures	100,000	100,000	37,178	(62,822)
Licenses and permits	78,000	78,000	26,320	(51,680)
Charges for services	2,250	2,250	1,205	(1,045)
Rental income	3,200	3,200	3,446	246
Contributions	-	-	30,012	30,012
Investment income	15,132	15,132	1,436	(13,696)
Other revenue	151,000	151,000	28,943	(122,057)
Total revenue	2,705,188	2,705,188	2,242,512	(462,676)
Expenditures				
Current				
General government	1,134,565	1,134,565	1,073,424	61,141
Public safety	983,698	983,698	845,080	138,618
Culture and recreation	192,742	192,742	186,633	6,109
Capital outlay	245,683	245,683	-	245,683
Debt service				
Principal & interest	-	-	183,970	(183,970)
Total expenditures	2,556,688	2,556,688	2,289,107	267,581
Excess (deficiency) of revenue over (under) expenditures	148,500	148,500	(46,595)	(195,095)
Other financing sources				
Transfers in	200,086	200,086	194,092	(5,994)
Transfers out	(349,384)	(349,384)	-	349,384
Total other financing sources	(149,298)	(149,298)	194,092	343,390
Net change in fund balances	(798)	(798)	147,497	148,295
Fund balances, July 1, 2009	(9,384)	(9,384)	(9,384)	-
Fund balances, June 30, 2010	$ (10,182)	$ (10,182)	$ 138,113	$ 148,295

See accompanying notes to budgetary comparison schedule.

TOWN OF CLARKDALE, ARIZONA
Required Supplementary Information
Budgetary Comparison Schedules
HURF/LTAF Fund
Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenue				
Intergovernmental	$ 282,038	$ 282,038	$ 289,760	$ 7,722
Charges for services	15,300	15,300	3,823	(11,477)
Rental income	-	-	42,279	42,279
Investment income	2,535	2,535	-	(2,535)
Other revenue	14,142	14,142	4,706	(9,436)
Total revenue	314,015	314,015	340,568	26,553
Expenditures				
Current				
Highways and streets	563,917	563,917	326,523	237,394
Debt service				
Principal & interest	-	-	40,891	(40,891)
Total expenditures	563,917	563,917	367,414	196,503
Excess (deficiency) of revenue over (under) expenditures	(249,902)	(249,902)	(26,846)	223,056
Other financing sources				
Transfers in	295,265	295,265	149,392	(145,873)
Transfers out	(55,607)	(55,607)	-	55,607
Total other financing sources	239,658	239,658	149,392	(90,266)
Net change in fund balances	(10,244)	(10,244)	122,546	132,790
Fund balances, July 1, 2009,	(41,405)	(41,405)	(41,405)	-
Fund balances, June 30, 2010	$ (51,649)	$ (51,649)	$ 81,141	$ 132,790

See accompanying notes to budgetary comparison schedule.

TOWN OF CLARKDALE, ARIZONA
Required Supplementary Information
Notes to Budgetary Comparison Schedules
June 30, 2010

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, 2010

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)
06/30/09	$1,714,772	$1,805,622	$ (90,850)	95.0 %	$448,426	20.3 %
06/30/08	1,500,446	1,731,088	(230,642)	86.7	464,836	49.6
06/30/07	1,257,598	1,505,533	(247,935)	83.5	403,652	61.4

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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

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, 2010, which collectively comprise the Town of Clarkdale, Arizona's basic financial statements and have issued our report thereon dated December 6, 2010. 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 opinion 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.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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 the Town's management, Town Council, and federal awarding agencies and is not intended to be, and should not be, used by anyone other than these specified parties.

December 6, 2010

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

To the Town Council
Town of Clarkdale, Arizona

We have audited, in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and aggregate remaining fund information of the Town of Clarkdale as of and for the year ended June 30, 2010, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated December 6, 2010.

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.

December 6, 2010