



**NOTICE OF A REGULAR MEETING OF THE TOWN COUNCIL
OF THE TOWN OF CLARKDALE
TUESDAY, JANUARY 24, 2023 AT 3:00 PM**

In Person: Clark Memorial Clubhouse, 19 N. Ninth St., Clarkdale AZ

OR

Join Zoom Meeting

<https://us02web.zoom.us/j/2235608173>

Meeting ID: 223 560 8173

2nd AMENDMENT

First Amendment: Item 8D - Revised Development Agreement

Second Amendment: Added items 9c and 10c

Town of Clarkdale Vision

The Town of Clarkdale connects our unique history, proximity to the Verde River, and small-town charm to a future with a vibrant economy.

We cultivate an environment where residents and businesses can thrive; providing services and jobs for our residents and capitalizing upon tourism.

We sustainably enhance our infrastructure, support the arts and education, and develop recreational opportunities to create a bright future for our entire community.

PURSUANT TO A.R.S. §38-431.02, NOTICE IS HEREBY GIVEN to the members of the Common Council of the Town of Clarkdale and to the general public that the Town of Clarkdale Town Council will hold a Regular Meeting open to the public on Tuesday, January 24, 2023, at 3:00 PM in a hybrid meeting via Zoom Video Conference or in person at 19 N. Ninth Street, Clarkdale, Arizona, Clark Memorial Clubhouse, Men's Lounge. Members of the Clarkdale Common Council will attend either in person or by telephone, video or internet conferencing. Pursuant to A.R.S. §38-431.03, the Council may vote to recess the meeting and move into Executive Session on any item, which will be held immediately after the vote and will not be open to the public. Upon completion of Executive Session, the Council may resume the meeting, open to the public, to address the remaining items on the agenda.

Supporting documentation and staff reports furnished to the Council with this agenda are available for review on the Town website at www.clarkdale.az.gov and the Town Clerk's Office.

ALL ITEMS ON THIS AGENDA ARE SCHEDULED FOR DISCUSSION AND POSSIBLE ACTION, UNLESS OTHERWISE NOTED.

1. CALL TO ORDER

2. ROLL CALL

3. PUBLIC COMMENT

The Town Council invites the public to provide comments at this time. Members of the Town Council may not discuss items that are not specifically identified on the agenda. Therefore, pursuant to A.R.S. §38-431.01 (G), action taken as a result of public comment will be limited to directing staff to study the matter, responding to any criticism, or scheduling the matter for further consideration and decision at a later date. Persons interested in making comments on a specific agenda item are asked to complete a brief form and submit it to the Clerk or liaison during the meeting. Each Speaker is asked to limit their comments to five minutes.

4. REPORTS

Departmental Reports (submitted with Council packet) –
Summary of written Reports from Town Departments and Other Agencies:

- Building Permit Report
- Magistrate Court Report
- Water and Wastewater Report
- Police Department Report
- CAT/LYNX Transit Report
- Verde Valley Humane Society

5. BOARD AND COMMISSION MINUTES

A. Parks and Recreation Commission

Parks and Recreation Commission minutes for their regular meeting held on Nov. 9, 2022.

B. Design Review Board

Design Review Board minutes from their regular meeting held on Oct. 5, 2022.

C. Historic Preservation Commission

Historic Preservation Commission minutes from their regular meeting held on Nov. 1, 2022.

6. PRESENTATIONS

A. Northern Arizona Healthcare's Continued Commitment to the Verde Valley

The Council will receive a presentation from Josh Tinkle with Northern Arizona Healthcare to discuss their continued commitment to the Verde Valley.

B. Annual Financial Audit Presentation

The Council will receive a presentation from Colby & Powell, PLC regarding the annual audit for the Town of Clarkdale.

7. CONSENT AGENDA

Items on the consent agenda are of a routine nature or have been previously studied by the Town Council at a work session or during New Business discussion. They are intended to be acted upon in one motion. Council members may pull items from consent if they would like them considered separately.

A. Approval of Minutes of the Common Council

Consider and act upon the draft minutes from the regular meeting held on Jan. 10, 2023.

B. Town Manager's Evaluation - Letter of Findings

Consider and act upon the Letter of Findings from the Town Manager's Annual Performance Evaluation conducted on Jan. 10, 2023.

C. Request to ratify the application of a SMART Fund grant

Consider and act upon a request by staff to ratify the submission of an application for a State of Arizona SMART Fund grant for the design of the additional bridge to cross Bitter Creek.

8. NEW BUSINESS

A. PUBLIC HEARING - Black Hills West Minor Subdivision Final Plat

The Council will hold a public hearing regarding application no. 093582 for Black Hills West Minor Subdivision Final Plat.

B. Black Hills West Minor Subdivision Final Plat

Discuss, consider and act upon application no. 093582 - Black Hills West Minor Subdivision Final Plat.

C. Partial Abandonment of the Subdivision of the Radley Property

Discuss, consider and act upon Resolution #1688, approving the partial abandonment of the subdivision of the Radley property and setting forth stipulations for future development.

D. The Plateau at Clarkdale Final Condominium Plat

Discuss, consider and act upon application no. 093160 for The Plateau at Clarkdale final condominium plat.

E. Annual Financial Audit

Discuss, consider and act upon the annual audited financial statements and annual expenditure limitations report as presented by Colby & Powell, PLC.

9. POSSIBLE VOTE TO ENTER EXECUTIVE SESSION - The Council may vote to discuss the following matters in executive session pursuant to A.R.S. § 38-431.03 (A)(3) discussion or consultation for legal advice with the attorney or attorneys of the public body and/or A.R.S. §38-431.04 (A)(7) for discussion or consultation with designated representatives of the public body to consider its position and instruct its representatives regarding negotiations for the purchase, sale or lease of real property.

A. Verde Canyon Railroad Land Swap

B. Centerville Road Extension Property Acquisition

C. Consideration of Mutual Agreement to Condemn 751 Calle Medina, Clarkdale, Arizona, for Centerville Road Extension

10. RESUMPTION OF REGULAR MEETING - Immediately following the executive session, the Council will resume public session.

A. Verde Canyon Railroad Land Swap

Discussion and possible action regarding the Verde Canyon Railroad land swap.

B. Centerville Road Extension Property Acquisition

Discussion and possible action regarding the Centerville Road Extension Property Acquisition.

C. Consideration of Mutual Agreement to condemn 751 Calle Medina, Clarkdale, Arizona, for Centerville Road Extension

Discussion and possible action regarding the Mutual Agreement to condemn 751 Calle Medina, Clarkdale, Arizona, for Centerville Road Extension; and direction to the Town Attorney to file a condemnation action pursuant to A.R.S. 12-1112 in connection therewith.

11. FUTURE AGENDA ITEMS

Town Council may propose items to be placed on a future agenda. This item is for discussion only.

12. ADJOURNMENT

Values

Values are the guiding principles that provide an organization with purpose and direction. The Town of Clarkdale’s organizational values are:

COPPER

Customer focused

Open, transparent and equitable

Preserving our history, charm, and environment

Planning for a sustainable future

Economic and social resiliency

Resourceful and innovative

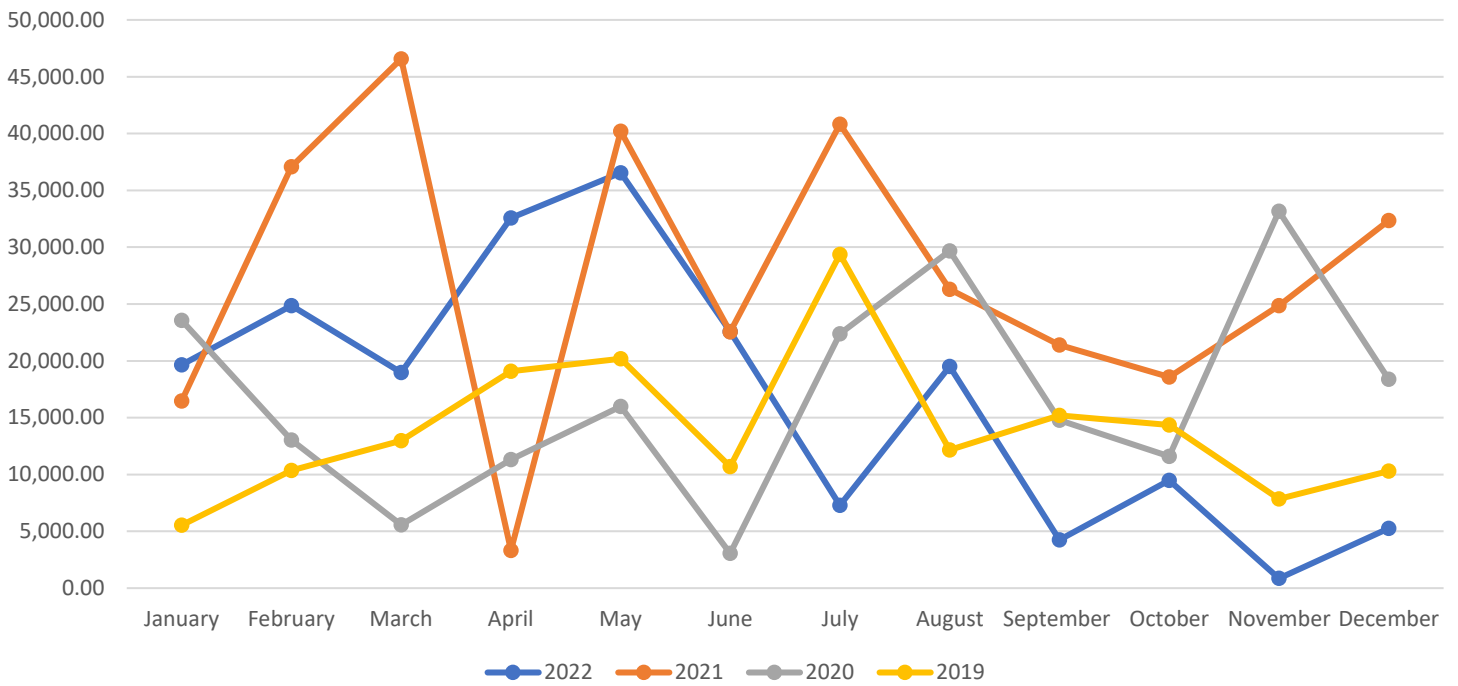
Mission

The Town of Clarkdale serves the community by providing amenities, infrastructure, services, and public safety to enhance quality of life. We are stewards of our history while we sustainably and resiliently plan for the future with an emphasis on community engagement and transparency.

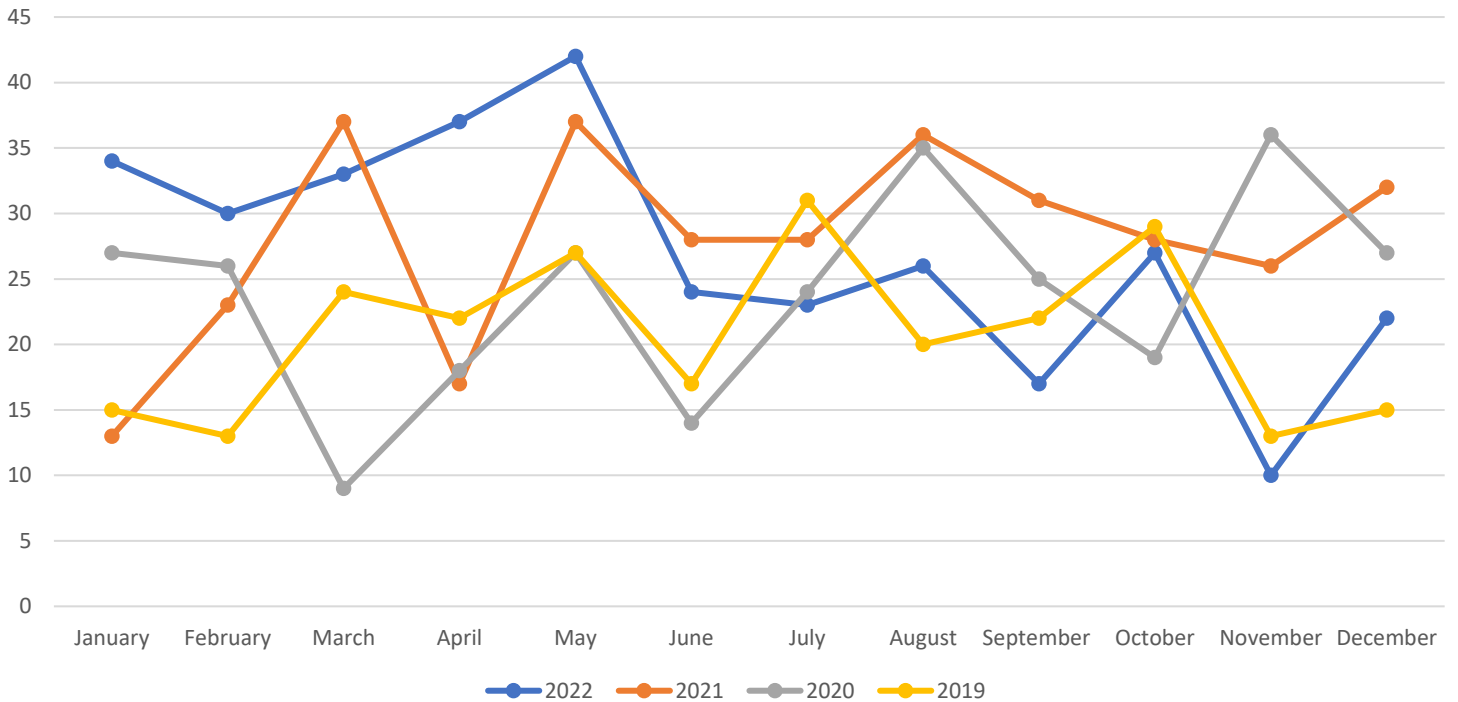
Persons with a disability may request reasonable accommodations by contacting the Town Hall at (928) 639-2400 (TTY: 1-800-367-8939) at least 72 hours in advance of the meeting.

Building Permit Report December 2022

Monthly Permit Fees

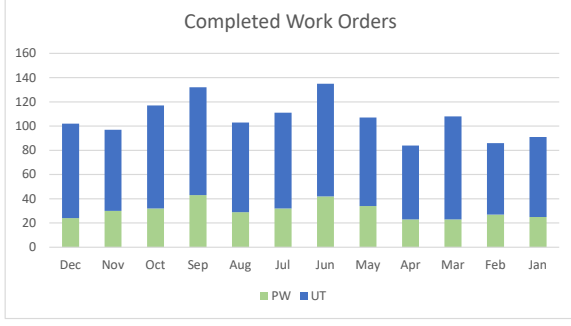
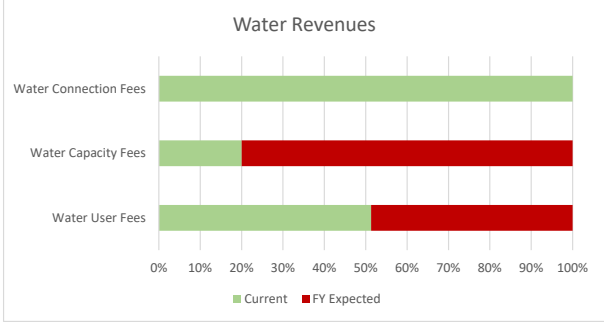
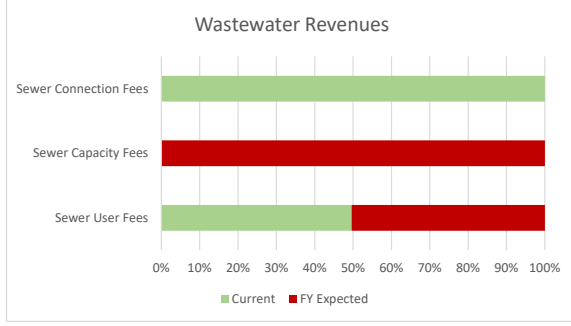
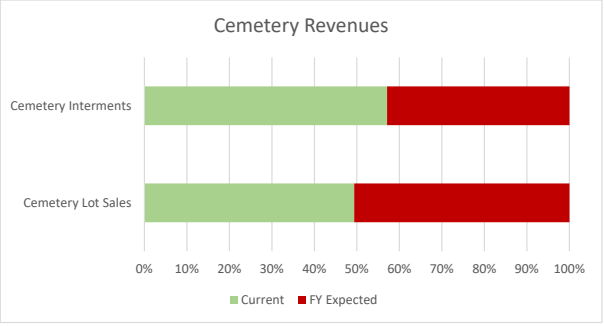
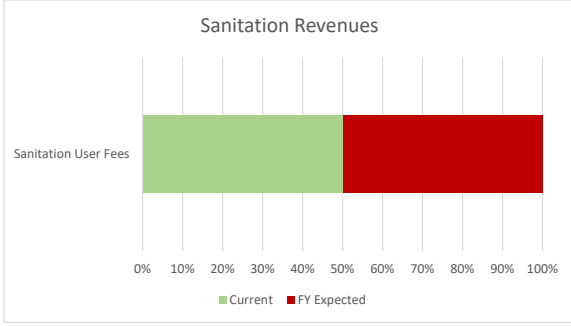
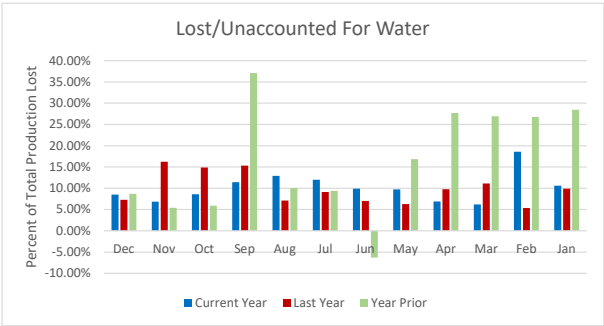
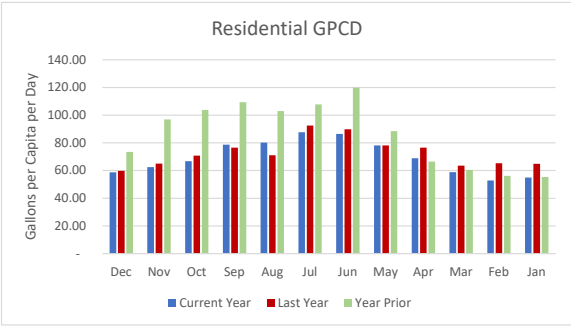
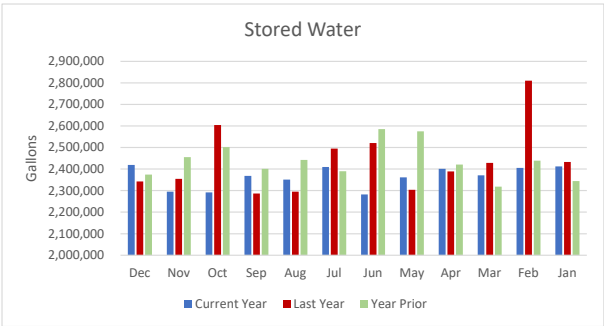
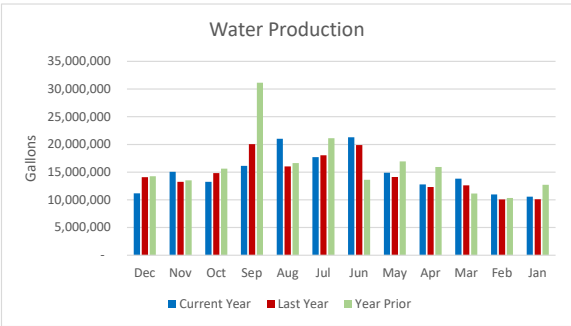


Number of Permits



Clarkdale Magistrate Court
December 2021-2022 Comparative Stats

	Dec. 2021	Dec. 2022
Criminal Cases	5	4
Civil Traffic Cases	24	31
Total Cases	29	35
Revenue to city	\$3,674	\$3,939



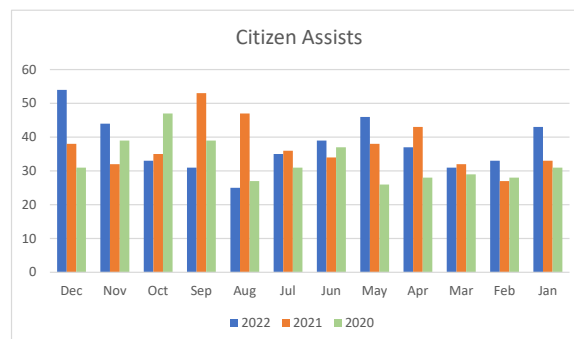
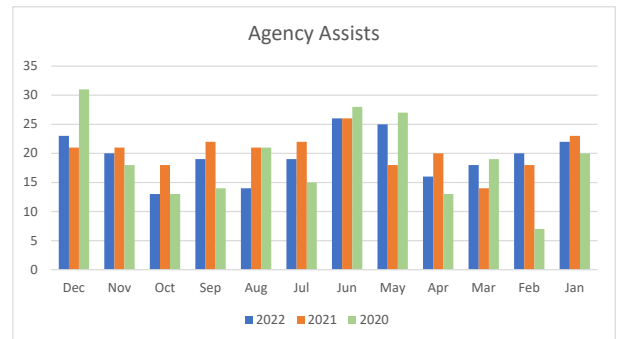
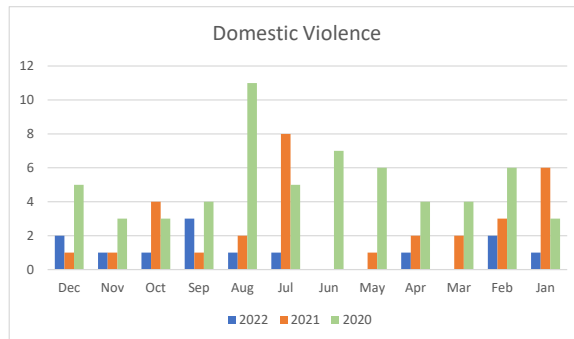
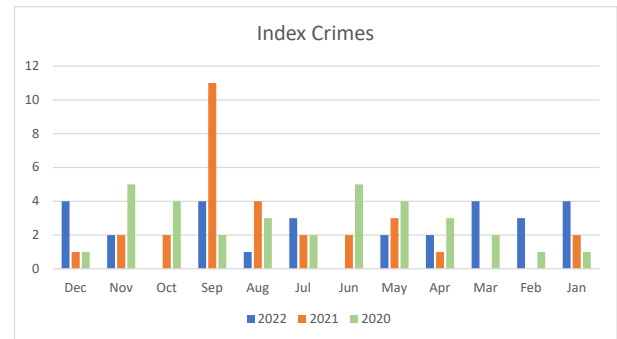
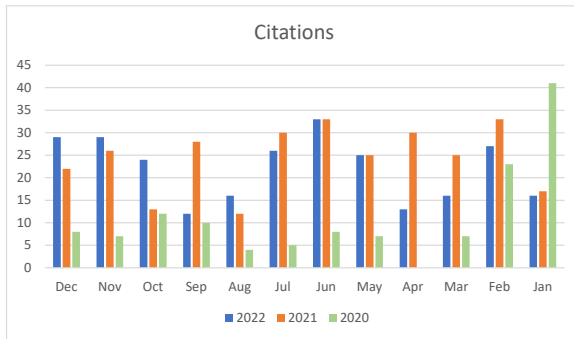
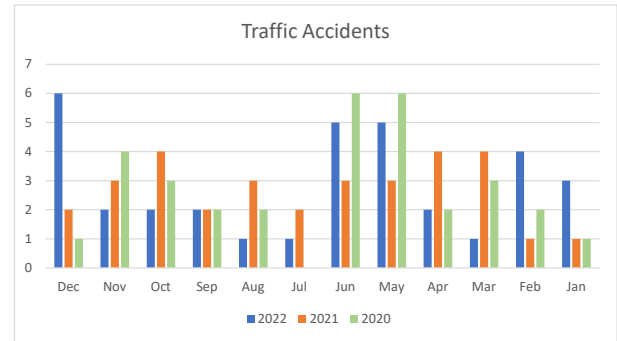
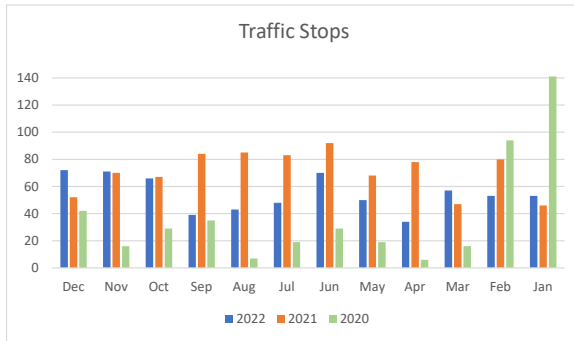
50% of FY completed as of 12/31/2022

Water and Sewer Connection Expected Revenue met for FY 22/23.

Police Department Monthly Report

December

1/17/2023



Comments:

Index crimes are serious crimes against persons or property. December index crimes included an auto theft and house burglary, both solved, plus two unsolved thefts of Christmas lights.

Traffic accidents spiked in December. Two of these were accidents resulting in minor injuries.

Cottonwood Area Transit
Weekly Ridership Reports

		11/27/2022	11/28/2022	11/29/2022	11/30/2022	12/1/2022	12/2/2022	12/3/2022	Weekly
Service for week ending 12/03/2022	Daily Average 1	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Total
Weekdays									
ADA/Paratransit	38.8		27	48	36	49	34		194
Blue Line	16.8		15	20	17	16	16		84
Yellow Line	67.4		69	56	66	85	61		337
Red Line - Without Jerome	44.8		53	47	39	39	46		224
Red Line - Jerome	2.2		0	0	0	11	0		11
Green Line	94		97	108	111	74	80		470
CAT Connect	1.2		3	0	0	2	1		6
Shuttle 1	59.4	33	48	51	54	46	43	22	297
Shuttle 2	71.8	52	47	68	44	63	39	46	359
Shuttle 3	63.4	38	49	39	65	46	39	41	317
Shuttle 4	49.4	40	38	35	34	32	33	35	247
Totals		163	446	472	466	463	392	144	2546

Cottonwood Area Transit
Weekly Ridership Reports

		12/4/2022	12/5/2022	12/6/2022	12/7/2022	12/8/2022	12/9/2022	12/10/2022	Weekly
Service for week ending 12/10/2022	Daily Average 1	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Total
Weekdays									
ADA/Paratransit	43.4		30	60	44	47	36		217
Blue Line	19.6		18	11	28	19	22		98
Yellow Line	72.6		70	87	63	79	64		363
Red Line - Without Jerome	49.2		49	47	46	53	51		246
Red Line - Jerome	3.2		0	0	0	16	0		16
Green Line	80.4		82	87	72	66	95		402
CAT Connect	2.8		3	6	3	1	1		14
Shuttle 1	55	38	44	39	44	42	41	27	275
Shuttle 2	67.6	40	59	48	45	41	60	45	338
Shuttle 3	52.4	26	38	39	44	33	25	57	262
Shuttle 4	49	27	34	34	25	38	50	37	245
Totals		131	427	458	414	435	445	166	2476

Cottonwood Area Transit
Weekly Ridership Reports

		12/11/2022	12/12/2022	12/13/2022	12/14/2022	12/15/2022	12/16/2022	12/17/2022	Weekly
Service for week ending 12/17/2022	Daily Average 1	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Total
Weekdays									
ADA/Paratransit	50		40	58	51	61	40		250
Blue Line	11.2		8	10	11	14	13		56
Yellow Line	71		71	61	76	76	71		355
Red Line - Without Jerome	49		49	51	42	48	55		245
Red Line - Jerome	0.8		0	0	0	4	0		4
Green Line	98		96	70	115	100	109		490
CAT Connect	1.4		1	1	2	3	0		7
Shuttle 1	49.4	34	37	31	41	46	28	30	247
Shuttle 2	68.8	56	41	52	47	50	50	48	344
Shuttle 3	53.6	31	40	39	40	51	32	35	268
Shuttle 4	46.8	31	32	21	37	35	39	39	234
	Totals	152	415	394	462	488	437	152	2500

Cottonwood Area Transit
Weekly Ridership Reports

		12/18/2022	12/19/2022	12/20/2022	12/21/2022	12/22/2022	12/23/2022	12/24/2022	Weekly
Service for week ending 12/24/2022	Daily Average 1	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Total
Weekdays									
ADA/Paratransit	42.4		40	55	36	47	34		212
Blue Line	10		9	8	8	14	11		50
Yellow Line	74		92	72	72	60	74		370
Red Line - Without Jerome	57.8		58	52	52	60	67		289
Red Line - Jerome	2.6		0	0	0	13	0		13
Green Line	95.6		115	92	94	82	95		478
CAT Connect	2.6	0	2	2	5	3	1	0	13
Shuttle 1	49.6	40	36	28	40	29	38	37	248
Shuttle 2	72.2	45	42	74	53	48	55	44	361
Shuttle 3	54.6	28	34	46	42	51	47	25	273
Shuttle 4	45.8	31	29	30	44	43	38	14	229
Totals								120	2536

Cottonwood Area Transit
Weekly Ridership Reports

		1/1/2023	1/2/2023	1/3/2023	1/4/2023	1/5/2023	1/6/2023	1/7/2023	Weekly
Service for week ending 1/7/2023	Daily Average 1	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Total
Weekdays									
ADA/Paratransit	33.4		19	14	28	63	43		167
Blue Line	14.2		6	11	15	14	25		71
Yellow Line	67		61	69	50	73	82		335
Red Line - Without Jerome	49.2		31	56	53	47	59		246
Red Line - Jerome	2		0	0	0	10	0		10
Green Line	87.4		67	91	96	88	95		437
CAT Connect	3.2		3	2	8	3	0	0	16
Shuttle 1	43		28	19	46	51	42	29	215
Shuttle 2	51.6		47	41	43	47	37	43	258
Shuttle 3	48.6		27	31	42	48	55	40	243
Shuttle 4	37		20	20	34	39	33	39	185
Totals		0	309	354	415	483	471	151	2183

Verde Valley Humane Society					
1520 W. Mingus Avenue					
Cottonwood, AZ. 86326					
928-634-7387					
					1/10/2022
Clarkdale Animal Intake Report for		December 2022			
Date	Type	Species	ID #	Disposition Type	Date
	Total:0				



**MINUTES OF A REGULAR MEETING OF THE PARKS AND RECREATION COMMISSION
OF THE TOWN OF CLARKDALE
WEDNESDAY, NOVEMBER 9, 2022 AT 5:00 PM**

Members Present: *Chairperson Backus and Council Members Cheryl, Ben Kramer, Jeri Miuccio, Becky Keck, Robyn Aasmundstad*

Other Municipal Officials Present: *Joni Westcott, Parks and Recreation Manager; Chell Smart, Parks and Recreation Specialist and Public Information Officer*

Audience: *No members of the public were present in the audience or on zoom.*

1. CALL TO ORDER – *Chairperson Backus called the meeting to order at 4:59 p.m.*

2. ROLL CALL - *All members present, Commissioner Miuccio arrived at 5:05 p.m.*

3. PUBLIC COMMENT - *No public comment.*

4. INTRODUCTIONS

A. *Newly appointed Advisory Member, Robyn Aasmundstad was introduced.*

5. REPORTS – *Parks and Recreation Specialist, Chell Smart provided reports on the following (**see attached 2022-11-09 Parks and Recreation Reports document**):*

A. Halloween Event Updates

B. NACOG - CDBG Grant for Caballero Park

C. Selna-Mongini Park Remediation Progress

D. Copper Penny Park Pickleball

E. Holiday Event Updates

6. MINUTES

A. Approval of Minutes

Discuss, consider and act upon the draft minutes from the meeting held on Oct. 12, 2022.

Action: Approved Oct. 12, 2022 Parks and Recreation minutes.

Motion: *Commissioner Kramer*

Second: *Commissioner Kessel*

Vote: Approved 5-0

Voting Member	Aye/Nay
Chairperson Allyn Backus	Aye
Vice Chairperson Cheryl Kessel	Aye
Commissioner Ben Kramer	Aye
Commissioner Jeri Miuccio	Aye
Commissioner Becky Keck	Aye

7. DISCUSSION ITEMS ONLY - NO ACTION TAKEN

A. Parks and Recreation Strategic Plan

Discussed proposed elements of the 2022 Parks and Recreation Strategic Plan. Commissioners brainstormed strengths and weaknesses related to Parks and Recreation in Clarkdale and then prioritized them by voting on which were most critical.

Strengths	Priority
Quality of events	1
Volunteers/ Volunteering	1
Staff accessed grant funding	1
Communication about P&R offerings	2
Park access	3
Existence of Verde River Access Points	3
Outdoor opportunities	
Diverse population in Clarkdale	
Community connections through wide variety of activities and opportunities	
Support from Council	
Progress on trail connections	
Relationship with first responders	
Strong community support and input	

Weaknesses	
Limited resources (staff, money, etc.)	1
Access to parks for all neighborhoods	2
More public involvement needed (meetings, etc.)	3
Trails in Clarkdale	4
Improve volunteer coordination, representation and impact	5
Limited number of classes (river, education, etc.)	6
Opportunities for homebound	7
Facility management requires high resource allocation (time, staff)	
Consider text alerts for event reminders	

8. FUTURE AGENDA ITEMS

Parks and Recreation Commission did propose items to be placed on a future agenda. This item is for discussion only.

1. *Strategic Planning*
2. *Trails*
3. *Caballero Park*

9. ADJOURNMENT – Chairperson Backus *adjourned the meeting without objection at 5:59 p.m.*

APPROVED:

Allyn Backus

Chairperson, Allyn Backus

SUBMITTED BY:

Chell Smart

Parks and Recreation Specialist and Public Information Officer, Chell Smart



**MINUTES OF A REGULAR MEETING OF THE DESIGN REVIEW BOARD
OF THE TOWN OF CLARKDALE
WEDNESDAY, OCTOBER 5, 2022, AT 6:30 PM**

Members Present: *Marsha Foutz, Rob Robbins, Brennan Jernigan, Vice Chair Andrew Kelly, Chair Kerrie Snyder.*

Other Municipal Officials Present: *Community Development Director Ruth Mayday, Senior Planner Tom Blanchard, Planning Technician Guss Espolt.*

Audience: *Approximately 30 members of the public were present.*

- 1. CALL TO ORDER** - *Chair Snyder called the meeting to order at 6:30 p.m.*
- 2. ROLL CALL** – *All members present.*
- 3. PUBLIC COMMENT** - *No public comment.*

4. MINUTES

A. Approval of minutes

Consider and act upon the approval of the draft minutes from the meeting held on Sept. 7, 2022.

Motion by Foutz, second by Kelly to: *Approve draft minutes from Sept. 7, 2022, meeting*
Approved: 5-0

Chair Snyder	Aye
Vice Chair Kelly	Aye
Board Member Foutz	Aye
Board Member Robbins	Aye
Board Member Jernigan	Aye

5. REPORTS

A. Action Minutes Policy

Community Development Director Ruth Mayday provided an update on the Action Minutes Policy that was approved by Council on Sept. 13, 2022.

B. Call to the Public

Community Development Director Ruth Mayday discussed the Attorney General's opinion regarding responses by individual members of a public body during a Call to the Public.

6. PUBLIC HEARINGS

A. Taawaki Inn

Public hearing regarding application DRB-093581, for the Taawaki Inn, submitted by Ryan Smith with Smith Architects, on behalf of the Hopi Tribe Economic Development Corporation for a proposed two-story hotel with 44 guest-rooms at 441 S. Broadway St., Clarkdale, AZ (APN 400-07-023C)

Senior Planner Blanchard presented a PowerPoint outlining the proposed project that included proposed site features, color building elevations and perspectives, exterior design elements and applicable Town code entitlements.

The Hopi Tribe Economic Development Corporation CEO Cindy Smiley provided background on the hotel's original concept; 'Taawaki' means 'House of the Sun' and the hotel will be focused on the Hopi culture, arts, and music, including an original Hopi art display. Guests will have a unique educational and cultural experience. The hotel will serve as a tourism hub for the Town and region.

Ryan Smith of Smith Architects clarified the following Board questions:

- 1. Decomposed granite goldish colored will stabilize all disturbed soil areas and cover the native seed mix.*
- 2. Natural spring will be protected when rainwater runoff and surface oils are diverted to detention basins. The detention basins will be shown on the engineering plans.*
- 3. Trails are being considered for possible access to natural areas and the river.*
- 4. Private seating areas will be considered for possible future development.*
- 5. The chandelier (fixture 'C') light bulb is set deep into the light fixture, shielding the light.*
- 6. Explore possibility of solar powered parking lights and reuse gray water for irrigation.*

7. ACTION ITEMS

A. Taawaki Inn

Discussion and possible action to approve application DRB-093581, for the Taawaki Inn. Submitted by Ryan Smith with Smith Architects, on behalf of the Hopi Tribe Economic Development Corporation for a proposed two-story hotel with 44 guest rooms at 441 S. Broadway St., Clarkdale, AZ (APN 400-07-023C)

Public Comments:

Michael Lindner: Supports the project and concerned about 40-foot height of lobby entrance.

Gary Clouston: Rain Spirit RV Park water flow is low, concerned if the hotel will further reduce waterflow. Likes the design of the hotel.

Joseph Rongo: Great design that honors local indigenous history.

Motion by Foutz, second by Robbins to: *Approve application DRB-093581 as presented.*

Approved: 5-0

Chair Snyder	Aye
Vice Chair Kelly	Aye
Board Member Foutz	Aye
Board Member Robbins	Aye
Board Member Jernigan	Aye

8. FUTURE AGENDA ITEMS

Design Review Board did not propose items to be placed on a future agenda. This item is for discussion only.

9. ADJOURNMENT – *Chair Snyder adjourned the meeting without objection at 7:20 p.m.*

Chairperson Kerrie Snyder
Design Review Board

Community Development Director Ruth Mayday



**MINUTES OF A REGULAR MEETING OF THE HISTORIC PRESERVATION COMMISSION
OF THE TOWN OF CLARKDALE
TUESDAY, NOVEMBER 1, 2022 AT 6:30 PM**

Members Present: *Chair Gibson, Lindner, Loesche and Guebard*

Other Municipal Officials Present: *Community Development Director Ruth Mayday,
Senior Planner Tom Blanchard, Planning Technician Guss Espolt*

Audience: *There were no members of the public present.*

- 1. CALL TO ORDER** - *Chair Gibson called the meeting to order at 6:30 p.m.*
- 2. ROLL CALL** - *Emmett Absent, Lindner Present, Loesche Present, Guebard Absent, Gibson present.*
- 3. PUBLIC COMMENT** – *No public comment.*

4. INTRODUCTIONS

- A.** *Introduction of new Commission Member, Matthew Guebard and new Advisory Member, Dan Biggins. Advisory member Dan Biggins was not present.*

5. MINUTES

A. Approval of minutes

Discuss, consider and act upon the minutes from the meeting held on Oct. 4, 2022.

Motion by Lindner, second by Loesche to: *Approve the Oct. 4, 2022, minutes with clarifications from Commissioner Lindner to specify appropriate quality control specifications within the bids and to forward that on to Council for consideration.*

Approved: 4-0 Aye

Commissioner	Aye/Nay
Chair Gibson	Aye
Commissioner Emmett	Absent
Commissioner Lindner	Aye
Commissioner Loesche	Aye
Commissioner Guebard	Aye

6. DISCUSSION ITEMS ONLY - NO ACTION TAKEN

A. Historic Preservation Ordinance

Community Development Director Ruth Mayday presented proposals from two consultants to draft the Town's Historic Preservation Ordinance. The Commission agreed that the proposal from Froke Urban Planning was more in line with the project budget and scale and may be more responsive as they are a smaller, local firm from Phoenix. The other consultant was Urbana Preservation & Planning, located in San Diego, California and their bid was four times greater than the Froke bid. A committee composed of the Commission and Town staff will recommend the consultant. Once the consultant is selected, a 'Notice to Proceed' will be issued to the consultant to begin work. The ordinance will only cover commercial properties within the Historic District. Once the ordinance is adopted, the ordinance may be amended to include other historic structures within the Historic District.

B. Historic Photo Display Update

Discussion of historic photo display in the Clubhouse.

Once the Commission selects which photos will be displayed, Public Works Director Cory Franek will coordinate where the historic photos will be placed on the walls of the Club House.

C. SWOT Analysis

Discussion of Strengths, Weaknesses, Opportunities and Threats (SWOT) analysis.

Chair Gibson presented a SWOT analysis as follows:

- *STRENGTHS: Town Council, staff and resident support, Arizona Copper Museum relationship, Historic Society Museum & Volunteers, downtown business alliance, Commission member engagement.*
- *WEAKNESS: Weak Vice Chair position, young relationship with staff, staff time is limited, HPC ordinance not in force.*
- *OPPORTUNITIES: HPC 'old business' bandstand, new park, grant for new signage, HPC ordinance for historic district, expansion of ordinance into residential and industrial, Verde Canyon Railroad, Design Review Board, Rails to Trails program, Yavapai Nation Historian. Historic 89A ROW improvements, Taawaki Inn.*
- *THREATS: Outside developers, competition for grants, Cottonwood & Jerome attractions, Emerald Ash Borer climate change restrictions, energy costs, demolition by neglect.*

7. FUTURE AGENDA ITEMS

Historic Preservation Commission proposed the following items to be placed on a future agenda. This item is for discussion only. As follows:

- A. Broadway Road improvements update - CIP 2023*
- B. Taawaki Inn update.*
- C. Newstand update. Redesign of entry doors and construction timeline.*
- D. Invite Yavapai Nation Historian to a meeting. Member Guebard is the point of contact.*

8. ADJOURNMENT – Chair Gibson adjourned the meeting without objection at 7:13 p.m.



Staff Report

Item Number: 6.A.

<u>Agenda Item:</u>	Northern Arizona Healthcare's Continued Commitment to the Verde Valley The Council will receive a presentation from Josh Tinkle with Northern Arizona Healthcare to discuss their continued commitment to the Verde Valley.
<u>Staff Contact:</u>	Charity Brooks, Town Clerk
<u>Meeting Date:</u>	January 24, 2023
<u>Strategic Goal:</u>	This agenda item supports the following strategic goal: • Goal 2: Enhance the quality of life for residents, businesses, and visitors to Clarkdale.
<u>Background:</u>	Josh Tinkle with Northern Arizona Healthcare will provide a presentation highlighting their continued commitment to the Verde Valley.
<u>Budget Impact:</u>	No budget impact.
<u>Recommendation:</u>	Presentation only. No recommendation.



Northern Arizona Healthcare

*Clarkdale Town Council Meeting
January 24, 2023*



About NAH

Nonprofit health care system governed by a volunteer board of directors who balance financial decisions with respect for community concerns and needs

3,000+ employees serve a community of more than a million people

All revenue is reinvested to improve facilities, equipment and patient care

ERs open to all, regardless of ability to pay

Only Level 1 Trauma Center north of Phoenix



How NAH Serves the Community

25% of all patients are considered **financially disadvantaged**

Serving a region of **more than 50,000 square miles** in northern Arizona

Sole community provider health system in northern Arizona

1/3 of our patients at Flagstaff Medical Center are **enrolled members of Native American tribes**

NAH provided **more than \$125 million in care for patients** who would not have been able to afford those services otherwise in FY2021



DELIVERING HIGH-QUALITY CARE CLOSE TO HOME

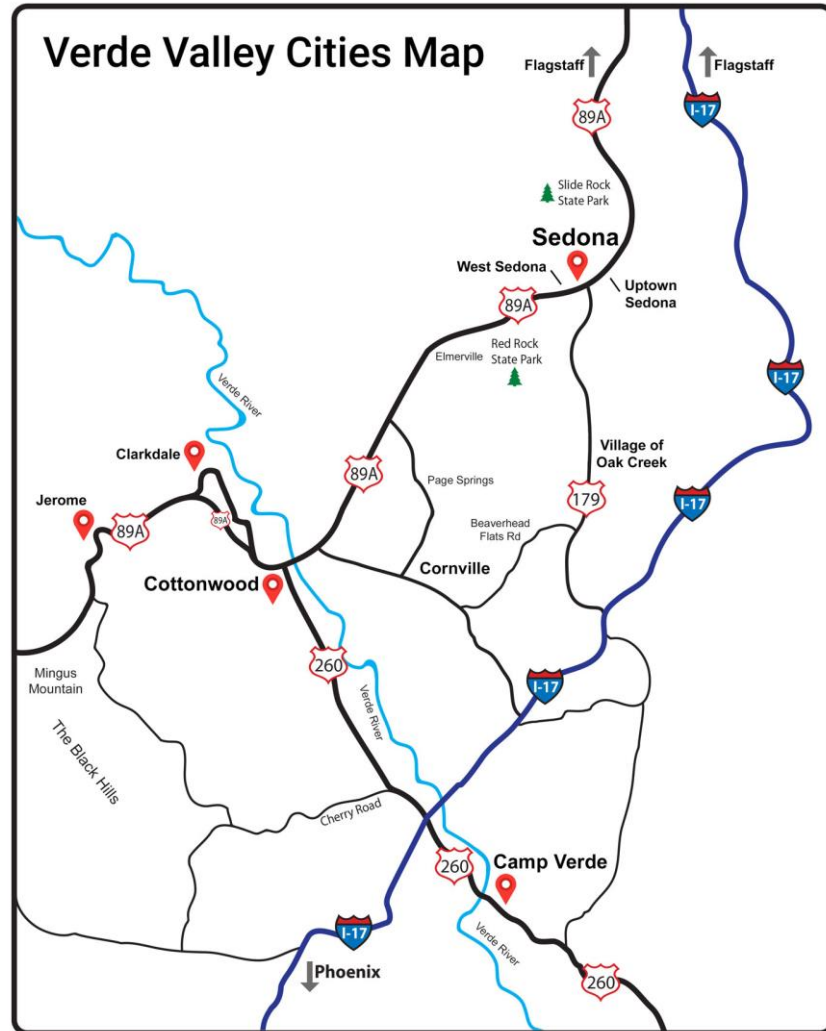


Service Levels (Primary, Secondary, etc.)

Level of Care	Description	Hospital-Based Services (Examples)	Outpatient-Based Services (Examples)
Primary	Foundational community services	Emergency Dept., General Medicine, Respiratory, Medical Cardiology, OB/GYN, General Surgery, etc.	PCPs, Physical Therapy, Outpatient Lab Draw, Basic Outpatient Imaging, Prenatal Care, Urgent Care / Immediate Care, etc.
Secondary	Patient care requiring access to medical / surgical specialists	Medical Oncology, Orthopedic Surgery, Interventional Cardiology, Gastroenterology, Vascular Surgery, Special Care Nursery, etc.	Specialty Imaging, Infusion/Chemo, Outpatient Surgery Center, Advanced Outpatient Imaging, Stroke Care, Radiation/Oncology, etc.
Tertiary	Services for complex patients requiring multi-disciplinary specialty care	Open Heart / Structural Heart Surgery, Neurosurgery, Spine Surgery, NICU, etc.	Clinics for Tertiary Services
Quaternary	Low frequency, high complexity services	Transplants, Complex Cancer Surgery, Burn Center, Experimental Medicine, etc.	Clinics for Quaternary Services



WHAT IS THE VERDE VALLEY REGION?



Sedona Campus



Verde Valley Medical Center



Camp Verde Campus



Health Care Services Offered

NAH Regional Service Offerings

NAH provides outpatient and specialty services at locations throughout the northern Arizona region, including Verde Valley

- Primary care and specialty physician clinics
- Breast care and imaging
- Cancer Centers of Northern Arizona Healthcare
- Cardiovascular Institute
- Emergency departments
- Endocrinology
- EntireCare Rehab & Sports Medicine
- Gastroenterology
- Orthopedic & Spine Institute
- Outpatient surgical centers
- Palliative care
- Radiology
- Urology
- Women's health

NAH Staff Dedicated to the Verde Valley

NAH is realizing recruiting successes, despite the challenges.

- Physicians increased by 12 to a total of 447 in FY22
- Employed physicians increased by 16 to 176 in FY22

NAH Staff and Providers

- 3,000+ employees across all locations
- 980+ employees in Verde Valley region
- 80+ providers in Verde Valley region

With new physicians and APPs joining NAH
in the coming months...



Investing in the Verde Valley

NAH will investing more than \$12 million in infrastructure and long-term enhancements of VVMC in FY 2023 alone.

NAH continues to invest in and expand specialty services needed in the Verde Valley :

- General Cardiology
- Interventional Cardiology
- Electrophysiology
- Neurology
- Endocrinology
- General Surgery
- Gastroenterology
- Orthopedics
- OB/GYN
- Palliative Care



Welcoming New Providers to Verde Valley

Primary Care:

- Tiffany Witek, FNP – Camp Verde – August
- Laurie Schaben, FNP – Cottonwood – August
- Dr. James Estipona – Cottonwood – November
- Dr. Joseph Lach – Sedona – November
- Dr. Richard Lloyd – Sedona – November
- Jessica Holst, FNP – Village of Oak Creek – January 2023
- Samuel Fongang, NP – Camp Verde – Anticipated Early 2023

Specialists:

- Dr. David Van De Wyngaerde, Orthopedic Surgeon – VVMC – December
- Dr. Randy Nagarakanti, Electrophysiologist – VVMC & FMC – Anticipated Early 2023
- Dr. Eugene Charlebois – Sedona Emergency Department – Anticipated Early 2023



FREQUENTLY ASKED QUESTIONS



NAH Decision Process

- How do we make decisions?
- Difference between BOD & Leadership
 - Board of Directors
 - Hiring and firing of the CEO
 - Strategic Vision and Direction
 - Leadership
 - Execution of Vision and Strategy
 - “The How”

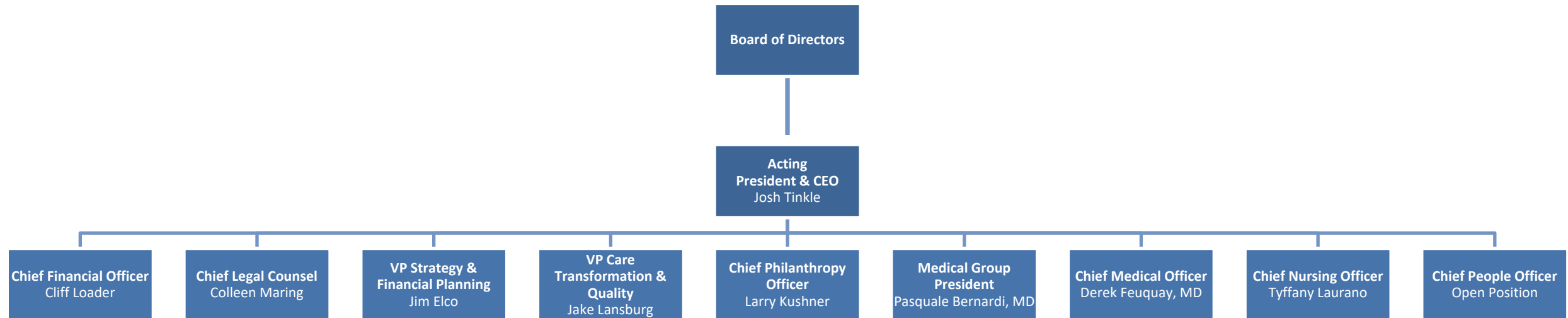


NAH Board of Directors

BOARD MEMBER	BUSINESS AFFILIATION	CITY of RESIDENCE
William Riley, PhD Board Chair	Professor Arizona State University (ASU) College of Health Solutions	Gold Canyon
Michael Martinell Board Vice Chair	Retired Financial Leader Medical Products, W. L. Gore & Associates	Flagstaff
John Rivers Board Treasurer	Retired Former CEO of Arizona Hospital & Healthcare Association	Flagstaff
Charlie Agee, MD Board Secretary	Consultant Former VP/CMO, Retired OBGYN	Paradise Valley
Janet Corrigan, PhD	Retired Former National Health Policy Specialist	Prescott
Alice Gagnaire, RN	Retired RN & Former NAH Senior VP/VP Patient Care Services	Flagstaff
Randall Garrison	Cashmere Properties, LLC	Cottonwood
William Jeffers	Rancher	Holbrook
Troy Lorents	Data Privacy Manager W.L. Gore & Associates	Flagstaff
Daryl Melvin	Principal Melvin Consulting, PLLC	Flagstaff
Joshua Tinkle	Acting President and CEO Northern Arizona Healthcare	Flagstaff



NAH Executive Leadership





Listening to Community Input

- Governing Council
- Patient and Family Advisory Council
- Verde Valley Certificate Holders
- Flagstaff Certificate Holders
- Community Outreach



How NAH's \$850M Investment Will Impact the Verde Valley

- Funds will provide state-of-the-art facilities and next-generation treatment options.
- NAH plans to continue to invest in Verde Valley, including Verde Valley Medical Center and the NAH Medical Group locations in the region.



Goals for NAH's Proposed Campus in Flagstaff

Build a state-of-the-art medical facility with advanced technologies to meet the growing patient needs of northern Arizona

Create an environment that improves recruitment and retention of industry-leading professionals to address anticipated future workforce challenges

Improve access to specialized, tertiary care – reducing travel to Phoenix for northern Arizona patients

Break down barriers that are currently limiting operational excellence in Flagstaff



What This Means for Verde Valley & Sedona

NAH is committed to delivering health care services close to home for Verde Valley and Sedona-area residents

All NAH locations in Verde Valley and Sedona region will remain open

Continued investment in primary and secondary care catering to current and future health care needs

Verde Valley Medical Center will remain the anchor hospital for NAH's health care services in Verde Valley



NAH Plans for the Next 3-5 Years

NAH focal points in Verde Valley

- Invest in provider retention and recruitment
 - Reduce our reliance on locum providers
 - Enhance provider consistency for patients and the community
- Expand secondary specialty health care services within Verde Valley to meet current and future patient needs (e.g., Urology, GI, EP,OB/GYN, Rheumatology, Neurology, etc.)
- Continue to grow Orthopedics



Questions?



Mission

Improving health, healing people.

Vision

Always better care.
Every person, every time...**together**.

Values





Staff Report

Item Number: 6.B.

<u>Agenda Item:</u>	Annual Financial Audit Presentation The Council will receive a presentation from Colby & Powell, PLC regarding the annual audit for the Town of Clarkdale.
<u>Staff Contact:</u>	Julie Goucher, Finance Director
<u>Meeting Date:</u>	January 24, 2023
<u>Strategic Goal:</u>	This agenda item supports the following strategic goal: • Goal 6: Strategically invest in organizational development to enhance efficiency and service delivery and to attract and retain an exemplary workforce.
<u>Background:</u>	Representatives with Colby & Powell, PLC will provide a presentation regarding the annual financial audit for the Town of Clarkdale.
<u>Budget Impact:</u>	No budget impact.
<u>Recommendation:</u>	Presentation only. No recommendation.



Staff Report

Item Number: 7.A.

<u>Agenda Item:</u>	Approval of Minutes of the Common Council Consider and act upon the draft minutes from the regular meeting held on Jan. 10, 2023.
<u>Staff Contact:</u>	Charity Brooks, Town Clerk
<u>Meeting Date:</u>	January 24, 2023
<u>Strategic Goal:</u>	Not applicable
<u>Background:</u>	Review of the draft minutes from the regular meeting held on Jan. 10, 2023.
<u>Budget Impact:</u>	No budget impact.
<u>Recommendation:</u>	Staff recommends approval of the draft minutes from the regular meeting held on Jan. 10, 2023.



**MINUTES OF A REGULAR MEETING OF THE TOWN COUNCIL
OF THE TOWN OF CLARKDALE
TUESDAY, JANUARY 10, 2023 AT 6:00 PM**

Members Present: Mayor Prud'homme-Bauer, Vice Mayor Debbie Hunseder, and Council Members, Lisa O'Neill, Marney Babbitt-Pierce and Laura Jones

Other Municipal Officials Present: Susan Guthrie, Town Manager; Charity Brooks, Town Clerk; Randy Taylor, Police Chief; Joe Candelaria, Lieutenant; Sean Guth, Police Sergeant; Derek Johnston, Lead Officer

Audience: Approximately five members of the public were present.

- 1. CALL TO ORDER** - *Mayor Prud'homme-Bauer called the meeting to order at 6:01 p.m.*
- 2. ROLL CALL** - *All members present.*
- 3. PUBLIC COMMENT** - *No public comment.*

4. REPORTS

A. Current Events – (submitted electronically)

A brief summary of current events. The Council will not propose, discuss, deliberate, or take legal action on any matter in the summary. Reports submitted electronically:

- Mayor's Report
- Vice-Mayor's Report
- Councilmembers' Reports

B. Organizational Reports – (submitted electronically)

Reports regarding regional organizations submitted electronically:

- CAT – Cottonwood Area Transit – *no meeting*
- VVTPO – Verde Valley Transportation Planning Organization – *meeting cancelled*
- NACOG - Northern Arizona Council of Governments – *no meeting*
- NAMWUA - Northern Arizona Municipal Water Users Association – *no meeting*
- VVREO – LRSPC - Verde Valley Regional Economic Organization's Long Range Strategic Plan – *no meeting*
- TPAC – Transportation Policy Advisory Council – *no meeting*

- VFLC – Verde Front Leadership Council – *notes provided to Council*
- Greater AZ Mayor’s Organizational Report – *no meeting*

C. Finance Report (submitted with Council packet)

List of specific expenditures made by the Town during the previous month and a monthly summary report.

5. OATH OF OFFICE

A. Lead Officer Derek Johnston

The Council witnessed Judge Kelley administer the Oath of Office to newly promoted Lead Officer Derek Johnston.

6. INTRODUCTIONS

A. Prosecutors

Mayor Prud’homme-Bauer was unable to introduce Prosecutors Mark Drutz and Josh Butner as they were not present.

7. CONSENT AGENDA

Items on the consent agenda are of a routine nature or have been previously studied by the Town Council at a work session or during New Business discussion. They are intended to be acted upon in one motion. Council members may pull items from consent if they would like them considered separately.

A. Approval of Minutes

Consider and act upon the draft minutes from the regular meeting held on Dec. 13, 2022.

B. Ratification of the State of Arizona Procurement Office Purchasing Cooperative Agreement

Consider and act upon ratification of the State of Arizona Purchasing Cooperative Agreement.

Action: Approve consent agenda items A and B as written:

Motion: Council Member Babbitt-Pierce

Second: Vice Mayor Hunseder

Vote: Approved 5-0

Voting Member	Aye/Nay
Mayor Robyn Prud’homme-Bauer	Aye
Vice Mayor Debbie Hunseder	Aye
Council Member Lisa O’Neill	Aye
Council Member Marney Babbitt-Pierce	Aye
Council Member Laura Jones	Aye

8. NEW BUSINESS

A. Opioid Settlement Funds

Discuss, consider and act upon a request from Yavapai County to designate the use of Opioid Settlement Funds that will be awarded to the Town of Clarkdale.

Action: The Town of Clarkdale is receiving .072% of the funding and is requesting approval to receive the allocated default percentage as outlined in Exhibit C of the Agreement paid directly to the Town of Clarkdale. The Town of Clarkdale will be responsible for allocating funds to an approved strategy as outlined in Exhibit A of the Agreement and provide reports annually to Yavapai County Community Health Services as outlined in Section F.5 of the Agreement. Future payments will be sent automatically for the term of the Agreement unless the Town contacts Yavapai County Community Health Services to request a change in disbursement:

Motion: Vice Mayor Hunseder

Second: Council Member Jones

Vote: Approved 5-0

Voting Member	Aye/Nay
Mayor Robyn Prud'homme-Bauer	Aye
Vice Mayor Debbie Hunseder	Aye
Council Member Lisa O'Neill	Aye
Council Member Marney Babbitt-Pierce	Aye
Council Member Laura Jones	Aye

9. FUTURE AGENDA ITEMS

Town Council did not propose items to be placed on a future agenda.

10. ADJOURNMENT - Mayor Prud'homme-Bauer adjourned the meeting without objection at 6:23 p.m.

APPROVED:

ATTESTED/SUBMITTED:

Robyn Prud'homme-Bauer, Mayor

Charity Brooks, Town Clerk

CERTIFICATION AND ATTESTATION

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the regular meeting of the Town Council of the Town of Clarkdale, Arizona held on the 10th day of January 2023. I further certify that meeting was duly called and held and that a quorum was present.

Date approved by City Council: Jan. 24, 2023

Charity Brooks, Town Clerk



Staff Report

Item Number: 7.B.

<u>Agenda Item:</u>	Town Manager's Evaluation - Letter of Findings Consider and act upon the Letter of Findings from the Town Manager's Annual Performance Evaluation conducted on Jan. 10, 2023.
<u>Staff Contact:</u>	Charity Brooks, Town Clerk
<u>Meeting Date:</u>	January 24, 2023
<u>Strategic Goal:</u>	This item supports the following strategic goal: • Strategically invest in organizational development to enhance efficiency and service delivery and to attract and retain an exemplary workforce.
<u>Background:</u>	On Jan. 10, 2023, the Town Council for the Town of Clarkdale conducted an annual performance evaluation of Susan Guthrie, per her employment contract. This Letter of Findings is a review and consolidation of all Council Members' evaluations and comments.
<u>Budget Impact:</u>	No budget impact.
<u>Recommendation:</u>	Staff recommends approval of the Letter of Findings regarding the Town Manager's annual evaluation.



Town of Clarkdale

Post Office Box 308

Clarkdale, AZ 86324

Telephone: (928) 639-2400

Fax: (928) 639-2459

Town Manager Evaluation

Jan. 11, 2023

On Jan. 10, 2023, the Clarkdale Town Council met in executive session to discuss and evaluate Town Manager Susan Guthrie's annual performance, per Ms. Guthrie's contract terms. Each councilor had completed a standard questionnaire, which included a list of ratings on the Manager's communications skills, management effectiveness, community relations, and other skill and qualities. The ratings also asked for an "overall performance rating." These questions ranked each criterion from "1" (Exceeds Expectations), to "5" (Below Expectations). Additionally, the forms contained narrative sections relating to more subjective performance metrics, such as "strengths," "suggested improvements," and so forth.

In the first section, the majority of the Town Council members ranked Ms. Guthrie's performance "1": Exceeds Expectations." The objective sections were also overwhelmingly positive.

The councilors were unanimous in their approval of Susan's performance. All felt she not only adequately, but exceptionally fulfilled her duties as manager of the town and as a representative of the Town to other jurisdictions, groups and to the Town's citizens – in a very short amount of time! Many individual evaluations mentioned her excellence in becoming part of the community and continuing the Town's long history of being a governmental leader in the Verde Valley. Her communication and management skills were the focus of several evaluations, all stating that she leads her team with confidence, enthusiasm, and an amazing energy to get the job done. All Councilors mentioned the fact that Susan has done an outstanding job completing her "First Year Game Plan," while maintaining an open-door policy and exhibiting a contagious spirit of fun.

Susan has led the staff and Town Council through the completion of a two-year strategic planning process with implementation of the strategies and goals already underway, all while staying aligned with the adopted budget. Susan has also been instrumental in seeking out and applying for grant opportunities for the Town of Clarkdale.

It is my sincere pleasure to write this evaluation and to state our unambiguous satisfaction with Ms. Guthrie's performance of her duties. Her dedication to the Town, to her staff, and to her job is second to none, and the Town of Clarkdale is a better place and has a more efficient, effective government because Susan is our Manager.

Sincerely,

Robyn Prud'homme-Bauer
Mayor



Staff Report

Item Number: 7.C.

Agenda Item:**Request to ratify the application of a SMART Fund grant**

Consider and act upon a request by staff to ratify the submission of an application for a State of Arizona SMART Fund grant for the design of the additional bridge to cross Bitter Creek.

Staff Contact:

Susan Guthrie, Town Manager

Meeting Date:

January 24, 2023

Strategic Goal:

This agenda item supports the following strategic goal:

- Goal 5: Plan for the maintenance and growth of quality infrastructure that is sustainable and resilient.

Background:

In 2021, the Arizona legislature voted to establish the SMART Fund to assist communities with developing grant applications that would be competitive in the Federal grant process. A total of \$50 million was allocated to the fund, with \$10 million reserved for smaller, rural communities. The applicant can request assistance with matching funds, grant development costs or design services. A grant that the Town is eligible to apply for must be open at the time the SMART Fund application is made.

The Town of Clarkdale has submitted applications in two categories: 1) matching funds for our RAISE Planning Grant Application, and 2) design costs for a future RAISE grant application.

This project will provide for all pre-construction activities up to and including design and engineering, as well as these additional pre-development activities:

1. Environmental Analysis
2. Economic Impact Analysis
3. Equity Analysis
4. Cost Benefit Analysis
5. Design/Engineering
6. Community Engagement

This project provides a significant opportunity to expand economic development in the community and region. The project will provide a more reliable and functional means of access to the only rail head in the Verde Valley that will provide freight service for supply chain purposes. The Arizona Central Railroad connects at Drake to the Burlington Northern Santa Fe Railway. It will provide a means of egress and ingress to the industrial area, an entire neighborhood and several businesses whose only access is the 105-year-old historic bridge.

Budget Impact:

The design grant request is for approximately \$807,500. Any costs beyond the request must be paid for by the Town. The matching grant request is \$80,750. Should the Town be awarded the grant, it is a reimbursement, so the Town would need to have seed money to begin the process. Incremental draws for reimbursement may be made so the entire project will not need to be pre-funded. The source of funding for the Town match will be from the following accounts: Streets Contingency 06-5-0800-8023 and GF Contingency 01-5-2000-9400.

Recommendation:

Staff recommends that Council ratify the submission of the SMART Fund grant applications for design of a secondary bridge crossing Bitter Creek and matching funds and authorize the Town Manager to sign all required documents related to these grants.



Staff Report

Item Number: 8.A.

Agenda Item: **PUBLIC HEARING - Black Hills West Minor Subdivision Final Plat**
The Council will hold a public hearing regarding application no. 093582 for Black Hills West Minor Subdivision Final Plat.

Staff Contact: Tom Blanchard, Senior Planner

Meeting Date: January 24, 2023

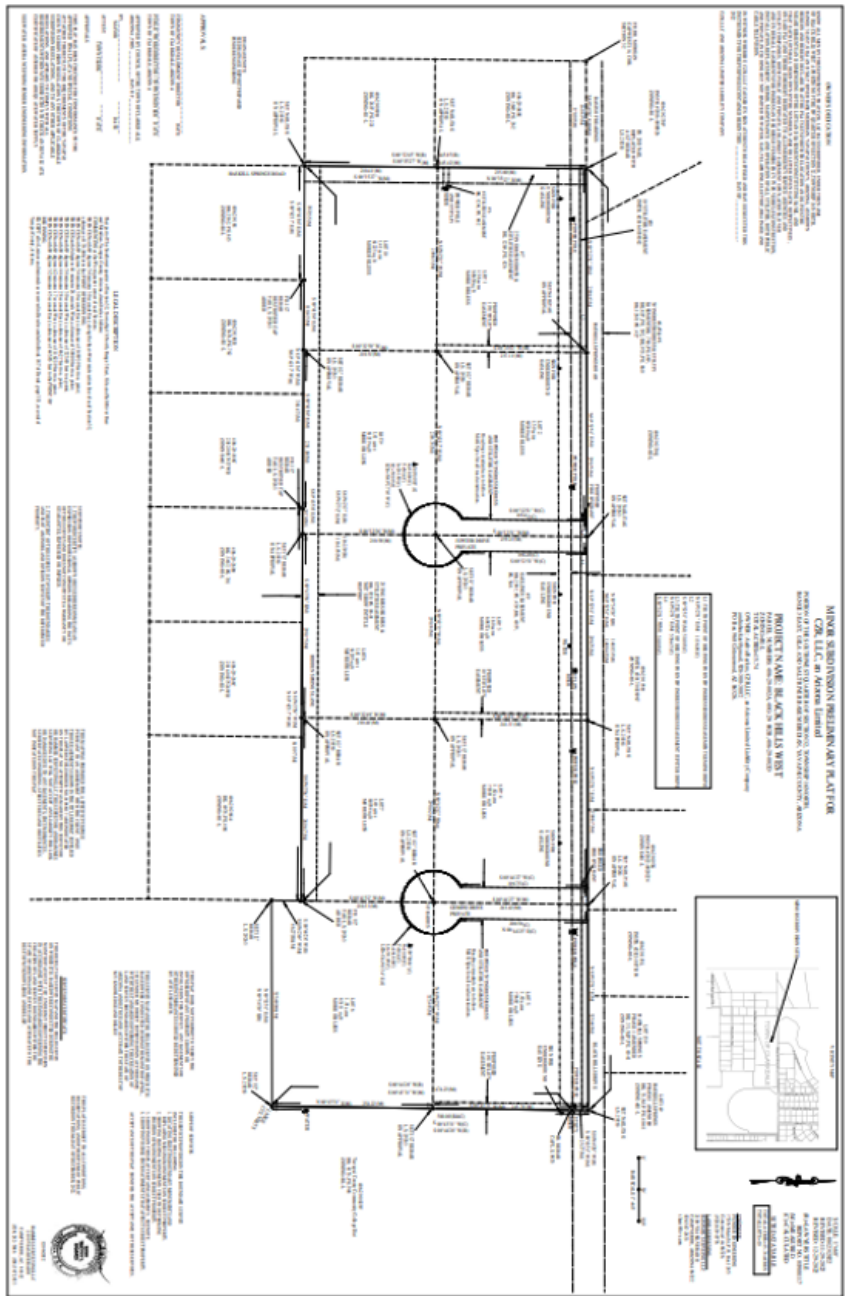
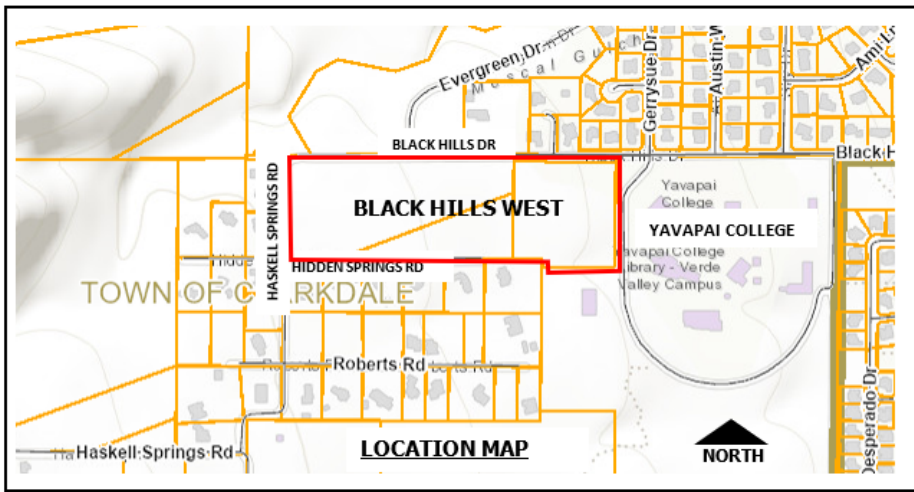
Strategic Goal: This agenda item supports the following Clarkdale Strategic Goal:

- Goal Area 5 - Plan for the maintenance and growth of quality infrastructure that is sustainable and resilient.

Background: The proposed final plat will subdivide 15.75 acres into 10 single family residential lots averaging 1.6 acres each.

The proposed final plat includes three parcels, totaling 15.75 acres located on the south side of Black Hills Drive, between Yavapai College campus to the east and Haskell Springs Road to the west. The main access to the parcel is via Black Hills Drive; eight of the ten proposed lots will be accessed via two proposed private street cul-de-sacs from Black Hills West Drive. Access to the remaining two lots is via private driveways from existing Haskell Springs Road that borders the western boundary of the proposed plat.

Zoning: Single Family Residential Limited (R1-L) as stated in Chapter 3, Zoning Regulations which allows for single family dwellings, with a minimum lot size of 1 acre (43,560 sq. ft.) and excludes manufactured homes.



Final Plat Review: Final plats are regulated by both the Town of Clarkdale Zoning Code and Arizona Revised Statutes. Staff has reviewed the submitted plat against the standards as stated in Chapter 12, Subdivision Regulations, and A.R.S. Title 33, Property and provided the applicant with corrections, all of which have been met.

Since this is a minor subdivision plat, the review and approval process includes the Town's Director of Community Development and the Director of Public Works, Yavapai County Flood Control District, the Verde Valley Fire District and local utilities. As set forth in the Zoning Code Chapter 12 Subdivisions, Article 5, Minor Subdivisions, no public hearing is required before the Planning Commission, and Town Council must approve the final plat.

The final plat under consideration by Council provides a new legal description and boundary, subdivides the three parcels into ten (10) 1.6 acre parcels (average lot size).

Upon recordation of the final plat, Yavapai County will issue a new Assessor's Parcel Number (APN) for the newly created parcel.

Staff has received the updated Plat and Letter of Intent that responds to these items and those identified in the staff report. Will Serve letters have been received from the following agencies:

Town of Clarkdale	Water and Sanitary Sewer
APS	Electricity
Unisource	Natural Gas
Century Link	Phone/Cable/Internet
Sparklight	Internet

Budget Impact: No budget impact.

Recommendation: Staff recommends that Council open the public hearing, take any comments and close the public hearing.



Staff Report

Item Number: 8.B.

<u>Agenda Item:</u>	Black Hills West Minor Subdivision Final Plat Discuss, consider and act upon application no. 093582 - Black Hills West Minor Subdivision Final Plat.
<u>Staff Contact:</u>	Tom Blanchard, Senior Planner
<u>Meeting Date:</u>	January 24, 2023
<u>Strategic Goal:</u>	This item supports the following Clarkdale Strategic Goal: • Goal Area 5 - Plan for the maintenance and growth of quality infrastructure that is sustainable and resilient.
<u>Background:</u>	After holding the required public hearing, staff recommends approval of the proposed final plat based on the following Findings of Facts: a. The proposed subdivision conforms to the adopted General Plan goals, objectives and policies of the Town. <i>The project is zoned Single Family Residential (R1-L), which allows for single family housing as a permitted use, in the General Plan.</i> b. The proposed subdivision, as reviewed and approved, will not be detrimental to public health, safety, and general welfare. <i>The project as proposed provides much needed housing for the community.</i> c. Environmental concerns conform to adopted standards. <i>The project will not generate dust, noise, vibrations, smells, or other detrimental environmental impacts.</i> d. The design of the proposed subdivision is sensitive to the physical characteristics of the site. <i>There will be no mass grading of the site, only construction of two streets for lot access and each individual lot will be developed separately by the lot owners.</i> e. The proposed subdivision is consistent with provisions and intents of Zoning Code requirements applicable to the property. <i>The project is consistent with the uses and intent of the Zoning Code and meets or exceeds the requirements therein.</i>

f. The proposed subdivision conforms to the improvement standards and design standards set forth in these Regulations and other applicable Town, County, State and Federal regulations. *The proposed project has been reviewed considering all agency comments and approvals, including Town, County, State, and Federal regulations; staff finds that it is in compliance with the regulations set forth by the above listed political subdivisions.*

Budget Impact: No budget impact.

Recommendation: Staff recommends approval of application no. 093582 for Black Hills West Minor Subdivision Final Plat with the following motion and stipulations:

I MOVE TO APPROVE THE FINAL PLAT (FP) BASED UPON THE FOLLOWING FINDINGS OF FACT:

- a. The proposed subdivision conforms to the adopted General Plan goals, objectives, and policies of the Town.
- b. The proposed subdivision, as reviewed and approved, will not be detrimental to public health, safety, and general welfare.
- c. Environmental concerns conform to adopted standards and have either been addressed or will be addressed prior to approval of the final plat.
- d. The design of the proposed subdivision is sensitive to the physical characteristics of the site.
- e. The proposed subdivision is consistent with provisions and intents of Zoning Code requirements applicable to the property.
- f. The proposed subdivision conforms to the improvement standards and design standards set forth in these Regulations and other applicable Town, County, State and Federal regulations.

AND WITH THE FOLLOWING STIPULATIONS:

- 1. That the final plat, when submitted, be in substantial conformance with the preliminary plat submitted herewith.
- 2. That the applicant, CZR, LLC agrees to abide with the Development Agreement conditions established by the Town of Clarkdale and is a condition for final plat approval and the issuance of building permits.
- 3. The developer and individual lot owners will abide by the Covenants, Codes, and Restrictions (CC& R's), Declaration of Subdivision established by the Town of Clarkdale and is a condition for final plat approval and the issuance of building permits.



Staff Report

Item Number: 8.C.

Agenda Item: **Partial Abandonment of the Subdivision of the Radley Property**
Discuss, consider and act upon Resolution #1688, approving the partial abandonment of the subdivision of the Radley property and setting forth stipulations for future development.

Staff Contact: Ruth Mayday, Community Development Director

Meeting Date: January 24, 2023

Strategic Goal: This agenda item supports the following strategic goal:

- Goal 2: Enhance the quality of life for residents, businesses, and visitors to Clarkdale.

This action will eliminate 682 legal nonconforming lots platted prior to the annexation of the land to the Town of Clarkdale, providing an opportunity for the residents of the area to participate in a public hearing process for development of the approximately 80 acres affected by the prior subdivision plat. Conformance to current zoning and land use designation will limit the number of lots to adopted standards at the time of development.

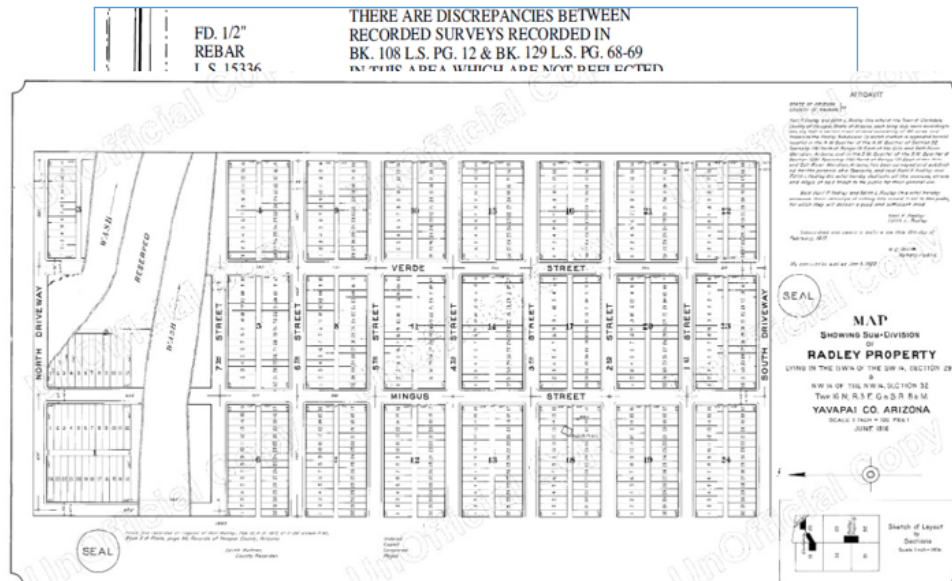
- Goal 5: Plan for the maintenance and growth of quality infrastructure that is sustainable and resilient.

This action will enable the Town to enter into a development agreement with the owners to plan utilities, roads, and other infrastructure and amenities that better serve the residents of the subdivision and the community as a whole.

Background: The Radley property was originally subdivided in 1916 (Subdivision of the Radley Property, "Radley") by the Radley family. Encompassing approximately 80 acres, it was divided into 694 lots that average 25 feet wide and 100 feet deep. The map (plat) also included streets and alleys that served all lots within the subdivision, which was intended to provide sites to house workers employed at the nearby mines and smelter. On March 6, 1960, Town Council adopted Resolution #17, annexing the Radley subdivision (as well as other lands) to Clarkdale as part of the first annexation of additional land to the Town.

This application is for a Partial Abandonment of Plat, which would essentially "erase" all the lots on the existing plat. Concurrent with the abandonment of

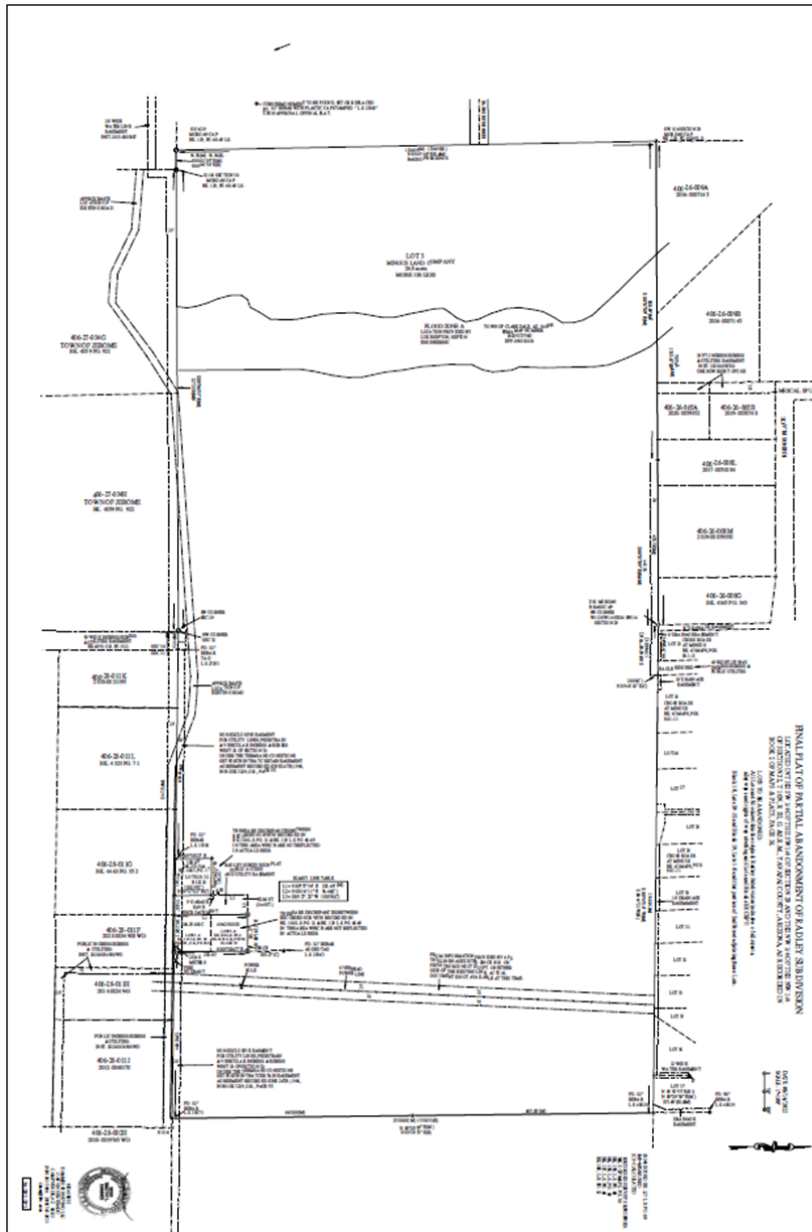
Detail of lots to remain in Subdivision of the Radley Property:



LOTS TO BE ABANDONED:

All Lots and Blocks within the original Radley Subdivision inclusive of all streets, alleyways and rights of way abutting said Lots and Blocks EXCEPT:

Block 18, Lots 29-32 and Block 19, Lots 1-8 and that portion of 2nd Street adjoining those Lots.



Because Radley was platted prior to the establishment of zoning or the incorporation of the Town, there were few regulations with regards to lot size and density. As such, it is considered a legal nonconforming subdivision, which means that the owner could develop the property under the current configuration. When annexed to the Town, it was assigned a zoning classification of Residential (now R-1, Single Family Residential) and, when created, a Land Use Designation of Low Density Residential. As platted, the current density is nine (9) dwelling units per acre, which exceeds the adopted General Plan's maximum density of five (5) dwelling units per acre. The table below sets forth the densities and minimum lot sizes allowed as compared to the existing plat.

Development Standards and Radley Plat			
	Zoning	General Plan	Radley Subdivision
	Single Family Residential (R-1)	Low Density Residential	
Density		5 Dwelling units/acre 395 homes	9 Dwelling units/acre 694 homes
Min. Lot Size	5,000 square feet		2,500 square feet
Setbacks- Front	15	-	None indicated
Side	5	-	None indicated
Rear	15	-	None indicated
Max height	2 stories/25 feet	-	None indicated
Min. lot width	50'	-	25'

The applicant is also requesting that the abandoned portion of the subdivision be reconfigured as three (3) approximately 27 acre parcels for future development. Because it is three (3) parcels, it can be divided as a Minor Land Division (MLD), which is administratively approved rather than through a subdivision plat. This applicant has concurrently applied for the MLD; staff has reviewed and tentatively approved it, contingent upon the approval of the Partial Abandonment.

The process for approval of a Preliminary Plat (PP) is set forth in Chapter 12, Subdivision Regulations, Section 12-4-030 Stage II – Preliminary Plat. Staff initially met with the applicant on November 21, 2019 to discuss the unwinding of the Radley plat, and advised them of the Town's requirement for replatting or amending an existing plat. In short, the process would be the same as the initial approval. However, because there are no records of the initial approval process, staff determined that the applicant would have to follow the current process set forth in Chapter 12, Subdivision Regulations, for the proposed changes to the plat.

With respect to the required public participation, a neighborhood meeting was held by the applicant on September 1, 2021 on site, after notifying all property owners within 300 feet of the property boundary via U.S. Mail. Comments were received from those in attendance, and a summary report of the meeting was provided to staff prior to the public hearing before the Planning Commission.

A Public Hearing was held before the Planning Commission on September 21, 2021 during its regular meeting. Comments received from the public included concerns regarding access to the subdivision and any future iterations, number of lots that may be developed, processes for future approvals, and comments regarding locations of easements and rights-of-ways. After closing the public hearing, the commission asked questions of David Nicollela, Planner for Sefton Engineering and agent for the applicant, regarding excepted lots, public utility easements, rights-of-way, and access/utility easements that may not have been included in the preliminary plat. The commission voted 5-0 to table approval of the application until the October 19, 2021 meeting to allow the applicant to correct the preliminary plat.

A corrected plat was then filed by the applicant's agent and reconsidered at the November 16, 2021 meeting. After having taken public comment and

discussion by the commission, the commissioners voted to forward the application to Town Council with a recommendation, subject to additional clarification prior to approval of the Final Plat. Of those nine (9) items, all have been resolved.

Town Council then held a public hearing on January 25, 2022, on the proposed plat amendment. After the hearing was closed, Council asked questions of staff and the applicant, then voted unanimously to approve the Preliminary Plat.

Because several lots had been sold and some had been developed, staff, the applicant, and legal counsel discussed moving forward with a Partial Abandonment of Plat, which would affect only those lots owned by Mingus Land Company and leave lots 1-4 and 5-8, Block 19, lots 29-32, Block 18, and an approximately 200' by 54 ½' wide section of 2nd Street (Elm Street) untouched and effectively the only lots remaining in the original subdivision.

No additional public hearings were required as it was a change of legal instrument rather than configuration of land.

Final Approval:

No further public hearings are required for the approval of the abandonment. However, staff did notify the adjacent property owners that requested notification, as well as the three (3) owners of record of the lots excepted from the abandonment. Notice was sent via first class mail on or about January 11, 2023.

Road Abandonment:

A.R.S. 28-7205 governs the vacating of state, city, or county roads. Among other things, it requires the governing body to adopt a resolution abandoning the roadway to adjacent property owners, the giving of consideration from the adjacent property owners to the Town for the value of the abandoned roadway, reservation of easements for utilities and drain ways, and provides the municipality to give notice of the pending abandonment if it "deems necessary or advisable."

Because of the dimensions of the roadway in contrast to minimum lot dimensions, area, and lot frontages, the abandoned roadways would not be marketable and therefore have no real value or benefit to the Town.

Therefore, staff recommends that the roadways be abandoned to the adjacent property owners with no consideration owed to the Town by the receiving property owners.

The Partial Abandonment of Plat proposed benefits the Town as well as the applicant:

The number of potential new homes (700) that can be constructed due to its legal non-conforming status would test the limits of the Town's water allocation. The current configuration does not meet minimum zoning requirements, nor does it meet the minimum density requirements of the General Plan. Abandoning the bulk of this plat will provide the Town and

affected property owners the opportunity to discuss and design a development that meets the needs of the Town.

Technical Requirements:

There are a number of requirements that are typically required for final plat approval, such as Will-Serve letters from utilities, approval of street layout and design, review and approval by Yavapai County Flood Control and Verde Valley Fire Department, among other things. Because this application is for a partial abandonment of plat and no additional development is proposed, the standard requirements are not applicable. Therefore, no will-serve letters have been requested, and no reviews have been required by Yavapai County Flood Control or Verde Valley Fire Department, or any other agencies that would generally have jurisdiction over the project.

Staff finds the application and proposed Partial Abandonment of Plat support the following findings of fact:

- a. The proposed subdivision conforms to the adopted General Plan goals, objectives and policies of the Town.
- b. The proposed subdivision, as reviewed and approved, will not be detrimental to the public health, safety, and general welfare.
- c. Environmental concerns conform to adopted standards.
- d. The design of the proposed subdivision is sensitive to the physical characteristics of the site.
- e. The proposed subdivision is consistent with provisions and intents of Zoning Code requirements applicable to the property.
- f. The proposed subdivision conforms to the improvement standards and design standards set forth in these Regulations and other applicable Town, County, State and Federal regulations.

Staff also recommends the following stipulations of approval:

1. That no further subdivision of the land subject to this Partial Abandonment shall take place without the approval of a subdivision plat and no building permits shall be issued until said plat is approved by the Common Council of the Town of Clarkdale.
2. That no further development of the land subject to this Partial Abandonment shall take place without the execution of a Development Agreement with the Town of Clarkdale.
3. That nothing in this Partial Abandonment exempts Mingus Land Company or its heirs, successors, or assigns from the adopted development standards, density limits, and subdivision requirements of the Town of Clarkdale in effect at the time of development.
4. Prior to the approval of a building permit or subdivision of land, the owner of record at the time of construction or subdivision of land shall resolve the APS easement legal description.
5. The Owners hereby waive and release the Town from any and all claims under A.R.S. § 12-1134, et seq., including any right to compensation for reduction to the fair market value of the Property, as

a result of the Town's approval of this Agreement. The terms of this waiver shall run with the land and shall be binding upon all subsequent landowners and shall survive the expiration or earlier termination of this Agreement.

Budget Impact: No budget impact.

Recommendation: Staff recommends approval of Resolution #1688, approving the partial abandonment of plat for the Subdivision of the Radley Property, and abandoning all roads and alleyways within the area of abandonment as stipulated therein.

HAMMES SURVEYING LLC
2100 VIA SILVERADO
CAMP VERDE, ARIZONA 86322
(928)-567-2833 (928) 282-5686

Abandonment Legal Description for a Portion of Radley Subdivision

Description for a parcel of land being a portion of the Subdivision of Radley Property as recorded in Book 2 of Maps and Plats, Page 36 of the Yavapai County records, located in the Southwest quarter of the Southwest quarter of Section 29, and the Northwest quarter of the Northwest quarter of Section 32, Township 16 North, Range 3 East, G. & S.R.M. Yavapai County, Arizona, being more particularly described as follows;

ALL Lots and Blocks within the original Radley Subdivision, as recorded in Book 2 of Maps and Plats, Page 36 of the Yavapai County records, inclusive of all streets, alleyways and rights-of-way abutting said Lots and Blocks EXCEPT:

BLOCK 18, Lots 29-32 and block 19, Lots 1-8 and that portion of 2nd Street adjoining those Lots.



01/10/2023

FINAL PLAT OF PARTIAL ABANDONMENT OF SUBDIVISION OF RADLEY PROPERTY
LOCATED IN THE SW 1/4 OF THE SW 1/4 OF SECTION 29 AND THE NW 1/4 OF THE NW 1/4
OF SECTION 32, T 16N, R 3E, G. & S.R.M., YAVAPAI COUNTY, ARIZONA, AS RECORDED IN
BOOK 2 OF MAPS & PLATS, PAGE 36.

LOTS TO BE ABANDONED:
All Lots and Blocks within the original Radley Subdivision inclusive of all streets,
alleyways and rights of way abutting said Lots and Blocks EXCEPT:

Block 18, Lots 29-32 and Block 19, Lots 1-8 and that portion of 2nd Street adjoining those Lots.

ABANDONMENT
THOSE CERTAIN DEDICATIONS OF LOTS, EASEMENTS, RIGHT-OF-WAYS, ALLEYS AND
RESERVATIONS AS SET FORTH IN THE "MAP SHOWING SUB-DIVISION OF RADLEY
PROPERTY", RECORDED IN BOOK 2 OF MAPS AND PLATS, PAGE 36, RECORDS OF
YAVAPAI COUNTY RECORDER ARE HEREBY ABANDONED.

COMMUNITY DEVELOPMENT DIRECTOR DATE
TOWN OF CLARKDALE, ARIZONA

PUBLIC WORKS DIRECTOR / TOWN ENGINEER DATE
TOWN OF CLARKDALE, ARIZONA

APPROVED BY COUNCIL OF THE TOWN OF CLARKDALE,
ARIZONA, THIS DAY OF

BY MAYOR DATE

NOTES:
NO NEW DEED RESTRICTIONS PROPOSED.

LIMITATIONS OF RIGHTS OF ACCESS TO AND FROM STREETS,
LOTS AND OTHER PARCELS OF LAND: NON-EXISTING.

NO NEW ROAD CONSTRUCTION PROPOSED.

NO NEW TRAFFIC DEVICES.

NO POA/HOA PROPOSED.

NO NEW UTILITIES ADDED.

NO NEW DEDICATIONS.

DETAILED CONSTRUCTION PLANS OF ALL IMPROVEMENTS ON SITE
AND OFFSITE, PREPARED IN ACCORDANCE WITH ALL STATE,
AND TOWN STANDARDS IN EFFECT AT THE TIME:
NO CONSTRUCTION WILL OCCUR.

OWNER:
MINGUS LAND COMPANY
2002 E. McFADDEN AVE.
SUITE 200
SANTA ANA, CA. 92705-4766

ENGINEER
SEFTON ENGINEERING CONSULTANTS
40 STUTZ BEARCAT DRIVE
SEDONA, AZ. 86336
928-202-3999

SURVEYOR
HAMMES SURVEYING LLC.
2100 VIA SILVERADO
CAMP VERDE, AZ. 86322
928-567-2833

RESOLUTION NO.

A RESOLUTION OF THE MAYOR AND COUNCIL OF THE TOWN OF CLARKDALE, ARIZONA
ABANDONING ALL STREETS, ALLEYWAYS AND RIGHTS OF WAY ABUTTING SAID LOTS
AND BLOCKS EXCEPT A PORTION OF 2ND STREET (ELM ST.) WHICH ABUTS BLOCK 19
LOTS 1-8 AS SET FORTH IN THE SUBDIVISION OF RADLEY PROPERTY, RECORDED IN
BOOK 2, PAGE 36 OF THE OFFICIAL RECORDS OF YAVAPAI COUNTY.

BE IT RESOLVED BY THE MAYOR AND COMMON COUNCIL OF THE TOWN OF
CLARKDALE, AZ:

SECTION 1: That the following right of way as appears of record on the plat of the Subdivision of Radley
Property, recorded in Book 2, Page 36, official records of Yavapai County, are deemed abandoned by the
Town of Clarkdale as not necessary to the public's health, safety and welfare:

All streets, alleyways and rights of way abutting lots and blocks except a portion of 2nd street (Elm St.)
which abuts block 19 lots 1-8 and further described in Exhibit A.

SECTION 2: Pursuant to A.R.S §28-720(3) title to the roadways abandoned above shall vest in the
owners of record of the land abutting the vacated roadways, each abated owner taking to the center of the
roadway.

SECTION 3: The Town Council has reviewed and considered the property being abandoned, including the
degree of fragmentation and its lack of marketability, and determined the property has no value. Thus, no
consideration will be required from the abutting property owners.

PASSED AND ADOPTED by the Mayor and Council of the Town of Clarkdale, Arizona this
day of 2022.

Mayor Robyn Prud'homme-Bauer

ATTEST

Charity Brooks, Town Clerk

APPROVED AS TO FORM:

Town Attorney

EXHIBIT: A

APPROVED

COMMUNITY DEVELOPMENT DIRECTOR DATE
TOWN OF CLARKDALE, ARIZONA

PUBLIC WORKS DIRECTOR / TOWN ENGINEER DATE
TOWN OF CLARKDALE, ARIZONA

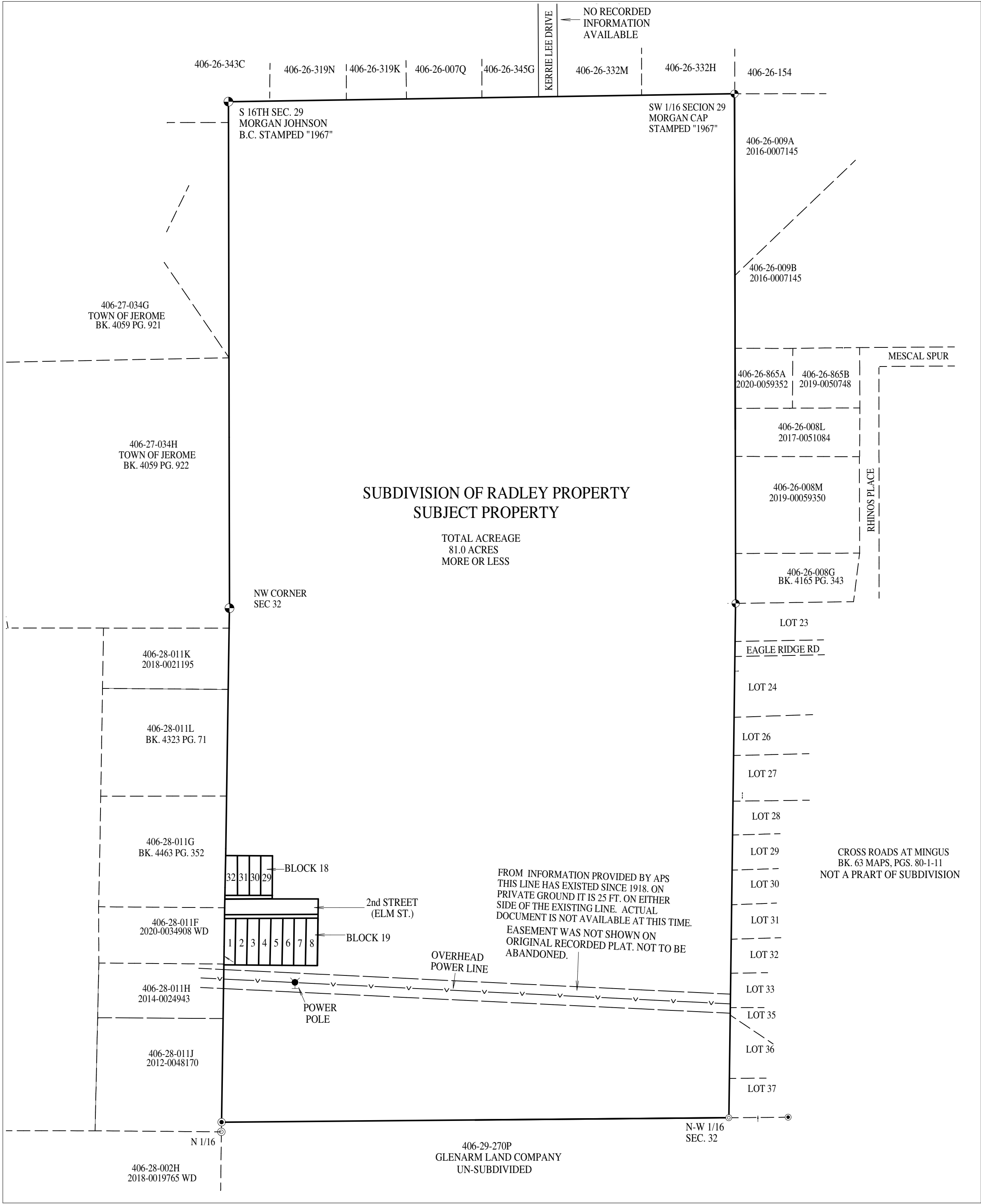
APPROVED BY COUNCIL OF THE TOWN OF CLARKDALE,
ARIZONA, THIS DAY OF

BY MAYOR DATE

ATTEST: TOWN CLERK DATE

APPROVALS

THIS PLAT HAS BEEN CHECKED FOR CONFORMANCE TO THE
APPROVED PRELIMINARY PLAT AND SPECIAL CONDITIONS
ATTACHED THERETO, TO THE REQUIREMENTS OF THE YAVAPAI
COUNTY SUBDIVISION REGULATIONS, THE TOWN OF CLARKDALE
SUBDIVISION REGULATIONS, AND TO ANY OTHER APPLICABLE
REGULATIONS, AND APPEARS TO COMPLY WITH ALL
REQUIREMENTS WITHIN MY JURISDICTION TO CHECK AND
EVALUATE.



ELEVATIONS ARE TIED TO BM 28 OF THE
CITY OF SEDONA CONTROL DATUM
CONTOUR INTERVALS:
MAJOR= 2 FT.
MINOR= 1 FT.
DATE: 10/26/2022

COMMUNITY DEVELOPMENT DIRECTOR DATE
TOWN OF CLARKDALE, ARIZONA

PUBLIC WORKS DIRECTOR / TOWN ENGINEER DATE
TOWN OF CLARKDALE, ARIZONA

APPROVED BY COUNCIL OF THE TOWN OF CLARKDALE,
ARIZONA, THIS DAY OF

BY MAYOR DATE

ATTEST: TOWN CLERK DATE

APPROVALS

THIS PLAT HAS BEEN CHECKED FOR CONFORMANCE TO THE
APPROVED FINAL PLAT AND SPECIAL CONDITIONS
ATTACHED THERETO, TO THE REQUIREMENTS OF THE YAVAPAI
COUNTY SUBDIVISION REGULATIONS, THE TOWN OF CLARKDALE
SUBDIVISION REGULATIONS, AND TO ANY OTHER APPLICABLE
REGULATIONS, AND APPEARS TO COMPLY WITH ALL
REQUIREMENTS WITHIN MY JURISDICTION TO CHECK AND EVALUATE.
CERTIFICATE OF ASSURED OR ADEQUATE WATER SUPPLY

THIS SUBDIVISION IS NOT WITHIN A DESIGNATED ACTIVE WATER MANAGEMENT
AREA. A STATEMENT CONCERNING WATER ADEQUACY HAS BEEN RECEIVED
FROM THE ARIZONA DEPARTMENT OF WATER RESOURCES (PURSUANT TO
A.R.S.45-108) STATING THE WATER RESOURCES ARE ADEQUATE FOR THIS
SUBDIVISION.

IN WITNESS WHEREOF

DATED THIS DAY OF 2022

MINGUS LAND COMPANY

BY: _____

TITLE: _____

ACKNOWLEDGEMENT

STATE OF ARIZONA
COUNTY OF YAVAPAI

ON THIS DAY OF , 2022, BEFORE ME, THE UNDERSIGNED NOTARY
PUBLIC, PERSONALLY APPEARED , THE OWNER OF THE
ABOVE DESCRIBED PREMISES AND BEING DULY AUTHORIZED SO TO DO, EXECUTED
THE FOREGOING INSTRUMENT FOR THE PURPOSES THEREIN CONTAINED.

IN WITNESS WHEREOF I SET MY HAND AND OFFICIAL SEAL

NOTARY PUBLIC

MY COMMISSION EXPIRES _____



CERTIFICATE OF LAND SURVEYOR

THIS IS TO CERTIFY THAT THE EXTERIOR BOUNDARY
SURVEY OF THE PREMISES (PROPERTY) DESCRIBED AND
PLATTED HEREON WAS MADE UNDER MY DIRECTION
AND SUPERVISION AND IS ACCURATELY REPRESENTED
ON THIS PLAT.

Timothy L. Hammes

TIMOTHY L. HAMMES R.L.S. #29263
t.ham@live.com

THIS PLAT IS SUBJECT TO ALL CONDITIONS,
RESERVATIONS, AND OTHER ITEMS OF PUBLIC
RECORD ON THIS 26th DAY OF OCTOBER, 2022.

SURVEYOR'S NOTES:

1. THE WORD CERTIFY AS SHOWN OR USED HEREON MEANS AN
EXPRESSION OR PROFESSIONAL OPINION REGARDING THE FACTS OF
THIS SURVEY AND DOES NOT CONSTITUTE A WARRANTY OR
GUARANTEE, EXPRESSED OR IMPLIED.

2. ONLY THE EXTERIOR BOUNDARY OF THE RADLEY PROPERTY
AS RECORDED IN BOOK 2 OF MAPS, PAGE 36 WAS SURVEYED.
THE INTERIOR LOTS SHOWN ARE AS RECORDED IN BOOK 2
OF MAPS, PAGE 36 AND ARE NOT A RESULT OF A BOUNDARY
SURVEY AND SHOULD NOT BE CONSIDERED AS SUCH.

3. BASIS OF BEARINGS IS N 89°05'46" E, 1325.96 FT
(R.B.K. 127, L.S. PG. 60 AND MEASURED) ALONG THE
NORTH LINE OF THE RADLEY PROPERTY.

THIS MAP WAS PREPARED FOR A SPECIFIC PURPOSE
PURSUANT TO AN AGREEMENT WITH THE CLIENT. NO
ATTEMPT WAS MADE BY THIS SURVEYOR OR
HAMMES SURVEYING LLC. TO DETERMINE IF ANY
ADDITIONAL EASEMENTS OR ENCUMBRANCES EXIST.
THEREFORE, A TITLE SEARCH WOULD BE NECESSARY TO
DETERMINE IF ADDITIONAL EASEMENTS AND ENCUMBRANCES,
IF ANY, MAY AFFECT THE SUBJECT PROPERTY.
THIS SURVEYOR AND HAMMES SURVEYING LLC WILL NOT
ACCEPT ANY LIABILITY FOR LOSS OR DAMAGES DUE TO ANY
EASEMENTS, ENCUMBRANCES, SUBSURFACE CONDITIONS,
STRUCTURES AND OR UTILITIES NOT INDICATED ON THIS PLAT.

CERTIFICATE OF ASSURED ADEQUATE WATER SUPPLY:

THIS SUBDIVISION IS NOT LOCATED WITHIN A DESIGNATED ACTIVE WATER
MANAGEMENT AREA. A STATEMENT CONCERNING WATER ADEQUACY HAS
BEEN RECEIVED FROM THE ARIZONA DEPARTMENT OF WATER RESOURCES
(PURSUANT TO A.R.S. 45-108) STATING THE WATER RESOURCES ARE ADEQUATE
FOR THIS SUBDIVISION.

LOCATED IN THE SW 1/4 OF THE SW 1/4 OF SECTION 29 AND THE NW 1/4 OF THE NW 1/4 OF SECTION 32, T 16N, R 3E, G. & S.R.M., YAVAPAI COUNTY, ARIZONA, AS RECORDED IN BOOK 2 OF MAPS & PLATS, PAGE 36.

Block 18, Lots 29-32 and Block 19, Lots 1-8 and that portion of 2nd Street adjoining those Lots.

RECORDED SURVEYS REVIEWED:
BK. 2 OF MAPS, PG. 36
BK. 129, L.S. PG. 68
BK. 129, L.S., PG. 69
BK. 127, L.S. PG. 60
BK. 108, L.S. PG. 12

01/03/2023
HAMMES SURVEYING LLC
2100 VIA SILVERADO
CAMP VERDE, AZ. 86322
(928) 282- 5686 (928) 567-2833
t.ham@live.com

PAGE 2 OF 2

RESOLUTION # 1688

A RESOLUTION OF THE MAYOR AND COUNCIL OF THE TOWN OF CLARKDALE, ARIZONA, APPROVING THE FINAL PLAT OF PARTIAL ABANDONMENT OF SUBDIVISION OF RADLEY PROPERTY AND ABANDONING THE PUBLIC RIGHTS-OF-WAY AS SET FORTH IN THE SUBDIVISION OF THE RADLEY PROPERTY PLAT RECORDED IN BOOK 2, PAGE 36 OF THE OFFICIAL RECORDS OF YAVAPAI COUNTY.

WHEREAS, applicant Mingus Land Company (“Applicant”), an Arizona general partnership, has submitted an application pursuant to Clarkdale Town Code § 12-1-100 for Partial Abandonment of the Radley Subdivision recorded February 12, 1917, in Book 2, Page 36, official records of Yavapai County, for the purpose of abandoning all Lots and Blocks within the original Radley Subdivision inclusive of all streets, alleyways and rights of way abutting said Lots and Blocks EXCEPT: Block 18, Lots 29-32 and Block 19, Lots 1-8 and that portion of 2nd Street adjoining those Lots; and

WHEREAS, Applicant is the owner of record of such lots in the subdivision sought to be abandoned and reverted to acreage.

WHEREAS, in accordance with Clarkdale Town Code § 12-1-100, an application for revocation of all or any part of a subdivision shall be evaluated by the Community Development Department prior to any consideration by Town Council for:

1. Correlation with General Plan of the Town.
2. Correlation with proposed development in adjacent areas.
3. Effect of such action on nearby existing development.
4. Access to all remaining parcels.

WHEREAS, applications to abandon streets or easements shall be made pursuant to Arizona Revised Statutes and shall be carried on separately and simultaneously with any procedure to abandon a subdivision or revert it to acreage.

WHEREAS, the Town has distributed the application to the following for review and comment: Town Engineer, the County Assessor, County Treasurer, the County Health Department, and any utility that has facilities on the property proposed to be abandoned, and has reviewed any comments received.

WHEREAS, the Clarkdale Planning & Zoning Commission held a public hearing before the Commission on March 15, 2022, and thereafter recommended approval of the application to the Council.

WHEREAS, the Mayor and Common Council of the Town of Clarkdale find that it is in the best interests of the Town and the public to approve the Partial Abandonment of the Radley Subdivision and to abandon the public rights-of-way as set forth herein.

WHEREAS, in accordance with A.R.S. § 28-7208, the Town Council has reviewed and considered the public right-of-way being abandoned, including the degree of fragmentation and its lack of marketability, and determined that the public right-of-way being abandoned has no value.

NOW, BE IT RESOLVED BY THE MAYOR AND COMMON COUNCIL OF THE TOWN OF CLARKDALE, AZ:

SECTION 1: In accordance with Clarkdale Town Code § 12-1-100, the Final Plat of Partial Abandonment of Subdivision of Radley Property is hereby approved, subject to the following stipulations:

1. That no further subdivision of the land subject to this Partial Abandonment shall take place without the approval of a subdivision plat and no building permits shall be issued until said plat is approved by the Common Council of the Town of Clarkdale.
2. That no further development of the land subject to this Partial Abandonment shall take place without the execution of a Development Agreement with the Town of Clarkdale.
3. That nothing in this Partial Abandonment exempts Mingus Land Company or its heirs, successors, or assigns from the adopted development standards, density limits, and subdivision requirements of the Town of Clarkdale in effect at the time of development.
4. Prior to the approval of a building permit or subdivision of land, the owner of record at the time of construction or subdivision of land shall resolve the APS easement legal description.
5. The Owners hereby waive and release the Town from any and all claims under A.R.S. § 12-1134, et seq., including any right to compensation for reduction to the fair market value of the Property, as a result of the Town's approval of this Agreement. The terms of this waiver shall run with the land and shall be binding upon all subsequent landowners and shall survive the expiration or earlier termination of this Agreement.

SECTION 2: In accordance with A.R.S. § 28-7202 et seq., the following right of way as appears of record on the plat of the Subdivision of the Radley Property, recorded February 12, 1917, in Book 2, Page 36, official records of Yavapai County, are deemed abandoned by the Town of Clarkdale as not necessary for public use as a roadway:

All streets and alleys within the boundaries of the Subdivision of Radley Property as shown on the document recorded in Book 2, Page 36 of the official records of Yavapai County, a copy of which is attached hereto and made a part hereof are hereby abandoned; excepting that portion of 2nd Street abutting Block 18, Lots 29-32 and Block 19, Lots 1-8, Radley Subdivision.

SECTION 3: Pursuant to A.R.S. §28-7205, title to the roadway or portion of the roadway vests, subject to the same encumbrances, liens, limitations, restrictions and estates as exist on the land to which it accrues, as follows:

1. If a roadway that is the exterior boundary of a subdivision or other tract of land is vacated, title to the roadway vests in the owners of the land abutting the vacated roadway to the same extent that the land included within the roadway, at the time the roadway was acquired for public use, was a part of the subdivided land or was a part of the adjacent land.

2. If less than the entire width of the roadway is vacated, title to the vacated portion vests in the owners of the land abutting the vacated portion.

3. If a roadway bounded by straight lines is vacated, title to the vacated roadway vests in the owners of the abutting land and each abutting owner takes to the center of the roadway, except as provided in paragraphs 1 and 2. If the boundary lines of abutting lands do not intersect the roadway at a right angle, the land included within the roadway vests as provided in paragraph 4.

4. In all instances not specifically provided for, title to the vacated roadway vests in the owners of the abutting land, and each abutting owner takes that portion of the vacated roadway to which the abutting owner's land or any part of the abutting owner's land is nearest in proximity.

5. On vacation of a roadway no portion accrues to an abutting roadway.

PASSED AND ADOPTED by the Mayor and Common Council of the Town of Clarkdale, Arizona this 24th day of January, 2023.

Robyn Prudhomme-Bauer, Mayor

ATTEST:

APPROVED AS TO FORM:

Charity Brooks, Town Clerk

Stephen Polk, Town Attorney



Staff Report

Item Number: 8.D.

Agenda Item: **The Plateau at Clarkdale Final Condominium Plat**
Discuss, consider and act upon application no. 093160 for The Plateau at Clarkdale final condominium plat.

Staff Contact: Ruth Mayday, Community Development Director

Meeting Date: January 24, 2023

Strategic Goal: This item supports the following strategic goal:

- Goal Area 1 – Preserve and celebrate Clarkdale’s unique, complex history. *This project has been redesigned to reflect the Spanish Revival architecture found throughout Clarkdale.*
- Goal Area 2 – Enhance the quality of life for residents, businesses, and visitors to Clarkdale. *This project intends to provide housing for residents of Clarkdale. Additionally, full-time residents in the historic downtown will help boost its economic resilience.*
- Goal Area 5 – Plan for the maintenance and growth of quality infrastructure that is sustainable and resilient. *This project proposes extensions of infrastructure that are sustainable for the Town and will meet or exceed minimum code requirements.*

Background: This application by Jon Lash on behalf of Plateau Partners LLC (“Developers”) requests approval of a final condominium plat for the Plateau at Clarkdale multi-family housing development. This plat sets forth the division of airspace into 52 units and identifies common areas held by the condominium association and available for use by unit owners.

The project is proposed for an approximately five (5) acre site located east of and adjacent to the Arizona Copper Arts Museum and the Clarkdale Post Office and is the site of the former Clarkdale Elementary/Middle School. (APN’s 400-06-032F, -031L, and -031C). Access to the parcel is via an extension of First South Street.

Current zoning for the subject parcels is Commercial (C), which allows for various forms of residential uses as a permitted use (no use permit required), including multi-family uses. The General Plan Designation of Central Business District also allows for historic mixed uses, including residential.

Condominiums are frequently confused with townhomes, as single-family attached dwelling units are the most common form of condominiums. It is important to note that condominiums are a subdivision of airspace rather than land or form of construction. In a typical plat that subdivides land, the plat fixes the location of lots by describing horizontal survey points. Similarly, a condominium plat anchors the location of structures using the same horizontal measurements, but subdivides the airspace by identifying finished floor elevations (FFE) for each unit, and then specifying the dimensions of each structure. These details are generally referred to as vertical measurements, and are one of the factors that differentiate a condominium plat from other forms of plats. Thus, like residential dwelling units, condominiums can come in many forms – they are commonly used for commercial purposes in addition to residential uses.



Final Condominium Plat Review:

Condominium plats are regulated by both Town of Clarkdale Zoning Code (Chapter 12, Subdivision Requirements) and Arizona Revised Statutes (A.R.S. 9-463.01; 33-1219). Approval of a Final Plat, condominium or otherwise, follows a multistep process set forth in §12-4-010, Outline of Subdivision Procedures, and includes a preapplication conference, Preliminary Plat, Technical Review, and Final Plat.

The Preliminary Plat process requires a public hearing before the Planning Commission as well as Town Council, and approval of the preliminary plat by Council. The application was reviewed by the Planning Commission during its regular meeting on March 15, 2022, after notice in compliance with A.R.S 9-462.04 and Chapter 12, Subdivision Regulations, of the Town of Clarkdale Zoning Code. One (1) resident spoke during the Public Hearing and asked questions regarding the affordability of units, which the applicant's agent addressed.

After discussion between Commissioners and the applicant regarding the presentation of the preliminary condominium plat, the Commission voted unanimously to approve the application and forward it to the Town Council with

a recommendation for approval with clarifications and stipulations.

Town Council then held a second public hearing on April 26, 2022. After receiving only one (1) comment, Council then discussed the proposed preliminary plat and confirmed that the developer intended to require a minimum 30-day rental period, among other things. Council then approved the preliminary plat as presented, based on the following findings of fact and stipulations:

Findings of Facts:

1. The proposed subdivision conforms to the adopted General Plan goals, objectives and policies of the Town.
2. The proposed subdivision, as reviewed and approved, will not be detrimental to public health, safety, and general welfare.
3. Environmental concerns conform to adopted standards.
4. The design of the proposed subdivision is sensitive to the physical characteristics of the site.
5. The proposed subdivision conforms to the improvement standards and design standards set forth in these Regulations and other applicable Town, County, State and Federal regulations.

Stipulations of Approval:

1. That the Final Condominium Plat (Final Plat), when submitted, be in substantial conformance with the Preliminary Condominium Plat (Preliminary Plat) submitted herewith.
2. That the applicant, Plateau Partners LLC, agrees to enter into a Development Agreement with the Town of Clarkdale. Approval of the Development Agreement is a condition precedent to the issuance of building permits.
3. That the developer will provide the Covenants, Codes, and Restrictions (CC&R's), Declaration of Subdivision, and other governing documents to the Town for review and approval as a condition of Final Plat approval.

This project is also subject to review and approval by the Design Review Board. After notice as described above, the Design Review Board held a public hearing on October 6, 2021, to take comment on the proposed design of the project. Approximately 25 residents attended and expressed concerns regarding the design during the public hearing portion of the meeting. The Board also had concerns about color and design, and voted to send the item back to staff and the applicant for additional work.

The Board of Adjustment heard the application again on January 5, 2022, after the applicant made significant changes to the design. Several residents were in attendance and they expressed their support for the reworked design. The board members expressed their support for the revised design and appreciation for the developer's work to respond to the community's concerns. The Board voted 4-1 for approval of the design.

Technical Review:

After several reviews, staff is confident that all technical issues with the Final Plat have been resolved, as have the stipulations of approval of the Preliminary Plat by the Planning Commission and Town Council. Review of civil improvements (streets, utilities, drainage) is also complete and all concerns have been addressed by the applicant's engineer. Staff have received Will-Serve letters from the following: APS, Century Link, Sparklight, Unisource, and The Town of Clarkdale, ensuring that the project will have adequate water, sewer, electric, gas, cable, and internet service.

Final Condominium Plat Approval:

Requirements for the approval of the Final Condominium Plat (FCP) are set forth in Zoning Code Chapter 12, Subdivision Regulations, § 12-4-050, Stage IV – Final Plat, Recording and Post Approval. In addition to the requirements for a preliminary condominium plat, the final condominium plat must include an irrevocable offer to dedicate public rights-of-way or easements for public use and certification of adequate water supply, among other things. Staff has reviewed the final condominium plat and finds that the appropriate dedications, certifications, and acknowledgements are included on the face of the plat. Staff has also received the required Engineer's Estimate of Probable Cost, which has also been reviewed and approved.

Once approved, the plat can be recorded after the Developer provides a performance bond in the amount of \$3,681,430. No permits can be issued until the plat is recorded.

Development Agreement:

A.R.S. 9-500.05 permits municipalities to enter into Development Agreements with developers to set forth obligations between developers and municipalities with respect to development of projects. In tandem with the final condominium plat, Council will be approving such an agreement with Plateau Partners LLC.

Following are the obligations of the developer:

1. In lieu of building a separate park on site, the developer will contribute \$52,000 prior to the issuance of the first Certificate of Occupancy for any unit in the project.
2. The Developer agrees to repair the existing historic stairway as designed and described in the original plans, which are attached to the development agreement. This includes the restoration of the pedestal lights at the bottom of the stairway; the developer shall maintain the improvements in perpetuity.
3. The developer agrees to paint the existing historic retaining wall to match the exterior walls of the dwelling units and maintain said improvement in perpetuity.
4. All on-site circulation shall be privately maintained by Developer/HOA.

The following are the obligations of the Town:

1. The Town shall review and approve plans, drawings, and submittals timely.

2. The Town shall provide water and sewer service to the site; the developer shall connect to each unit.
3. Permit the developer to implement the following phasing plan:

Phase I: Buildings 12 and 13

Phase II: Buildings 7, 8, 9, 10, 11

Phase III: Buildings 1, 2, 3, 4, 5, 6

4. The town will impose only those development regulations in effect at the time of approval for a period of ten (10) years, unless the regulation is enacted by the Town to comply with state or federal laws, or to address a legitimate health or safety issue that will not adversely affect the development of the land.

Budget Impact: Approval of the final condominium plat will enable the Town to issue building permits, which will result in permit fees and construction sales tax revenues for the town.

Recommendation Staff finds that the Final Condominium Plat (FCP) is in substantial conformance with the Preliminary Condominium Plat approved by Town Council on April 26, 2022, and that the stipulations attached thereto have been met.

Staff recommends approval of the Final Condominium Plat (FCP) as submitted, based on the following findings of fact:

1. The proposed subdivision conforms to the adopted General Plan goals, objectives and policies of the Town.
2. The proposed subdivision, as reviewed and approved, will not be detrimental to public health, safety, and general welfare.
3. Environmental concerns conform to adopted standards.
4. The design of the proposed subdivision is sensitive to the physical characteristics of the site.
5. The proposed subdivision conforms to the improvement standards and design standards set forth in these Regulations and other applicable Town, County, State and Federal regulations.

Parcel 1: (400-06-032F)

A parcel of land located in the Town of Clarkdale in Section 20, Township 16 North, Range 3 East of the Gila and Salt River Base and Meridian, Yavapai County, Arizona, more particularly described as follows:

COMMENCING at a set 1/2-inch rebar with aluminum tag stamped "LS 32224" at the intersection of the southerly right of way line of Main Street and the Easterly right of way line of Ninth Street, in the Town of Clarkdale, as shown in Book 5 of Maps, Page 85;

THENCE North 81 degrees 19 minutes 52 seconds East along said southerly right of way, a distance of 276.32 feet (North 81 degrees 22 minutes 01 seconds East, a distance of 275.46 feet record per Book 4276 of Official Records, Page 567 hereinafter referred to as RECORD) to a set 1/2-inch rebar with aluminum tag stamped "LS 32224" and the POINT OF BEGINNING;

THENCE North 81 degrees 19 minutes 52 seconds East along said southerly right of way, a distance of 332.94 feet (North 81 degrees 22 minutes 01 seconds East, a distance of 332.54 feet RECORD) to a found 1/2-inch rebar-affixed brass tag stamped "LS 32224";

THENCE South 8 degrees 32 minutes 41 seconds East, a distance of 260.07 feet (South 8 degrees 36 minutes 00 seconds East, a distance of 260.00 feet RECORD) to a found 1-inch square bolt-affixed brass tag stamped "FOUND LS 32224 on the Northerly right of way line of First South Street;

THENCE South 81 degrees 19 minutes 34 seconds West along said northerly right of way, a distance of 331.42 feet (South 81 degrees 25 minutes 26 seconds West RECORD) to a set 1/2-inch rebar with aluminum tag stamped "LS 32224";

THENCE North 8 degrees 52 minutes 54 seconds West, a distance of 260.10 feet to the POINT OF BEGINNING.

Parcel 2: (400-06-031C)

A parcel of land located in the Town of Clarkdale in Section 20, Township 16 North, Range 3 East of the Gila and Salt River Base and Meridian, Yavapai County, Arizona, more particularly described as follows: COMMENCING at a set 1/2-inch rebar with aluminum tag stamped "LS 32224 " at the intersection of the Northerly right of way line of First South Street and the Easterly right of way line of Ninth Street , in the Town of Clarkdale, as shown in Book 5 of Maps, Page 85;

THENCE North 81 degrees 19 minutes 34 seconds East along said Northerly right of way, a distance of 608.33 feet (North 82 degrees 07 minutes 04 seconds East along said Northerly right of way, a distance of 6038 feet record per Book 4276 of Official Record, Page 567 hereinafter referred to as RECORD) to a found 1-inch square bolt-affixed brass tag stamped "FOUND LS 32224" and the POINT OF BEGINNING;

THENCE North 8 degrees 32 minutes 41 seconds West, a distance of 260.07 feet (North 7 degrees 54 minutes 46 seconds West, a distance of 260.00 feet RECORD} to a found 1/2-inch rebar- affixed brass tag stamped "FOUND LS 32224" on the southerly right of way line of Main Street per Book 5 of Maps, Page 85;

THENCE North 81 degrees 19 minutes 52 seconds East along said southerly right of way, a distance of 257.31 feet (North 82 degrees 07 minutes 04 seconds East, a distance of 257.92 feet RECORD) to a set ½-inch rebar with aluminum tag stamped "LS 32224";

THENCE South 8 degrees 32 minutes 41 seconds East along said right of way, a distance of 57.12 feet (South 7 degrees 54 minutes 46 seconds East, a distance of 57.12 feet RECORD) to a found railroad rail right of way marker affixed brass tag stamped "FOUND LS 32224" and the beginning of a non-tangent

curve, concave southerly, the radius point of which bears South 8 degrees 39 minutes 53 seconds East, a distance of 377.47 feet (377.47 feet RECORD);

THENCE Easterly along said curve, through a central angle of 35 degrees 38 minutes 35 seconds, a distance of 234.82 feet (234.92 feet RECORD);

THENCE South 62 degrees 53 minutes 10 seconds East, a distance of 187.92 feet (South 63 degrees 15 minutes 16 seconds East, a distance of 189.83 feet RECORD) to a set 1/2-inch rebar with aluminum tag stamped "LS 32224";

THENCE South 79 degrees 18 minutes 02 seconds West, a distance of 630.56 feet (South 80 degrees 08 minutes 40 seconds West, a distance of 632.57 feet RECORD) to the POINT OF BEGINNING.

Parcel 3: (400-06-031L)

A parcel of land located in the Town of Clarkdale in Section 20, Township 16 North, Range 3 East of the Gila and Salt River Base and Meridian, Yavapai County, Arizona, more particularly described as follows:

COMMENCING at the intersection of the southerly right of way line of First South Street and the easterly right of way line of Ninth Street, as shown in Book 5 of Maps, Page 85, in the Town of Clarkdale, Arizona, a set 1/2-inch rebar with aluminum tag stamped "LS 32224";

THENCE North 81 degrees 19 minutes 34 seconds East along said southerly right of way, a distance of 128.35 feet (North 82 degrees 07 minutes 04 seconds East, 128 feet Record per Book 3751 of Official Records, Page 629 hereinafter referred to as Record) to a found 3/8-inch rebar with affixed brass tag stamped "FOUND LS 32224";

THENCE North 8 degrees 39 minutes 33 seconds West, a distance of 59.51 feet to a set 1/2-inch rebar with aluminum tag stamped "LS 32224";

THENCE North 81 degrees 19 minutes 34 seconds East, a distance of 139.84 feet to a set 1/2-inch rebar with aluminum tag stamped "LS 32224" and the POINT OF BEGINNING;

THENCE North 81 degrees 19 minutes 34 seconds East, a distance of 340.14 feet (North 82 degrees 07 minutes 04 seconds East record per Book 3668 of official records, page 164 hereinafter referred to as R2) to a found 1-inch square bolt with affixed brass tag stamped "FOUND LS 32224";

THENCE South 51 degrees 23 minutes 28 seconds West, a distance of 119.28 feet (South 51 degrees 8 minutes 04 seconds West, a distance of 119.46 feet R2) to a found 1/2-inch Rebar with affixed brass tag stamped "FOUND LS 32224";

THENCE South 81 degrees 19 minutes 34 seconds West, a distance of 236.74 feet (South 82 degrees 07 minutes 04 seconds West, a distance of 236.70 feet R2) to a found 1/2-inch Rebar with affixed brass tag stamped "found ls 32224";

Thence North 8 degrees 42 minutes 04 seconds West, a distance of 59.51 feet to the POINT OF BEGINNING.

Parcel 4:

An easement for ingress, egress and utilities, as created in deed recorded in Book 4329 of Official Records, Page 348, Records of Yavapai County, Arizona, across the southeasterly corner of the following described parcel of land lying to the east of the above-described parcel, and subject and under to lease to the U. S. Postal Service:

Commencing at the intersection of the northerly right of way line of First South Street and the easterly right of way line of Ninth Street in the Town of Clarkdale, said intersection being the TRUE POINT OF BEGINNING;

Thence North 8 degrees 36 minutes 00 seconds West along the easterly right of way line of First South Street, a distance of 128.13 feet;

Thence North 81 degrees 25 minutes 26 seconds East, a distance of 275.80 feet;

Thence South 8 degrees 44 minutes 46 seconds East, a distance of 128.24 feet;

Thence South 81 degrees 24 minutes 00 seconds West, a distance of 276.13 feet to the True POINT OF BEGINNING.

**CONDOMINIUM DECLARATION
FOR
THE PLATEAU AT CLARKDALE CONDOMINIUM**

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Exhibits

Exhibit A Legal Description of Property Subject to Declaration

**CONDOMINIUM DECLARATION
FOR
THE PLATEAU AT CLARKDALE CONDOMINIUM**

This Condominium Declaration for The Plateau at Clarkdale Condominium is made this ____ day of _____, 20____, by Plateau Partners, LLC, an Arizona limited liability company (the “Declarant”).

**ARTICLE 1
DEFINITIONS**

As used in this Declaration, the terms defined in this Article shall have meanings specified in this Article. Capitalized terms used in this Declaration but not otherwise defined in this Declaration shall have the meanings specified for such terms in the Arizona Condominium Act, A.R.S. §33-1201, et seq., as amended from time to time.

1.1 “Articles” means the Articles of Incorporation of the Association, as amended from time to time.

1.2 “Assessments” means the Regular Assessments, Special Assessments, Individual Expense Assessments and Enforcement Assessments levied pursuant to Article 7.

1.3 “Assessment Lien” means the lien granted to the Association by the Condominium Act to secure the payment of Assessments, monetary penalties and other fees and charges owed to the Association.

1.4 “Association” means The Plateau at Clarkdale Condominium Association, Inc., an Arizona nonprofit corporation, its successors and assigns.

1.5 “Balcony” or “Deck” means a portion of the Common Elements designated as a deck or balcony on the Plat.

1.6 “Board of Directors” or “Board” means the Board of Directors of the Association.

1.7 “Building” means each of the buildings located on the Parcel and containing Units as shown on the Plat.

1.8 “Bylaws” means the Bylaws of the Association, as amended from time to time.

1.9 “Collection Costs” means all costs, fees, charges and expenditures (including, without limitation, attorneys’ fees, court costs, filing fees and recording fees) incurred by the Association in collecting and/or enforcing payment of Assessments, monetary penalties, late fees, interest or other amounts payable to the Association pursuant to this Declaration.

1.10 “Common Elements” means all portions of the Condominium other than the Units.

1.11 “Common Expense Liability” means the percentage of undivided interests in the Common Expenses allocated to each Unit by Section 2.6.

1.12 “Common Expenses” means the actual or estimated costs or expenses incurred or to be incurred by the Association or financial liabilities of the Association including, without limitation, the following:

(a) the cost of inspection, maintenance, management, operation, repair and replacement of the Common Elements and all other areas within the Condominium which are maintained by the Association;

(b) the cost of inspection, maintenance, management, operation, repair and replacement of all improvements within the public right-of-way adjoining the Parcel that the Declarant or Association is obligated to maintain pursuant to the Development Agreement;

(c) the cost of management and administration of the Association, including, but not limited to, compensation paid by the Association to managers, accountants, attorneys, architects and employees;

(d) the cost of any utilities, cable television, landscaping, and other services benefiting the Unit Owners and their Units to the extent such services are paid for by the Association;

(e) the cost of fire, casualty, liability, worker’s compensation and other insurance maintained by the Association as provided in this Declaration;

(f) reasonable reserves as deemed appropriate by the Board or required by the Condominium Documents;

(g) the cost of bonding of the directors, officers and employees of the Association, any professional managing agent or any other person handling the funds of the Association;

(h) taxes paid by the Association;

(i) amounts paid by the Association for the discharge of any lien or encumbrance levied against the Common Elements or portions thereof; and

(j) the cost of any other item or items designated by, or in accordance with other expenses incurred by the Association for any reason whatsoever in furtherance of the purposes or the discharge of the obligations imposed on the Association by the Condominium Documents.

1.13 “Condominium” means the Parcel, together with the Buildings, as well as all Improvements located thereon.

1.14 “Condominium Act” means the Arizona Condominium Act, A.R.S. §33-1201, et seq., as amended from time to time, or any successor statute which governs the creation and management of condominiums.

1.15 “Condominium Documents” means this Declaration and the Articles, Bylaws, and Rules.

1.16 “Contract for Sale” means a contract for the conveyance of real property, a contract for deed, a contract to convey, an agreement for sale or any similar contract subject to A.R.S. § 33-741, et seq.

1.17 “Declarant” means Plateau Partners, LLC, an Arizona limited liability company, and its successors and any Person to whom it may transfer any Special Declarant Right by a Recorded instrument.

1.18 “Declaration” means this Declaration of Condominium for the Plateau at Clarkdale Condominium, as amended from time to time.

1.19 “Development Agreement” means The Plateau at Clarkdale Development Agreement between the Town and the Declarant recorded on _____ at instrument no. _____, in the records of the County Recorder of Yavapai County, Arizona, as amended from time to time.

1.20 “Development Rights” means any right or combination of rights to do any of the following:

(a) Create easements, Units, Common Elements or Limited Common Elements within the Condominium;

(b) Subdivide Units, convert Units into Common Elements or convert Common Elements into Units;

(c) Amend the Declaration during the Period of Declarant Control to comply with the Condominium Act or any other applicable law or to correct any error or inconsistency in the Declaration if the amendment does not adversely affect the rights of any Unit Owner;

(d) Amend the Declaration during the Period of Declarant Control to comply with the rules or guidelines, in effect from time to time, of any governmental or quasi-governmental entity or federal corporation guaranteeing or insuring mortgage loans or governing transactions involving mortgage instruments.

1.21 “Enforcement Assessment” means an assessment levied pursuant to Section 7.5.

1.22 “Eligible Insurer or Guarantor” means an insurer or governmental guarantor of a First Mortgage who has requested notice of certain matters in accordance with Section 12.1.

1.23 “Eligible Mortgage Holder” means a First Mortgagee who has requested notice of certain matters from the Association in accordance with Section 12.1.

1.24 “First Mortgage” means any mortgage, deed of trust or Contract for Sale on a Unit with first priority over any other mortgage or deed of trust on the same Unit.

1.25 “First Mortgagee” means the holder of any First Mortgage or the seller in the case of a Contract for Sale.

1.26 “Garage” means each portion of a Unit located on the first floor of a Unit and intended for the parking of one or more motor vehicle(s).

1.27 “Improvement” means any physical structure, fixture or facility existing or constructed, placed, erected or installed on the land included in the Condominium, including, but not limited to, buildings, private drives, paving, fences, walls, fountains, sculptures, signs, hedges, plants, trees and shrubs of every type and kind.

1.28 “Individual Expense Assessment” means an assessment levied by the Association pursuant to Section 7.4.

1.29 “Invitee” means any person whose presence within the Condominium is approved by or is at the request of a particular Owner, Lessee or Occupant, including, without limitation, family members, guests, employees and contractors.

1.30 “Lessee” means any Person who is the tenant or lessee under a written lease of a Unit.

1.31 “Limited Common Elements” means a portion of the Common Elements specifically designated on the Plat or in this Declaration as a Limited Common Element and allocated by this Declaration or by operation of the Condominium Act for the exclusive use of one or more but fewer than all of the Units.

1.32 “Manager” shall mean the Person (including any management company) employed by the Association for the management of the Condominium in accordance with this Declaration.

1.33 “Member” means a Person who is or becomes a member of the Association.

1.34 “Occupant” means a person, other than an Owner, in possession of a Unit at the request of or with the consent of the Owner.

1.35 “Owner” or “Unit Owner” means: (a) the record owner, whether one or more Persons, of beneficial or equitable title (and legal title if the same has merged with the beneficial

or equitable title) to the fee simple interest of a Unit; (b) a purchaser under a Contract for Sale; (c) in the case of a Unit subject to a Recorded option, the optionor; (d) in the case of a Unit the fee simple title to which is vested in a trustee pursuant to A.R.S. § 33-801, et seq., the trustor; and (e) in the case of a Unit the fee simple title to which is vested in a trustee pursuant to a subdivision trust agreement or similar agreement, the beneficiary of any such trust who is entitled to possession of the Unit. If the Unit is owned by a revocable trust, the trustor shall be deemed to be the Unit Owner. If the Unit is owned by an irrevocable trust, the trustee shall be deemed to be the Unit Owner. "Unit Owner" shall not include: (i) a Person having an interest in a Unit merely as security for the performance of an obligation; (ii) a Lessee; or (iii) a purchaser under a purchase contract and receipt, escrow instructions or similar executory contract which is intended to control the rights and obligations of the parties to executory contracts pending the closing of a sale or purchase transaction.

1.36 "Parcel" means the land described on Exhibit A, together with all Improvements situated on, and all easements and rights appurtenant to, such land.

1.37 "Patio" means a portion of the Common Elements designated as a patio or covered patio on the Plat.

1.38 "Period of Declarant Control" means the time period commencing on the date this Declaration is Recorded and ending on the earlier of: (a) ninety (90) days after the conveyance of seventy-five percent (75%) of the Units which may be created to Owners other than Declarant; or (b) four (4) years after all Declarants have ceased to offer Units for sale in the ordinary course of business.

1.39 "Person" means a natural person, corporation, limited liability company, business trust, estate, trust, partnership, association, joint venture, government, governmental subdivision or agency, or other legal or commercial entity.

1.40 "Plat" means the Condominium Plat for The Plateau at Clarkdale, recorded in Book ____ of Maps, Page ____, in the official records of the County Recorder of Yavapai County, Arizona, and any amendments, supplements or corrections thereto.

1.41 "Purchaser" means any Person, other than Declarant, who by means of a voluntary transfer becomes a Unit Owner, except for a Person who purchases a Unit and then leases it to Declarant for use as a model in connection with the sale of other Units, or a Person who, in addition to purchasing a Unit, is assigned any Special Declarant Right.

1.42 "Recording" means placing an instrument of public record in the office of the County Recorder of Yavapai County, Arizona and **"Recorded"** means having been so placed of public record.

1.43 "Regular Assessment" means the assessment levied against the Units pursuant to Section 7.2.

1.44 “Rules” means the rules and regulations adopted by the Board of Directors, as amended from time to time.

1.45 “Special Assessment” means an assessment levied pursuant to Section 7.3.

1.46 “Special Declarant Rights” means any right or combination of rights to do any of the following:

(a) Construct Improvements provided for in this Declaration or shown on the Plat;

(b) Exercise any Development Right;

(c) Maintain sales offices, management offices, maintenance/service areas, models, signs and advertising for the Condominium;

(d) Use easements through the Common Elements for the purpose of making Improvements, inspections, repairs and replacements within the Condominium;

(e) Appoint or remove any officer of the Association or any member of the Board of Directors during the Period of Declarant Control;

(f) Exercise the rights described in Section 3.4.

1.47 “Town” means the Town of Clarkdale, an Arizona municipal corporation.

1.48 “Unit” means a portion of a Building designated for separate ownership or occupancy, the boundaries of which are described in Section 2.5 and shown on the Plat. No Unit shown on the Plat (other than the Units described in Section 2.4) shall be considered a Unit for purposes of this Declaration until such Unit has been annexed and subjected to this Declaration in accordance with the provisions of Section 2.11.

1.49 “Visible From Neighboring Property” means, with respect to any given object, that such object is or would be visible to a person six feet tall, standing on any part of such neighboring property at an elevation equal to the greater of the elevation of the base of the object being viewed or the ground level of any portion of the Common Elements.

ARTICLE 2

SUBMISSION OF PROPERTY; UNIT BOUNDARIES; ALLOCATION OF PERCENTAGE INTERESTS, VOTES AND COMMON EXPENSE LIABILITIES

2.1 Submission of Property. Declarant, as the owner of fee title to the property described on Exhibit A, attached to this Declaration, together with all Improvements situated thereon, and all easements, rights, and appurtenances thereto (the “Parcel”), hereby submits the Parcel to the provisions of the Condominium Act and hereby declares that the Parcel be held and

conveyed subject to the terms, covenants, conditions and restrictions set forth in this Declaration. Declarant further declares that all of the easements, restrictions, conditions and covenants in this Declaration shall run with the Parcel and shall be binding upon and inure to the benefit of Declarant and all Unit Owners, Lessees and Occupants and all other Persons having or acquiring any right, title or interest in the Condominium or any part thereof, their heirs, successors, successors in title and assigns. Each Person who acquires any right, title or interest in the Condominium, or any part thereof, agrees to abide by all of the provisions of the Condominium Documents. This Declaration shall be binding upon and shall be for the benefit of and enforceable by the Association. Declarant makes no warranties or representations, express or implied, as to the binding effect or enforceability of all or any portion of the Condominium Documents, or as to the compliance of any of the provisions of the Condominium Documents with public laws, ordinances and regulations applicable thereto.

2.2 Name of Condominium. The name of the Condominium created by this Declaration is The Plateau at Clarkdale Condominium.

2.3 Name of Association. The name of the Association is The Plateau at Clarkdale Condominium Association, Inc.

2.4 Identifying Numbers of Units. The number of the Units subject to the Declaration is fifty-two (52) numbered 1-52.

2.5 Unit Boundaries.

2.5.1 The boundaries of each Unit are the interior unfinished surfaces of the perimeter walls, floor, ceiling, doors and windows of each Unit. All floor slabs for Building, excluding the finished flooring (carpeting, tile, stone or other) are part of the Common Elements. All lath, furring, wallboard, plasterboard, plaster, paneling, tiles, wallpaper, paint, finished flooring and any other materials constituting any part of the finished surfaces of the walls or floor are part of the Unit, and all other portions of the walls and floor are part of the Common Elements. All spaces, interior partitions and other fixtures and improvements (including, but not limited to, chutes, flues, wires, conduits, heating and air conditioning units, hot water heaters and gas, cable television, water and electric pipes, lines or meters) within the boundaries of a Unit and which serve only the Unit are part of the Unit, and any such fixtures or improvements located within the boundaries of a Unit but which serve more than one Unit are part of the Common Elements. In the event of any inconsistency or conflict between the provisions of this Section 2.5.1 and the Plat in regard to the description of the boundaries of the Unit, the Plat shall control.

2.5.2 The location and dimensions of the perimeter walls of the Units as shown on the Plat are based on architectural drawings and are approximate. The actual location and dimensions of the perimeter walls of the Units may vary from the location and dimensions of the perimeter walls as shown on the Plat. The actual physical location and dimensions of the perimeter walls of a Unit, as initially constructed, or as reconstructed following any damage or destruction of such walls, shall be considered the location and dimensions of the perimeter walls of the Units for purposes of this Declaration regardless of any variances from the location and dimensions of the perimeter walls as shown on the Plat.

2.5.3 Declarant reserves the right to relocate the boundaries between adjoining Units owned by Declarant and to reallocate each such Unit's Common Element Interest, votes in the Association and Common Expense Liabilities subject to and in accordance with A.R.S. § 33-1222.

2.6 Allocation of Common Element Interest and Common Expense Liabilities.

2.6.1 The undivided interests in the Common Elements are allocated equally among the Units. Initially each Unit's fraction of undivided interests in the Common Elements is 1/52. On each Effective Date (as defined in Section 2.10.2), the allocation of undivided interests in the Common Elements shall be reallocated in the manner set forth in Section 2.10. The fraction of undivided interest of each Unit in the Common Elements shall be an undivided interest, and the Common Elements shall be owned by the Unit Owners as tenants in common in accordance with their respective fractions of undivided interest. The ownership of each Unit shall not be conveyed separate from the fraction of undivided interest in the Common Elements allocated to the Unit. The undivided fraction of interest in the Common Elements allocated to any Unit shall always be deemed conveyed or encumbered with any conveyance or encumbrance of that Unit, even though the legal description in the instrument conveying or encumbering the Unit may refer only to the fee title to the Unit. Except as permitted by the Condominium Act, the Common Elements are not subject to partition, and any purported conveyance, encumbrance, judicial sale or other voluntary or involuntary transfer of an undivided interest in the Common Elements made without the Unit to which that interest is allocated is void.

2.6.2 **Allocation of Common Expenses.** Except as otherwise provided in this Declaration, Common Expenses of the Condominium shall be allocated equally among the Units.

2.7 **Allocation of Votes in the Association.** The total votes in the Association shall be equal to the number of Units. The votes in the Association shall be allocated equally among all the Units with each Unit having one (1) vote.

2.8 Allocation of Limited Common Elements.

2.8.1 The following portions of the Common Elements are Limited Common Elements and are allocated to the exclusive use of the respective individual Units as follows:

(a) Any chute, flue, pipe, duct, wire, conduit or other fixture (including, but not limited to, heating and air conditioning units and related equipment and natural gas, cable television, water and electric pipes, lines or meters), located outside of the boundaries of a Unit, which serve only one Unit are a Limited Common Element allocated solely to the Unit served;

(b) If a chute, flue, pipe, duct, wire, conduit or other fixture (including, but not limited to, hot water heaters, heating and air conditioning units and related equipment and natural gas, cable television, water and electric pipes, lines or meters) serving a Unit lies partially within and partially outside the designated boundaries of the Unit served, the portion outside the

boundaries of the Unit served is a Limited Common Element allocated solely to such Unit, provided its use is limited to serving only such Unit or, if not, allocated to all of the Units it serves;

(c) All doors (including but not limited to front doors and garage doors) and windows in the perimeter walls of a Unit are Limited Common Elements allocated solely to such Unit. The glazing, sashes, frames, sills, thresholds, hardware, flashing and other components of the doors and windows are part of the doors and windows allocated as Limited Common Elements.

(d) Each Unit is allocated the Balcony or Balconies adjoining the Unit as shown on the Plat, if any. The boundaries of each Balcony shall be as follows: (i) the lower boundary shall be unfinished floor of the Balcony; (ii) the upper boundary shall be a horizontal plane having an elevation equal to the elevation of the highest finished ceiling of the Unit to which the Balcony is allocated or the pergola, ceiling or other covering located above the Balcony, if any, whichever is lower; and (iii) the vertical boundaries shall be vertical planes corresponding to the exterior wall of the Building and the inside surface of the wall or railing of the Balcony extended to the upper and lower boundaries.

(e) Certain Units are allocated the first floor Patio or Patios adjoining the Unit, as shown on the Plat, if any. The boundaries of each such Patio shall be as follows: (i) the lower boundary shall be the unfinished concrete floor of the Patio; (ii) the upper boundary shall be a horizontal plane having an elevation equal to the elevation of the highest finished ceiling of the Unit to which such Patio is allocated or the ceiling above the Patio, if any, whichever is lower; and (iii) the vertical boundaries shall be the vertical planes corresponding to the exterior wall of the Building in which the Unit is located and interior unfinished surfaces of the wall or railing enclosing the Patio extended to the upper and lower boundaries.

2.8.2 Each Owner shall have the right to the exclusive use and possession of the Limited Common Elements allocated to its Unit, and subject to the rights granted to Declarant and/or the Association by the Condominium Documents and the Condominium Act. All Limited Common Elements must be used in accordance with the Declaration and the Rules.

2.8.3 A Limited Common Element may be reallocated by an amendment to this Declaration. The amendment shall be executed by the Owners between or among whose Units the allocation is made, shall state the manner in which the Limited Common Elements are to be reallocated and, before recording the amendment, shall be submitted to the Board of Directors. Unless the Board of Directors determines within thirty (30) days that the proposed amendment is unreasonable, which determination shall be in writing and specifically state the reasons for disapproval, the Association shall execute its approval and Record the amendment.

2.8.4 So long as Declarant owns any Unit, Declarant shall have the right to allocate as a Limited Common Element any part of the Common Elements which has not previously been allocated as a Limited Common Element. Any such allocation shall be made by an amendment to this Declaration executed by Declarant. After Declarant no longer owns any Unit, the Board of Directors shall have the right, with the approval of Members holding at least sixty-seven percent (67%) of the total number of votes entitled to be cast by Members, to allocate

as a Limited Common Element any portion of the Common Elements not previously allocated as a Limited Common Element. Any such allocation by the Board of Directors shall be made by an amendment to this Declaration and an amendment to the Plat if required by the Condominium Act.

2.9 Relocation of Boundaries Between Adjoining Units. The boundaries between or among adjoining Units may be relocated by an amendment to this Declaration. The Owners of the Units affected by the relocation of boundaries shall prepare an amendment to this Declaration and the Plat that identifies the Units involved, specifies the outer boundaries of the Units and their dimensions and includes the Units' identifying number. If the Owners of the adjoining Units have specified a reallocation between their Units of the allocated interests in the Common Elements and in the Common Expenses, the amendment shall state the proposed reallocation in a reasonable manner. The amendment shall be executed by the Owners of those Units, shall contain words of conveyance between or among them and, before recording the amendment, shall be submitted to the Board of Directors. Unless the Board of Directors determines within thirty (30) days that the proposed amendment is unreasonable, which determination shall be in writing and specifically state the reasons for disapproval, the Association shall execute its approval and Record the amendment.

2.10 Disclaimer of Representations. No representations or warranties of any kind, express or implied, have been given or made by Declarant or its agents, consultants, or employees in connection with the Condominium, or any portion thereof, its physical condition, zoning, compliance with applicable laws, fitness for intended use, or in connection with the subdivision, sale, operation, maintenance, taxes or regulation thereof, except as specifically and expressly set forth in this Declaration, or in a Public Report for the Condominium issued to Declarant, or in any written contract with a Purchaser executed by Declarant. DECLARANT FURTHER MAKES NO WARRANTIES, EXPRESS OR IMPLIED, ABOUT THE EXISTING OR FUTURE SOIL OR ENVIRONMENTAL CONDITIONS ON OR ADJACENT TO THE CONDOMINIUM, INCLUDING POSSIBLE PRESENT OR FUTURE POLLUTION OF THE AIR, WATER OR SOIL FROM ANY SOURCES, INCLUDING BUT NOT LIMITED TO, POWER LINES, RADON GAS, OR UNDERGROUND MIGRATION OR SEEPAGE OF HAZARDOUS SUBSTANCES OR OTHER POLLUTANTS. DECLARANT EXPRESSLY DISCLAIMS ANY LIABILITY FOR ANY TYPE OF DAMAGE, WHETHER DIRECT, INDIRECT OR CONSEQUENTIAL, WHICH THE CONDOMINIUM OR THE OWNERS AND OCCUPANTS, THEIR FAMILY MEMBERS, AND INVITEES, MAY SUFFER BECAUSE OF ANY EXISTING OR FUTURE ENVIRONMENTAL OR OTHER CONDITIONS IN OR ADJACENT TO THE CONDOMINIUM.

2.11 Changes to Civil and Working Drawings. The civil and working drawings prepared by Declarant's consultants in connection with the development and construction of the Condominium and approved by the Town were prepared for construction purposes only. To the extent legally permitted, Declarant, in its discretion, has the authority to make modifications and revisions to such plans and drawings (subject to Town approval if required by law) which are consistent with applicable building codes and ordinances and are approved by the applicable governing authorities. Declarant has no obligation to modify or revise the Plat or such plans and drawings to reflect such Declarant changes, or otherwise prepare "as-built" drawings.

2.12 Restriction on Liability of the Association and Declarant.

2.12.1 Declarant reserves the right, but is not obligated, to construct electronically activated access gates at one or more entrances to the Condominium to limit access and to provide more privacy for the Owners, Lessees and Occupants; however, there are no guarantees that such gated entries will be constructed or that such gates, if constructed, will provide complete security and safety to all Owners, Lessees, Occupants, and their families, guests and other Invitees. Each Owner Lessee and Occupant, for themselves and on behalf of their families, guests and other Invitees: (i) acknowledge and agree that the access gates do not guarantee the safety or security of the Owners, Lessees, Occupants, or their families, guests and other Invitees, or guarantee that no unauthorized person will gain access to the Condominium; (ii) acknowledge that the access gates may restrict or delay entry into the Condominium by the police, fire department, ambulances and other emergency vehicles or personnel; and (iii) agree to assume the risk that the access gates restrict or delay entry into, or access within the Condominium, by police, fire department, ambulances or other emergency vehicles or personnel. Neither Declarant or the Association, nor any director, officer, agent or employee of Declarant or the Association shall be liable to any Owner, Lessee, Occupant, or their families, guests or other Invitees, for any claims or damages resulting, directly or indirectly, from the construction, existence, operation, failure of operation, or maintenance of the gated entries and/or delays caused by reason of restricted access to the Condominium and the Units. The access gates shall be part of the Common Elements and shall be maintained, repaired and replaced by the Association.

2.12.2 Each Owner, Lessee and Occupant hereby releases Declarant and the Association, and their directors, officers and agents, from any and all claims, actions, suits, demands, causes of action, losses, damages or liabilities related to or arising in connection with any nuisance, inconvenience, disturbance, injury or damage resulting from activities or occurrences described in this Section 2.12.

2.12.3 Notwithstanding anything contained in this Declaration to the contrary, so long as Declarant is constructing, inspecting, or repairing Units or other Improvements within the Condominium or Common Elements, no restrictions shall be approved by the Board or otherwise imposed upon Declarant which restricts construction traffic or access to the Condominium through the gated entries (if any should be constructed), restricts the hours when construction work may be performed, or eliminates any easements for construction purposes reserved to Declarant in this Declaration, and each owner acknowledges that Declarant shall have the right to keep such gated entries open until construction within the Condominium is complete. The foregoing shall survive the termination of the Period of Declarant Control and may not be amended without approval of Declarant.

2.12.4 Declarant's construction of the Condominium may require the use of temporary access points for vehicular or pedestrian ingress and egress to the Condominium. These temporary access points are not shown on the Plat. If and as additional Phases are added to the Condominium, the location of vehicular or pedestrian ingress and egress may change. By acceptance of a deed for a Unit within the Condominium, each Owner shall be deemed to have agreed that Declarant has the right to provide an alternate location for vehicular or pedestrian access to the Condominium for Owners, Lessees, Occupants, and their guests and invitees, to

accommodate such phased construction, and to erect such construction fencing within the Condominium as Declarant deems necessary to accomplish such construction.

ARTICLE 3 EASEMENTS AND DEVELOPMENT RIGHTS

3.1 Utility Easement. There is hereby granted and created an easement upon, across, over, through and under the Common Elements and the Units for reasonable ingress, egress, installation, replacement, repair or maintenance of utility lines and systems, including, but not limited to, natural gas, water, sewer, telephone, electricity and cable television or other communication lines and systems. By virtue of this easement, it shall be expressly permissible for the providing utility or service company, the Association or Declarant to install and maintain the necessary utility lines, pipes, facilities and equipment on the Common Elements and the Units, but no sewer lines, natural gas lines, electrical lines, water lines, or other utility or service lines or facilities may be installed or located on the Common Elements or the Units except as initially designed, approved and constructed by Declarant or as approved by the Board of Directors. This easement shall in no way affect any other recorded easements on the Common Elements.

3.2 Easements for Ingress and Egress. There is hereby granted and created easements for ingress and egress for pedestrian traffic over, through and across sidewalks, paths, walks, and lanes that from time to time may exist upon the Common Elements. Subject to the provisions and limitations of Sections 3.2.2 and 4.7, there is also granted and created an easement for ingress and egress for pedestrian and vehicular traffic over, through and across such streets and drives as from time to time may be paved and intended for such purposes, except that such easements shall not extend to any Limited Common Elements. Such easements shall run in favor of and be for the benefit of the Owners, Lessees, Occupants and Invitees.

3.3 Unit Owners' Easements of Enjoyment.

3.3.1 Every Owner, Lessee and Occupant shall have a right and easement of enjoyment in and to the Common Elements, which right and easement shall be appurtenant to and shall pass with the title to every Unit, subject to the following provisions:

(a) The right of the Association to adopt reasonable rules and regulations governing the use of the Common Elements;

(b) The right of the Association to convey the Common Elements or subject the Common Elements to a mortgage, deed of trust, or other security interest, if such action is approved by Owners entitled to cast at least eighty percent (80%) of the votes in the Association. Any such action by the Association shall be done in the manner and subject to the limitations set forth in the Condominium Act;

(c) The right of the Association to grant non-exclusive easements over all or a portion of the Common Elements if the Board of Directors determines that the granting of the easement is necessary for the development or maintenance of the Common Elements or beneficial to the Owners, Lessees and Occupants;

(d) All rights and easements set forth in this Declaration including, but not limited to, the rights and easements granted to Declarant by Section 3.4; and

(e) The right of the Association to suspend the right of an Owner, Lessee or Occupant to use the Common Elements (except the Association shall have no right to suspend the right of ingress and egress by an Owner to its Unit over the Common Elements) for any violation of any provision of the Condominium Documents; provided, however, nothing in this Section 3.3.1 shall authorize the Board to limit ingress or egress to or from a Unit.

(f) The right of the Association to close all or any portion of the Common Elements for any period during which the Board determines, at its sole discretion, that such closure is necessary and appropriate for health and safety reasons, and/or in order to perform repairs.

3.3.2 Notwithstanding the provisions of Section 3.3.1 to the contrary, if a Unit is leased or rented, the Lessee and the members of the Lessee's family residing with the Lessee shall have the right to use the Common Elements during the term of the lease, and the Unit Owner shall have no right to use the Common Elements until the termination or expiration of the lease. Notwithstanding the foregoing, such Owner shall have the right of ingress and egress over Common Elements to such Owner's Unit.

3.3.3 The guests of any Owner, Lessee or Occupant entitled to use the Common Elements pursuant to this Section 3.3 may use the Common Elements provided they are accompanied by a Member, Lessee or Occupant entitled to use the Common Elements pursuant to this Section 3.3. The Board of Directors shall have the right to limit the number of guests who may use the Common Elements at any one time and may restrict the use of the Common Elements by guests to certain specified times. The Board may also close all or any portion of the Common Elements to guests for any period during which the Board determines, at its sole discretion, that such closure is necessary and appropriate for health and safety reasons, and/or in order to perform repairs.

3.3.4 The easement of enjoyment in and to the Common Elements shall not be conveyed, transferred, alienated or encumbered separate and apart from a Unit. Such right and easement of enjoyment in and to the Common Elements shall be deemed to be conveyed, transferred, alienated or encumbered upon the sale of any Unit, notwithstanding that the description in the instrument of conveyance, transfer, alienation or encumbrance may not refer to such right and easement.

3.3.5 The provisions of this Section 3.3 shall not apply to any of the Limited Common Elements that are allocated to the exclusive use of one or more but less than all of the Units.

3.4 Declarant's Rights and Easements.

3.4.1 Declarant shall have the right and an easement to maintain sales or leasing offices, management offices, storage areas, sales, management and construction trailers, units for models and for use by prospective purchasers and related facilities throughout the Condominium and to maintain one or more marketing, directional or advertising signs or banners on the Common Elements so long as Declarant is marketing Units in the Condominium. Declarant reserves the right to maintain models, management offices, storage areas and sales and leasing offices in any Units owned or leased by Declarant and on any portion of the Common Elements in such number, of such size and in such locations as Declarant deems appropriate. Declarant may from time to time relocate models, storage areas, management offices and sales and leasing offices to different locations within the Condominium. Upon the relocation of a model, storage area, management office or sales and leasing office constituting a Common Element, Declarant may remove all personal property and fixtures therefrom. Declarant shall have the right and an easement to install or post signs, flags and banners on the Common Elements in connection with its marketing of Units.

3.4.2 Declarant reserves the right to retain all personal property and equipment used in the sales, management, construction and maintenance of the Condominium that has not been represented to the Association as property of the Association. Declarant reserves the right to remove from the Condominium any and all goods and improvements used in development, marketing and construction, whether or not they have become fixtures.

3.4.3 Declarant and its employees, agents, contractors and subcontractors shall have the right and an easement on, over and across the Common Elements and the Units to erect and construct the Common Elements and the Units shown on the Plat and all other Improvements Declarant may deem appropriate and to use the Common Elements and any Units owned by Declarant for construction or renovation related purposes including the storage of tools, machinery, equipment, building materials, appliances, supplies and fixtures, and the performance of work in the Condominium.

3.4.4 Declarant and its employees, agents, contractors and subcontractors shall have an easement through the Common Elements and the Units for the purpose of completing any inspection, construction, renovations, warranty work or modifications to the Common Elements or the Units Declarant deems necessary or desirable.

3.4.5 Declarant and its employees, agents, contractors and subcontractors shall have the right and an easement on, over, and through the Common Elements as may be reasonably necessary for the purpose of discharging Declarant's obligations under the Condominium Act and the Condominium Documents and for the purpose of exercising Special Declarant Rights whether arising under the Condominium Act or reserved in this Declaration.

3.4.6 To the extent not expressly reserved by or granted to Declarant by other provisions of this Declaration, Declarant reserves all Development Rights and Special Declarant Rights.

3.4.7 Declarant shall have the right to the exclusive use, without charge, of any portion of any of the facilities within the Common Elements on a short term basis for employee

meetings, administrative purposes, special events or any other purpose, subject to the following: (a) the availability of the facilities at the time a request is submitted by Declarant to the Association; (b) Declarant shall indemnify the Association against any loss or damage resulting from Declarant's use thereof; and (c) Declarant shall return the facilities to the Association in the same condition as existed prior to Declarant's use thereof.

3.4.8 Nothing in this Declaration shall limit the right of Declarant to alter the Common Elements or Units owned by Declarant, or to construct additional improvements as Declarant deems advisable prior to completion of all Improvements within the Condominium. Declarant reserves the right to alter its construction plans and designs as it deems appropriate in its sole discretion.

3.4.9 For so long as Declarant remains liable under any warranty, whether statutory, express or implied, for any act or omission of Declarant, or its consultants, contractors, agents and designees, for the design, development, construction, sale and marketing of all or any part of the condominium, then Declarant and its consultants, contractors, agents and designees shall have the right, in Declarant's sole discretion and from time to time, to enter the Condominium for the purpose of inspecting, testing, and surveying the same to determine the need for repairs, improvements and/or replacements, and effecting the same, so that Declarant and any of its consultants, contractors, agents and designees can fulfill such warranty obligations, if any. Nothing contained in this Section 3.4.9 shall be deemed or construed as Declarant making or offering any warranty. **APPLICABLE WARRANTIES OF DECLARANT OR ITS CONTRACTORS, IF ANY, SHALL BE VOIDED BY VIOLATION OF THE RESTRICTIONS AND REQUIREMENTS SET FORTH IN THIS DECLARATION, INCLUDING, BUT NOT LIMITED TO, DENIAL OF ACCESS BY AN OWNER, OCCUPANT, OR THE ASSOCIATION TO PERMIT DECLARANT, OR ITS CONSULTANTS, CONTRACTORS, AGENTS AND DESIGNEES, TO MAKE REPAIRS.**

3.4.10 By accepting a deed to a Unit, each Person consents to Declarant's construction activities and agrees not to protest such activities or claim such activities are a nuisance or unduly disturb occupancy at the Condominium.

3.4.11 In the event of any conflict or inconsistency between this Section 3.4 and any other provision of the Condominium Documents, this Section 3.4 shall control and prevail over such other provisions. The rights of Declarant set forth in this Section 3.4 shall be enforceable by injunction, by any other remedy available at law or in equity and/or by any means provided in this Declaration.

3.5 Easements for Support. There is hereby granted and reserved to each Unit a non-exclusive easement for structural support over every other Unit in the Building in which the Unit is located, the Common Elements and the Limited Common Elements, and each Unit and the Common Elements shall be subject to a non-exclusive easement for structural support in favor of every other Unit in the Building in which the Unit is located, the Common Elements and the Limited Common Elements. Without limiting the generality of the foregoing, and although they may not be designated as such on the Plat, one or more of the bearing walls and/or support columns located within a ground floor Unit may provide support for a second floor Unit. No Owner, Lessee

or Occupant of a ground floor Unit shall use any bearing wall or support column located within its Unit in any manner which could jeopardize or compromise the support that such wall or column is intended to provide to the second floor Unit which it serves.

3.6 Easements and Rights of the Association for Pest Control. Each Unit shall be subject to an easement in favor of the Association and the agents, employees and contractors of the Association for the purpose of performing such pest control activities as the Association may deem necessary to control or prevent the infestation of the Condominium by insects, rodents or other pests or to eradicate insects, rodents or other pests from the Condominium. The Association may cause the temporary removal of any Owner, Lessee or Occupant for such periods and at such times as necessary for prompt, effective treatment of wood-destroying or other noxious or destructive pests or organisms. The cost of the temporary relocation is to be borne by the Owner of the Unit affected. Not less than fifteen (15) days nor more than thirty (30) days' notice of the need to temporarily vacate shall be given to occupants and to the Owner of the Unit affected. The notice shall state: (a) the reason for the temporary relocation; (b) the date and time of the beginning of the treatment; (c) the anticipated dated and time of termination of treatment; and (d) that the Owner, Lessee or Occupant will be responsible for their own accommodations during the temporary relocation.

3.7 Common Elements Easements in Favor of Unit Owners.

3.7.1 The Common Elements shall be subject to the following easements in favor of the Units benefited:

(a) For the installation, repair, maintenance, use, removal or replacement of pipes, ducts, heating and air conditioning systems, electrical, telephone and other communication wiring and cables and all other utility lines and conduits which are a part of or serve any Unit and which pass across or through a portion of the Common Elements.

(b) For the installation, repair, maintenance, use, removal or replacement of lighting fixtures, electrical receptacles, panel boards and other electrical installations which are a part of or serve any Unit but which encroach into a part of a Common Element; provided that the installation, repair, maintenance, use, removal or replacement of any such item does not unreasonably interfere with the common use of any part of the Common Elements, adversely affect either the thermal or acoustical character of the Building or impair or structurally weaken the Building.

(c) For the performance of the Unit Owners' obligation to maintain, repair, replace and restore those portions of the Limited Common Elements that the Unit Owner is obligated to maintain under Section 5.2.

(d) For the drainage of water, leaves and similar natural elements which drain or fall from the roof of adjacent Units.

3.7.2 Notwithstanding any other provision of this Declaration to the contrary, no Owner, Lessee or Occupant or any other Person (except for the Association) shall penetrate, alter

or damage any part of the Common Elements, including but not limited to, the perimeter walls of the Units, or any interior bearing wall or structural column, without the prior written consent of the Board, as any such penetration could damage the soundproofing of the Units and/or drainage pipes, conduit pipes and similar items.

3.8 Units and Limited Common Elements Easements in Favor of Association. The Units and the Limited Common Elements are hereby made subject to the following easements in favor of the Association and its directors, officers, agents, employees and independent contractors:

- (a) For inspection of the Units and Limited Common Elements in order to verify the performance by the Owners of all items of maintenance and repair for which they are responsible;
- (b) For inspection, maintenance, repair and replacement of the Common Elements or the Limited Common Elements situated in or accessible from such Units or Limited Common Elements;
- (c) For completion of any renovations, warranty work or modifications or for correction of conditions (including, without limitation, broken or leaking water pipes, broken hot water heaters or obstructed sewer lines) in one or more Units or Limited Common Elements which have damaged or if left uncorrected could damage, the Common Elements, the Limited Common Elements or other Units.
- (d) For the purpose of enabling the Association, the Board of Directors or any other committees appointed by the Board of Directors to exercise and discharge their respective rights, powers and duties under the Condominium Documents.
- (e) For inspection of the Units and the Limited Common Elements in order to verify that the provisions of the Condominium Documents are being complied with by the Unit Owners, Lessees and Occupants of the Unit.

Except in case of emergency, the Association shall only enter a Unit at reasonable times and upon reasonable notice to the Unit Owner or, if the Unit is leased, to the Lessee. In the event of an emergency, the Association may enter a Unit without prior notice to the Unit Owner or the Lessee, but promptly following the Association's entry into the Unit, the Association shall notify the Unit Owner or the Lessee of the nature of the emergency condition which required entry without notice.

3.9 Easements for Unintended Encroachments. To the extent that any Unit or Common Element encroaches on any other Unit or Common Element as a result of original construction, reconstruction, shifting, settlement or movement of any improvement or alteration or restoration authorized by this Declaration or any reason other than an encroachment created by the intentional conduct of gross negligence of a Unit Owner, a valid easement for the encroachment, and for the maintenance thereof, is hereby granted and created.

3.10 Easements for Utilities and Maintenance. On behalf of all Owners, the Declarant or Association may create and dedicate easements over the Common Elements: (a) for the benefit of all service providers for the installation, repair, replacement and maintenance of sanitary sewers, water, electric, gas and telephone lines and facilities, heating and air-conditioning facilities, cable telephone or master television antenna or satellite lines or cables, and drainage facilities, and for ingress to and egress from the Condominium in connection therewith; and (b) for ingress to and egress from the Condominium for the benefit of all municipal, state and federal vehicles, including, without limitation, all emergency and service type vehicles as may be required from time to time to service the Condominium and the Owners, Lessees and Occupants including, without limitation, for U.S. Mail distribution and collection and private or municipal refuse collection, without the joinder or consent of any First Mortgagee or other Person.

ARTICLE 4 USE AND OCCUPANCY RESTRICTIONS

4.1 Use. The provisions of this Article 4 are intended to restrict certain uses that may be harmful or affect the ambience or aesthetic appeal of the Condominium to be constructed by Declarant. The restrictions are not intended to prohibit Declarant from performing such work as may be necessary in the completion of the work contemplated for the development, construction and marketing of the Condominium. The restrictions of this Article 4 shall therefore not be binding upon Declarant in the performance of any development, construction, or other work in the Condominium, or Declarant's sales and marketing efforts in connection with the Condominium.

4.1.1 Residential Use. All Units shall be used, improved and devoted exclusively to residential use. No trade or business may be conducted on any Unit or in or from any Unit, except that an Owner, Lessee or Occupant of a Unit may conduct a business activity within a Unit so long as: (a) the existence or operation of the business activity is not apparent or detectable by sight, sound, vibration or smell from outside the Unit; (b) the business activity conforms to all applicable zoning ordinances or requirements for the Condominium; (c) the business activity is conducted solely in the Unit; (d) the business activity does not involve persons coming to the Unit or the door-to door-solicitation of Owners, Lessees or Occupants; and (e) the business activity is consistent with the residential character of the Condominium and does not constitute a nuisance or a hazardous or offensive use or threaten the security or safety of other Owners, Lessees or Occupants, as may be determined from time to time in the sole discretion of the Board of Directors. The terms "business" and "trade" as used in this Section shall be construed to have ordinary, generally accepted meanings, and shall include, without limitation, any occupation, work or activity undertaken on an ongoing basis which involves the provision of goods or services to persons other than the provider's family and for which the provider receives a fee, compensation or other form of consideration, regardless of whether: (a) such activity is engaged in full or part time; (b) such activity is intended or does generate a profit; or (c) a license is required for such activity. The leasing of a Unit by the Owner thereof or making the Unit available for temporary occupancy and use by employees or guests of an Owner in accordance with the restrictions of Section 4.16 shall not be considered a trade or business within the meaning of this Section 4.1.1.

4.1.2 Each Garage shall be used as the primary parking space for the Owners and Occupants of each respective Unit. A Garage shall not be used or converted for living or business

use, and shall not be used for storage in lieu of parking an Owner's or Occupant's car(s) or truck(s) within the Garage. It is permissible to store items, including but not limited to, a boat or other recreational vehicle, in a Garage provided such storage does not displace the Unit Owner's car(s) or truck(s) that otherwise would have parked in such Garage. Garage doors shall remain closed except when opening of the Garage is necessary for ingress, egress or cleaning.

4.1.3 The provisions of Sections 4.1.1 and 4.1.2 shall not be applicable to Units used by Declarant for storage, models, sales office, manager's apartment, or for the use of prospective Purchasers during construction, sales, and marketing of Units within the Condominium.

4.2 Antennas. Unless governed by 47 C.F.R. § 1.400 (Over-the-Air Reception Devices Rule), as amended, repealed, or recodified, no antenna, aerial, satellite dish or other device for the transmission or reception of television or radio (including amateur or ham radio) signals of any kind or any other form of electromagnetic radiation (collectively referred to herein as "antennas"), nor any telescope or other like optical device, will be allowed to be placed or located on, upon or about a Unit or the roof or walls thereof, or on, upon or about the Limited Common Elements, if the same is or shall be Visible From Neighboring Property, without the advance written consent of the Board of Directors. Any device governed by 47 C.F.R. § 1.400 (Over-the-Air Reception Devices Rule), as amended, repealed, or recodified, shall only be installed within the Unit or Limited Common Elements allocated to the Unit, shall comply with any applicable antenna installation rules of the Association, and shall be mounted, to the extent reasonably possible, so as to not be Visible From Neighboring Property or the street.

4.3 Improvements and Alterations.

4.3.1 No Owner, Lessee or Occupant shall make any structural additions, alterations, improvements or modifications within a Unit, or remove, construct, install or modify any wall, partition, flooring (other than carpet) ceiling, fixture or other Improvement situated within a Unit unless prior to the commencement of each addition, alteration, improvement, construction or modification, the Owner, Lessee or Occupant receives the prior written approval of the Board of Directors and, in the case of structural changes, an architect or engineer, licensed in Arizona, certifies that such addition, alteration, improvement or modification will not impair the structural integrity or the mechanical systems of a Building or lessen the support of any portion of the Condominium. No Owner, Lessee or Occupant shall make any additions, alterations, improvements or modifications within a Unit that would be Visible From Neighboring Property (including but not limited to the installation of window coverings) without the prior written approval of the Board of Directors, which approval shall only be granted if the Board of Directors affirmatively finds that the proposed addition, alteration or improvement is aesthetically pleasing and in harmony with the surrounding Improvements. Notwithstanding the foregoing, interior paint colors used within a Unit do not require approval from the Board of Directors. All alterations and modifications of flooring must comply with the noise reduction restrictions in Section 4.19. No Owner shall make any addition, alteration, improvement or modification to the Common Elements without the prior written approval of the Board of Directors. Approval by the Board of Directors may be withheld in the sole and absolute discretion of the Board of Directors.

4.3.2 After the expiration of the Period of Declarant Control and for so long as Declarant owns any Unit, any additions, alterations, improvements or modifications for which the approval of the Board of Directors is required under this Section 4.3 will only be approved if also approved by Declarant.

4.3.3 The Owner of the Unit shall be responsible for any damage to other Units and to the Common Elements which results from any alterations, additions, improvements, modifications and construction by or on behalf of such Owner.

4.3.4 No Owner, Lessee or Occupant of a Unit shall overload the electric wiring in the Buildings, or operate machines, appliances, accessories or equipment in such manner as to cause, in the judgment of the Board of Directors, an unreasonable disturbance to others or connect any machines, appliances, accessories or equipment to the heating or plumbing system, without the prior consent of the Board of Directors, acting in accord with the direction of the Board of Directors. No Owner, Lessee or Occupant of a Unit on a second floor shall overload the floors of such Unit. Water-beds and other furnishings which may cause floor overloads shall not be placed, kept or used in any such Unit, except with advance written approval of the Board of Directors.

4.3.5 The Board of Directors may condition the approval of any proposed additions, alterations, improvements or modifications to a Unit or the Common Elements in any manner, including, without limitation: (a) retaining approval rights of the contractor to perform the work; (b) restricting the time during which such work may be performed; (c) requiring the placement of a security deposit in an amount determined by the Board of Directors in an account controlled by the Board of Directors; (d) requiring the provision to the Board of Directors of plans and specifications prepared and sealed by a professional engineer or architect duly licensed by the State of Arizona; and (e) requiring that the Owner requesting the change obtain, prior to commencing any work, and maintain until completion of such work, comprehensive general liability insurance in such amounts as may be required by the Board of Directors. The Owner shall be obligated to designate Declarant, the Association, the Board of Directors and any other Person designated by the Board of Directors as additional insureds under the policies. The Owner shall be responsible for all costs incurred by the Board of Directors in connection with the Board of Director's review of proposed changes to the Owner's Unit, including, without limitation, all costs of architects, engineers and other professionals which may be retained by the Board of Directors to assist in their review. Any such costs not timely paid by the Unit Owner shall be deemed an Individual Expense Assessment.

4.3.6 Any additions, alterations, improvements and modifications to a Unit or the Common Elements shall be made in compliance with all laws, rules, ordinances and regulations of all governmental authorities having jurisdiction, may only be made once all required permits have been obtained and must be in compliance with any conditions imposed by the Association with respect to design, structural integrity, sound attenuation, water-proofing, construction details, lien protection or otherwise. The review and approval of plans by the Board of Directors is for aesthetic purposes only, and the Board of Directors shall have no liability in connection with or related to approved plans, specifications or improvements. The approval of plans by the Board shall not be deemed a warranty or representation of soundness of the improvement, nor that such improvement meets the requirements of the applicable governmental authorities having

jurisdiction. The Owner of a Unit to which additions, alterations or improvements are made shall defend, indemnify and hold harmless the Association, Declarant and all other Owners, Lessees or Occupants for, from and against any and all liability, loss or damage resulting from such additions, alterations, improvements or modifications and shall be solely responsible for the maintenance, repair and insurance of such additions, alterations and improvements from and after their date of installation or construction as may be required by the Association.

4.3.7 The Association shall have the right to stop any work that is not in compliance with the terms contained in this Section 4.3 or any rules of the Association governing additions, alterations or improvements to the Units or the Common Elements. The Association's rights of review and approval of plans and other submissions under this Declaration are intended solely for the benefit of the Association. Neither Declarant, the Association nor any of the officers, directors, employees, agents, contractors, consultants or attorneys shall be liable to any Owner or any other Person by reason of mistake in judgment, failure to point out or correct deficiencies in any plans or other submissions, negligence, or any other misfeasance, malfeasance or nonfeasance arising out of or in connection with the approval or disapproval of any plans or submissions. Without limiting the generality of the foregoing, the Association shall not be responsible for reviewing, nor shall its review of any plans be deemed approval of, any plans from the standpoint of structural safety, soundness, workmanship, materials, usefulness, conformity with building or other codes or industry standards, or compliance with governmental requirements. Further, each Owner agrees to indemnify and hold Declarant, the Association and their respective directors, officers, agents and employees harmless from and against any and all costs, claims (whether rightfully or wrongfully asserted), damages, expenses or liabilities whatsoever (including, without limitation, reasonable attorneys' fees and court costs at all trial and appellate levels), arising out of any review, approval or disapproval by the Board of Directors of plans submitted by the Owner or any Lessee or Occupant of the Owner's Unit.

4.3.8 The approval required of the Board of Directors pursuant to this Section 4.3 shall be in addition to, and not in lieu of, any approvals or permits which may be required under any federal, state or local law, statute, ordinance, rule or regulation.

4.4 Trash Containers and Collection. The Board of Directors is authorized to adopt and promulgate Rules regarding garbage, trash, trash containers, and collection. All rubbish, trash and garbage shall be regularly removed from the Units by the Owners, Lessees or Occupants thereof. All trash, garbage or rubbish must be kept in bags or sanitary containers of a type, size and style which are approved by the Board of Directors or the Town and all trash, garbage and rubbish shall be made available for pickup and disposal in accordance with the Rules established by the Board. In addition, Owner shall comply with any and all recycling regulations that are promulgated by the Board of Directors or the Town, and all recyclable materials shall be disposed of in containers designated as appropriate by the Board of Directors or the Town. No incinerators shall be kept or maintained in any Unit.

4.5 Animals. Except as expressly permitted by this Section no animals, birds, reptiles, fish, fowl, poultry or livestock shall be maintained or kept in any Unit or on any other portion of the Condominium. Subject to the limitations that may be set forth in the Rules, Permitted Pets may be kept or maintained in a Unit if they are kept, bred or raised solely as domestic pets and not for

commercial purposes. No animals may be kept or fed in the Common Elements. For purposes of this Section, a "Permitted Pet" shall mean a dog, cat, fish or bird of a variety commonly kept as a household pet. No more than two of each type of Permitted Pet (e.g., dog, cat, fish or bird) is allowed per Unit. No Permitted Pet shall be allowed to make an unreasonable amount of noise, cause an odor which is detectable outside the Unit, or be an annoyance to a person of ordinary sensibilities. All dogs and cats shall be kept on a leash not to exceed six (6) feet in length when outside a Unit and all dogs and cats shall be directly under the Unit Owner's control at all times. Any person bringing a dog or cat onto the Common Elements shall immediately remove any feces deposited on the Common Elements by the dog or cat. Any Unit where a Permitted Pet is kept or maintained shall at all times be kept in a neat and clean condition. No structure for the care, housing, confinement, or training of any Permitted Pet shall be maintained on any portion of the Common Elements or in any Unit so as to be Visible from Neighboring Property. Upon the written request of any Owner, the Board of Directors shall determine whether, for the purposes of this Section, a Permitted Pet makes an unreasonable amount of noise, causes an odor which is detectable outside the Unit or is an annoyance to a person of ordinary sensibilities. The Board of Directors shall have the right to adopt, amend and repeal rules and regulations governing the keeping of Permitted Pets in the Condominium, and such rules and regulations may include limitations on the height and/or weight of Permitted Pets.

4.6 Diseases and Insects. No Owner, Lessee or Occupant shall permit any thing or condition to exist upon the Condominium which could induce, breed or harbor infectious plant diseases or noxious insects. In addition to such pest control services as may be provided by the Association, each Owner shall perform such pest control activities in its Unit as may be necessary to prevent insects, rodents and other pests from being present in the Unit.

4.7 Motor Vehicles. Except for emergency repairs, no automobile, motorcycle, motorbike or other motor vehicle shall be constructed, reconstructed, serviced or repaired on any portion of the Condominium, and no inoperable vehicle may be stored or parked on any portion of the Condominium. For purposes of this Section, an inoperable vehicle is one that is not running, has one or more flat tire(s) for five (5) or more days, is up on blocks, is not properly licensed, or is not currently registered. No automobile, motorcycle, motorbike or other motor vehicle shall be parked upon any part of the Condominium, except in the Garages, and in appropriately marked parking spaces located in the Common Elements. With regard to parking in the Common Elements, Owners, Lessees and Occupants may park their vehicles only in parking spaces designated for residents on a first-come, first-served basis. Guests and Invitees of Owners, Lessees and Occupants may park their vehicles only in parking spaces designated for guest parking on a first-come, first-served basis. The Board may establish reasonable rules and regulations to ensure that the parking spaces are used in accordance with this provision, including, but not limited to, registration of vehicles, restrictions on number of vehicles per Unit, requiring Owners, Lessees and Occupants to first utilize the Garages before any vehicle may be parked in the Common Elements, and limitations on number of days that guests may park in guest parking spaces. An Owner is responsible for notifying Occupants (which includes Lessees), family members and Invitees of this provision and any such violation will be enforced against the Owner whose Occupants (which includes Lessees), family or Invitees violate this provision.

4.8 Trailers, Campers and Boats. No mobile home, travel trailer, tent trailer, trailer, camper shell, detached camper, recreational vehicle, boat, boat trailer, or other similar equipment or vehicle may be parked, kept, maintained, constructed, reconstructed or repaired on any part of the Condominium; provided, however, such equipment or vehicles may be parked in the Garage of any Unit solely for the purpose of storing (and not to construct, reconstruct or repair) such equipment or vehicles.

4.9 Towing of Vehicles. The Board of Directors shall have the right to have any automobile, sport utility vehicle, van, truck, recreational vehicle, motorcycle, motorbike, or other motor vehicle parked, kept, maintained, constructed, reconstructed or repaired in violation of the Condominium Documents towed away at the sole cost and expense of the owner of the vehicle or the Owner of the applicable Unit. Any expense incurred by the Association in connection with the towing of any vehicle shall be paid to the Association upon demand by the owner of the vehicle.

4.10 Signs. Except for (i) commercially-produced "For Sale", "For Rent/Lease" and "Open House" signs and sign riders in conformance with the industry standard size and (ii) signs as may be required by legal proceedings or as must be permitted by law, no signs shall be permitted on any Unit, Limited Common Element or any other portion of the Condominium without the prior written approval of the Board of Directors. If approval is granted, the Board of Directors reserves the right to restrict the size, shape, color, lettering, heights, materials and location of any such sign, banner, flag, bill board or advertisement.

4.11 Lawful Use. No improper, offensive, or unlawful use shall be made of any part of the Condominium. All valid laws, zoning ordinances, and regulations of all governmental bodies having jurisdiction over the Condominium shall be observed. Any violation of such laws, zoning ordinances or regulations shall be a violation of this Declaration.

4.12 Nuisances and Offensive Activity. No nuisance shall be permitted to exist or operate upon the Condominium, and no activity shall be conducted upon the Condominium which is offensive or detrimental, or is an annoyance, to any portion of the Condominium or any Owner, Lessee or Occupant or which interferes with quiet enjoyment of a Unit by the Owner, Lessee or Occupant thereof. No exterior speakers, horns, whistles, bells or other sound devices (except security or other emergency devices used exclusively for security or emergency purposes or such exterior noise abatement systems as Declarant or the Board of Directors may install) shall be located, used or placed on the Condominium without the prior written approval of the Board of Directors. The Board of Directors shall have the exclusive authority to determine the existence of a nuisance. The Board shall also have the exclusive authority to determine when a situation is a neighbor-to-neighbor dispute and, in such a situation, shall have no obligation to take action or to otherwise become involved in the dispute.

4.13 Window Coverings. No reflective materials, including, but without limitation, aluminum foil, reflective screens or glass, mirrors or similar items (other than window glass as originally installed or similar glass replacement thereof), shall be installed or placed upon the outside or inside of any windows of a Unit without the prior written approval of the Board of Directors. Enclosures, drapes, blinds, shades, screens or other items affecting the exterior

appearance of a Unit shall be constructed or installed only in compliance with the Rules. Except for tinting which is part of the original construction of the Building, window tinting is prohibited.

4.14 Patios, Balconies, and Decks. Furniture, furnishings and umbrellas kept and maintained on any Patio, Balcony, or Deck shall be of a neutral color harmonious with and not in conflict with the color scheme of the exterior walls of the Building in which the Unit is located and must be approved in writing by the Board of Directors unless expressly permitted by the Rules. No artificial turf, carpet or other floor covering shall be installed in any Patio, Balcony, or Deck without the prior written approval of the Board of Directors. No Patio, Balcony or Deck shall be used as a storage area for items or materials that are not customarily intended for use on a Patio, Balcony, or Deck, such as but not limited to, bicycles or exercise equipment. No linens, blankets, rugs, swimsuits or similar articles may be hung from any Patio, Balcony or Deck. No barbeque grills, hibachis, fire pits or other similar items (whether charcoal, electric or gas) shall be stored, used or operated on any Patio, Balcony, or Deck. No Christmas lights or other decorative lights may be installed on any Patio, Balcony, or Deck.

4.15 Machinery and Equipment. No machinery or equipment of any kind shall be placed, operated or maintained upon the Condominium except such machinery or equipment as is usual and customary in connection with the use, maintenance or construction of buildings, improvements or structures which are within the uses permitted by this Declaration, and except that which Declarant or the Association may require for the construction, operation and maintenance of the Common Elements.

4.16 Rental of Units. No Owner shall lease his or her Unit except in accordance with the terms and conditions of this Section 4.16. No Owner may lease less than its entire Unit. All leases must be in writing and must provide that the terms of the lease are subject in all respects to the provisions of this Declaration and the Rules and that any violation of this Declaration or the Rules by the Lessee or the other Occupants shall be a default under the lease. No Unit may be leased for a term of less than thirty (30) consecutive days. Upon the lease of a Unit, the Owner shall promptly provide the Association with the following information: (1) the commencement date and expiration date of the lease term; (2) the names of each of the Lessees and each other adult person who will reside in the Unit during the lease term; and (3) a completed copy of any "rental registration form" adopted by the Board. Any Owner who leases its Unit must provide the Lessee with copies of this Declaration and the Rules. The Owner shall be liable for any violation of this Declaration or the Rules by the Lessees or other persons residing in the Unit and their guests or invitees and, in the event of any such violation, the Unit Owner, upon demand of the Association, shall immediately take all necessary actions to correct any such violations. Each Owner that leases his or her Unit acknowledges that, pursuant to Section 13.1, below, the Association has the right to bring an action against the Unit Owner for injunctive relief to compel the Owner to remove the tenant for any violation of this Declaration or Arizona law committed by the tenant. The provisions of this Section shall not apply to Declarant's use of Units owned by (or leased to) Declarant as a model unit or office or for marketing purposes pursuant to Section 4.1. For purposes of this Section 4.16, "lease" or "rent" or any variation thereof shall include any type of rental agreement, occupancy agreement or license, without limitation. The Board's determination of what constitutes the leasing of a Unit shall be conclusive and binding on the parties.

4.17 Time Sharing. No Unit shall be divided or conveyed on a time increment basis or measurable chronological periods or pursuant to any fractional interest ownership plan or any agreement, plan, program or arrangement under which the right to use, occupy or possess a Unit, or any portion thereof, rotates among various Persons on a periodically recurring basis for value exchanged, whether monetary or like-kind use privileges, according to a fixed or floating interval or period of time one hundred eighty (180) consecutive calendar days or less. Notwithstanding anything to the contrary in Section 4.16 or this 4.17, Declarant shall have the right to utilize one or more Units for temporary occupancy from time to time regardless of the length of stay, by employees and business guests of Declarant and its affiliated entities as well as by prospective purchasers.

4.18 Hazardous Materials. No Owner, Lessee or Occupant shall use or keep in a Unit or any Limited Common Element allocated to the Unit any kerosene, gasoline, or inflammable or combustible fluid or material or other hazardous materials, other than those required, in limited quantities, for normal cleaning or landscaping work.

4.19 Noise Reduction. All occupied Units must have finished flooring installed at all times and no Owner, Lessee or Occupant (other than Declarant) shall install any hard and/or heavy surface floor coverings (including, without limitation, tile, marble, wood and the like) in a second floor Unit without the prior written approval of the Board of Directors. Any flooring to be installed in such a Unit must use a sound control underlayment system approved by the Board. Installation of such sound control underlayment system shall include provisions for a perimeter insulation material which will limit transmission of impact noises into the Unit below the floor either directly through the floor or by going around the floor and through the surrounding walls. In order to maintain the highest level of acoustical privacy possible, the Board of Directors may, from time to time, adopt Rules to reduce levels of noise emission from Units. Additionally, no loudspeakers shall be affixed to any wall, ceiling, shelving or cabinets so as to cause vibrations discernable between Units. The use of stereo equipment, televisions and musical instruments shall be subject to and must be used in accordance with the Rules. All Owners, Lessees and Occupants shall take all reasonable precautions to lower noise transference between Units and to abide by the rules and regulations of the Association and any noise reduction ordinance of the Town.

4.20 Storage. To the extent storage of materials is permitted pursuant to the Condominium Documents, such storage must be in accordance with building, fire, health and safety, and environmental requirements of the Association's insurance carriers, the Town, Yavapai County, and any State or Federal agency or governmental entity having jurisdiction over any stored materials.

4.21 Clothes Drying Facilities. Outside clotheslines or other outside facilities for drying or airing clothes shall not be erected, placed or maintained on the Condominium.

4.22 Smoking. Notwithstanding anything to the contrary contained in any other provision of this Declaration, smoking is prohibited on or in any location on the Condominium excepting only (i) in the Units and (ii) in any portions of the Condominium located outside of the Buildings that are designated from time to time by the Board as areas where smoking will be

allowed (each, a “Designated Smoking Area”), provided that each Designated Smoking Area must be located at least twenty (20) feet from (a) any entrance to a Building, (b) from any open window of a Building and (c) from any Building ventilation system that would cause smoke to enter the Building. As used in this Section 4.22, “smoking “ means inhaling, exhaling, burning or carrying or possessing any lighted tobacco product, including cigars, cigarettes, pipe tobacco and any other lighted tobacco product or the use of e-cigarette or vaping devices. For the purposes of clarification only, such prohibition of smoking includes, without limitation, a prohibition on smoking on or in the Limited Common Elements, such as the Patios, Balconies or Decks. Subject to the provisions of this Declaration, the Board is entitled to adopt, amend and repeal Rules effectuating the provisions of this Paragraph 4.22, governing smoking in the Units and on the Designated Smoking Areas and adopting fines applicable to violations of this Paragraph 4.22. Each Owner shall be responsible for compliance by the Owner’s family members, tenants and guests and by the tenants’ and the guests’ family members and guests with this Paragraph 4.22, the Rules restricting smoking on the Condominium and all applicable federal, state and local statutes, ordinances and regulations regulating smoking on the Condominium and shall be responsible for any violations thereof by the Owner’s tenants, family members or guests and by the Owner’s tenants’ family members or guests.

4.23 Relief/Variances. The Association may, at its option and in extenuating circumstances and for good cause, grant variances from the restrictions set forth in this Article 4 if the Association determines in its reasonable discretion that: (i) a restriction would create an unreasonable hardship or burden on an Owner or Occupant or a change of circumstances since the Recordation of this Declaration has rendered such restriction obsolete; or (ii) that the activity permitted under the variance will not have any substantial adverse effect on the Owners or Occupants of the Condominium or the quality of life intended for Owners and Occupants of the Condominium.

ARTICLE 5

MAINTENANCE AND REPAIR OF COMMON ELEMENTS AND UNITS

5.1 Duties of the Association. The Association shall inspect, maintain, repair and replace all Common Elements, but excluding (i) the Limited Common Elements which the Unit Owners are obligated to maintain, repair and replace pursuant to Section 5.2, and (ii) all windows and doors (including but not limited to the front door and garage door) in the perimeter walls of Units (except that the Association shall be responsible for routine painting of the front doors and garage doors). Subject to the terms of Section 5.3, the Association shall also maintain, repair and replace: (a) the walls and railings enclosing the Patios and the Balconies; (b) the floors and ceilings of all Patios and Balconies (excluding the obligation to periodically sweep, vacuum or clean such floors); and (c) the Association shall be responsible for painting the front doors and garage doors of the Units. The Association shall maintain all improvements within the public right-of-way adjoining the Parcel that the Declarant or Association is obligated to maintain pursuant to the Development Agreement. The level and extent of such maintenance, repair, and replacement by the Association shall be determined at the sole discretion of the Board and shall be deemed a Common Expense.

5.1.1 The Board of Directors shall be the sole judge as to the appropriate maintenance, repair and replacement of all Common Elements, but all Common Elements shall be maintained in good condition and repair at all times. Notwithstanding the foregoing, as to the maintenance and repair of Common Elements consisting of roofs, exterior stucco, and siding of the Buildings, and other mechanical systems, and on-site drainage for the Parcel, the Association shall engage one or more qualified inspection companies or contractors to inspect such Common Elements on a periodic basis and issue to the Association a written report setting forth recommended maintenance and repair of such Common Elements. The Association shall maintain, repair and replace the Common Elements and the components of the Units which the Association is obligated to maintain, repair and replace in accordance with manufacturers' requirements and in accordance with any maintenance manuals provided to the Association by manufacturers, Declarant or any contractor or subcontractor involved in the construction of the Units or Common Elements.

5.1.2 No Owner, Lessee, Occupant or other Person shall obstruct or interfere with the Association in the performance of the Association's maintenance, repair and replacement of the Common Elements or any components of the Units which the Association is obligated to maintain, repair or replace.

5.1.3 During the Period of Declarant Control, Declarant reserves the right, without the obligation, to make any alterations to the Common Elements and the Improvements thereon, including without limitation the replacement of originally installed landscaping with other shrubs, plants, or other landscape material of Declarant's choice. By acceptance of a deed for a Unit within the Condominium, each Owner shall be deemed to have agreed that when the Period of Declarant Control ceases, the Condominium and Areas of Association Responsibility shall be accepted by the Owners and the Association subject to reasonable wear and tear and there shall be no obligation of Declarant, or its successors and assigns, to repair, replace, or otherwise cause the Condominium or Common Elements to be placed in like-new condition.

5.2 Duties of Unit Owners. Unless otherwise specified in Section 5.1, each Owner shall maintain, repair and replace, at its own expense, (i) all portions of its Unit (including the Garage and the stairways within or immediately adjacent to Garages that service second floor Units) and (ii) all Limited Common Elements allocated to its Unit pursuant to Sections 2.8.1(a), (b), and (c), and the interior of the Balconies and Patios allocated to the Unit in a good, clean and sanitary condition. Notwithstanding the generality of the foregoing, the Unit Owner's responsibility for maintenance includes the hot water heater and all HVAC equipment serving the Unit, whether located inside or outside of the Unit.

5.3 Repair or Restoration Necessitated by Owner. Notwithstanding the provisions of Section 5.1, each Owner shall be liable to the Association for any damage to the Common Elements or the Improvements, landscaping or equipment thereon which results from the negligence or willful misconduct of the Owner or of the Owner's Lessees, Occupants or Invitees. The cost to the Association of any such repair, maintenance or replacements required by such act of an Owner or of the Owner's Lessees, Occupants or Invitees shall be assessed against the Owner as provided in Section 7.2.4. The Association may enforce collection of any such amounts in the

same manner and to the same extent as provided for in this Declaration for the collection of Assessments.

5.4 Owner's Failure to Maintain. If an Owner fails to maintain in good condition and repair its Unit or any Limited Common Element which it is obligated to maintain under this Declaration and the required maintenance, repair or replacement is not performed after the Association has given Owner written notice and a reasonable time frame (as determined by the Board) to perform the maintenance, the Association shall have the right, but not the obligation, to perform the required maintenance, repair or replacement. The cost of any such maintenance, repair or replacement shall be assessed against the nonperforming unit Owner pursuant to Section 7.2.4.

ARTICLE 6 THE ASSOCIATION

6.1 Rights, Powers and Duties of the Association. No later than the date on which the first Unit is conveyed to a Purchaser, the Association shall be organized as a nonprofit Arizona corporation. The Association shall be the entity through which the Unit Owners shall act. The Association shall have such rights, powers and duties as are prescribed by law and as are set forth in the Condominium Documents together with such rights, powers and duties as may be reasonably necessary in order to effectuate the objectives and purposes of the Association as set forth in this Declaration and the Condominium Act. Unless the Condominium Documents or the Condominium Act specifically require a vote of the Members, the Board of Directors may act in all instances on behalf of the Association. Notwithstanding anything in this Declaration to the contrary, so long as Declarant owns any Unit, the prior written consent of Declarant shall be required for any decision by the Association to establish self-management when professional management previously had been in place.

6.2 Directors and Officers. During the Period of Declarant Control, Declarant shall have the right to appoint and remove the members of the Board of Directors and the officers of the Association, who do not have to be Unit Owners. Upon the termination of the Period of Declarant Control, the Unit Owners shall elect the Board of Directors which must consist of at least three members, all of whom must be Unit Owners. The Board of Directors elected by the Unit Owners shall then elect the officers of the Association. Declarant may voluntarily surrender the right to appoint and remove the members of the Board of Directors and the officers of the Association before termination of the Period of Declarant Control, and in that event Declarant may require, for the duration of the Period of Declarant Control, that specified actions of the Association or the Board of Directors, as described in a Recorded instrument executed by Declarant, be approved by Declarant before they become effective.

6.3 Rules. The Board of Directors, from time to time and subject to the provisions of this Declaration and the Condominium Act, may adopt, amend, and repeal rules and regulations. The Rules may, among other things, restrict and govern the use of the Units and the Common Elements, including the Limited Common Elements; provided, however, the Rules may not unreasonably discriminate among Owners and shall not be inconsistent with the Condominium Act, this Declaration, the Articles or Bylaws. A copy of the Rules, as from time to time adopted,

amended or repealed, shall be mailed or otherwise made available to each Owner and may be Recorded. It is the responsibility of all Owners to properly disclose the Rules to such Owner's Lessees and occupants.

6.4 Identity of Members. Each Unit Owner shall be a member of the Association. The membership of the Association at all times shall consist exclusively of the Unit Owners. Membership in the Association shall be mandatory. An Owner shall automatically, upon becoming an Owner, be a member of the Association and shall remain a member of the Association until such time as its ownership ceases for any reason, at which time its membership in the Association shall automatically cease. Membership in the Association shall be appurtenant to each Unit and may not be separately assigned, transferred or conveyed.

6.5 Personal Liability. Neither Declarant nor any member of the Board of Directors or of any committee of the Association, nor any officer of the Association nor any Manager or employee of the Association nor any other Person acting on behalf of the Board of Directors shall be personally liable to the Association, to any Member, or to any other Person for any damage, loss or prejudice suffered or claimed on account of any act, omission, error or negligence in the discharge of such person's duties and responsibilities under the Condominium Documents provided such person acted in good faith and without intentional misconduct.

6.6 Common Area Utility Service. The Association shall acquire and pay for water, sewer, electrical, natural gas (if available) and other utility service for the Common Elements. The Association may, but is not obligated to, contract for cable/satellite television or internet services for the Units, or may make such services available to the Units on an opt-in basis. The Association may bill each Unit Owner for such services. Any such charges for cable/satellite television or internet services may be included as part of a Regular Assessment under Section 7.2 or as an Individual Expense Assessment under Section 7.4, and shall be paid by each Owner of a Unit. However, the Association may instead determine that all television, cable or internet services shall be arranged and paid for directly by the Unit Owner, in which case Unit Owners shall contract directly with the provider and directly pay for any desired television, cable or internet service and all phone services.

6.7 Manager; Additional Services. The Association may contract with a Manager for the performance of Association management services, maintenance and repair and for conducting other activities on behalf of the Association and may employ such personnel as the Association deems necessary for the effective management, operation and maintenance of the Common Elements, including the employment of legal and accounting services. The Association, Declarant, and their respective successors and assigns shall additionally have the power, but not the duty, to, from time to time, enter into contracts (and to terminate any of such contracts or permit them to expire and to later enter into similar contracts) with Unit Owners or other Persons, including Declarant or its affiliated entities, to maintain and repair Improvements within the Condominium and elsewhere or to provide services which the Association is not otherwise required to provide or maintain pursuant to this Declaration, including, but not limited to, concierge services, valet parking, personal training, dry cleaning and laundry services, catering, grocery and/or food delivery, house cleaning, and shoe and car repair services; provided, however, that any such contract shall provide for payment to the Association for the costs of providing such services or

maintenance or for billing a Unit Owner directly for any such service utilized by such Unit Owner, as the Association deems appropriate from time to time, and the Association may levy an Individual Expense Assessment against a Unit Owner for such services as provided in Section 7.4.

6.8 Borrowing Power. The Association may borrow money in such amounts as are approved by the Unit Owners, subject to the procedures set forth herein. In connection therewith, the Association may assign its right to future income, including the right to receive Assessments. The Board, after consulting with one or more lending institutions, shall submit to the Owners a borrowing plan containing the proposed amount, rates, terms, and security of the loan. The borrowing plan must be approved by the vote of Unit Owners holding more than fifty percent (50%) of the votes cast on the matter. The rates, terms, and security, and periods of time of the loan are subject to change pursuant to changes in available credit from the time the borrowing plan was obtained from the lending institution and when the borrowing plan was approved by the Owners. The amount borrowed, however, may not be an amount greater than approved by the Owners.

6.9 Capital Improvements. The Association shall have the right to finance capital improvements in the Condominium by encumbering future Assessments if such action is approved by the affirmative vote of Unit Owners holding more than two-thirds (2/3) of the votes in the Association.

6.10 Acceptance of Assignments or Delegations from Declarant. The Association shall accept from the Declarant any assignment of rights and/or delegation of duties of the Declarant under this Declaration and/or under the Development Agreement, excluding any obligation for initial construction of any Improvements on the Parcel.

ARTICLE 7 ASSESSMENTS

7.1 Preparation of Budget.

7.1.1 For each fiscal year of the Association, commencing with the fiscal year in which the first Unit is conveyed to a Purchaser, the Board of Directors shall adopt a budget for the Association containing an estimate of the total amount of funds which the Board of Directors believes will be required during the ensuing fiscal year to pay all Common Expenses including, but not limited, to: (a) the amount required to pay the cost of inspection, maintenance, management, operation, repair and replacement of the Common Elements and those parts of the Units, if any, which the Association has the responsibility of maintaining, repairing and replacing; (b) the cost of wages, materials, insurance premiums, services, supplies and other expenses required for the administration, operation, maintenance and repair of the Condominium; (c) the amount required to render to the Unit Owners all services required to be rendered by the Association under the Condominium Documents; and (d) such amounts as may be reasonably necessary to provide general operating reserves and reserves for contingencies and replacements. The budget shall separately reflect any Common Expenses to be assessed against less than all of the Units. The Board of Directors is expressly authorized to adopt and amend budgets for the

Association from time to time, and no ratification of any budget by the Unit Owners shall be required.

7.1.2 The Board of Directors shall send to each Owner a statement of the amount of the Regular Assessment assessed against the Owner's Unit in accordance with Section 7.2 for each fiscal year (other than the first fiscal year of the Association). The failure or delay of the Board of Directors to prepare or adopt a budget for any fiscal year or to send a notice of the Regular Assessment for a new fiscal year shall not constitute a waiver or release in any manner of an Owner's obligation to pay its allocable share of the Common Expenses as provided in Section 7.2, and each Owner shall continue to pay the Regular Assessment for its Unit as established for the previous fiscal year until notice of the Regular Assessment for the new fiscal year has been given to the Owners by the Board of Directors.

7.2 Regular Assessment.

7.2.1 For each fiscal year of the Association commencing with the fiscal year in which the first Unit is conveyed to a Purchaser, the total amount of the estimated Common Expenses set forth in the budget adopted by the Board of Directors (except for the Common Expenses which are to be assessed against less than all of the Units pursuant to this Declaration) shall be assessed against each Unit in proportion to the Unit's Common Expense Liability as set forth in Section 2.6. The amount of each annual budget, including revisions, shall be in the sole discretion of the Board of Directors. If the Board of Directors determines during any fiscal year that its funds budgeted or available for that fiscal year are, or will, become inadequate to meet all Common Expenses for any reason, including, without limitation, nonpayment of Assessments by Members, the Board of Directors may increase the Regular Assessment for that fiscal year and the revised Regular Assessment shall commence on the date designated by the Board of Directors.

7.2.2 The Regular Assessments shall commence as to all Units which have been subjected to the terms of this Declaration on the first day of the month following the conveyance of the first Unit to a Purchaser. The Regular Assessments shall commence as to Units in subsequent phases on the first day of the month following the Effective Date for each such phase. The first Regular Assessment shall be adjusted according to the number of months remaining in the fiscal year of the Association. The Board of Directors may require that the Regular Assessments or Special Assessments be paid in installments.

7.2.3 Any Common Expense or portion of a Common Expense benefitting fewer than all of the Units, including, but not limited to, the costs of services provided to less than all the Units, and Common Expenses associated with the maintenance, repair and replacement of a Limited Common Element, shall be assessed and allocated against the Units benefitted in proportion to each Unit's benefit as determined by the Board.

7.2.4 If any Common Expense is caused by any Owner, Lessee, Occupant or their Invitees, the Association shall assess that Common Expense exclusively against such Owner's Unit.

7.2.5 Assessments to pay a judgment against the Association may be made only against the Units in the Condominium at the time the judgment was entered, in proportion to their Common Expense Liabilities.

7.2.6 All Assessments, monetary penalties and other fees and charges levied against a Unit shall be the personal obligation of the Owner of the Unit at the time the Assessments, monetary penalties or other fees and charges became due. The personal obligation of an Owner for Assessments, monetary penalties and other fees and charges levied against its Unit shall not pass to the Owner's successors in title unless expressly assumed by them.

7.2.7 The Regular Assessment for any Unit owned by Declarant on which construction has not been substantially completed shall be an amount equal to twenty-five percent (25%) of the Regular Assessment for Units which have been substantially completed. For purposes of this Section, a Unit shall be deemed substantially completed when a certificate of occupancy or equivalent permit has been issued for the Unit by the Town. So long as any Unit owned by Declarant qualifies for the reduced Regular Assessment provided for in this Section, Declarant shall be obligated to pay to the Association any deficiency in the amounts necessary for the Association to be able to timely pay all Common Expenses due to Declarant having paid a reduced Regular Assessment; provided, however, such amount paid by Declarant shall not exceed the amounts that otherwise would have been assessed against such Units owned by Declarant had Declarant not received a reduced Assessment. If a Unit ceases to qualify for the reduced twenty-five percent (25%) rate of Assessment during the period to which an Assessment is attributable, the Assessment shall be prorated between the applicable rates on the basis of the number of days in the Assessment period that the Unit qualified for each rate.

7.3 Special Assessments. The Association may levy a special assessment for the purpose of defraying, in whole or in part, the cost of any Common Expense, or for any other lawful Association purpose, provided that any Special Assessment (other than a Special Assessment levied pursuant to Section 9.1 as a result of the damage or destruction of all or part of the Common Elements) shall have first been approved by Owners representing not less than two-thirds (2/3) of the votes in the Association. Unless otherwise specified by the Board of Directors, Special Assessments shall be due thirty (30) days after they are levied by the Association and notice of the Special Assessment is given to the Owners.

7.4 Individual Expense Assessment. The Association may contract with various suppliers of goods or services to provide to the Owners, Lessees and Occupants goods or services which the Association is not required to provide under the Condominium Documents (or for utilities or refuse collection services as set forth in Section 6.6). Any such contract may either provide that the Association shall pay for the cost and expense of the goods or services provided to the Owners, Lessees or Occupants under the contract or that the cost and expense shall be billed directly to the Owner, Lessee or Occupant receiving such goods or services. Any such costs and expenses paid by the Association shall be assessed as an Individual Expense Assessment to the Unit receiving such goods or services.

7.5 Enforcement Assessment. The Association may assess against a Unit Owner as an Enforcement Assessment any of the following expenses: (a) any Collection Costs incurred by

the Association in attempting to collect Assessments or other amounts payable to the Association by the Owner; (b) all attorney fees (whether or not a lawsuit is filed) incurred by the Association with respect to any violation of the Condominium Documents by the Owner or the Owner's Lessees, Occupants or Invitees; and/or (c) any amounts (other than Regular Assessments, Special Assessments and Individual Assessments) which become due and payable to the Association by the Owner or the Owner's Lessees, Occupants or Invitees pursuant to the Condominium Documents.

7.6 Purposes for which Association's Funds May Be Used. The Association may use the funds and property collected and received by the Association (including, but not limited to, all Assessments, fees, loan proceeds, surplus funds and all funds and property received from any other source) for the purpose of: (a) discharging and performing the Association's duties and obligations under the Condominium Documents or applicable law; (b) exercising the rights and powers granted to the Association by the Condominium Documents or applicable law; (c) providing or promoting activities and services the Board of Directors deems appropriate, necessary or desirable to foster or promote the common good and general welfare of the Condominium and the Owners, Lessees and Occupants; (d) contracting for services (including, without limitation, utilities or cable television) to be provided to Owners, Lessees and Occupants; and (e) taking such other action as the Board of Directors deems necessary, appropriate or desirable for the management and administration of the Association or the benefit of the Association or the Condominium.

7.7 Effect of Nonpayment of Assessments; Remedies of the Association.

7.7.1 Any Assessment, or any installment of an Assessment, which is not paid within fifteen (15) days after the Assessment first became due shall be deemed delinquent and shall bear interest from the date of delinquency at the rate of interest established from time to time by the Board of Directors. If any Assessment, or any installment thereof, is not paid within fifteen (15) days after the Assessment first became due, the Association may assess against the delinquent Unit Owner a late fee in the amount established from time to time by the Board of Directors.

7.7.2 All Assessments and other fees and charges imposed or levied against any Unit or Unit Owner shall be secured by the Assessment Lien as provided for in the Condominium Act. The recording of this Declaration constitutes record notice and perfection of the Assessment Lien, and no further recordation of any claim of lien shall be required. Although not required in order to perfect the Assessment Lien, the Association shall have the right but not the obligation, to record a notice setting forth the amount of any delinquent Assessments or other fees or charges imposed or levied against a Unit or the Unit Owner which are secured by the Assessment Lien.

7.7.3 The Assessment Lien shall have priority over all liens, other interests and encumbrances except for: (a) liens and encumbrances Recorded before the recording of this Declaration; (b) liens for real estate taxes and other governmental assessments and charges; and (c) the lien of any First Mortgage on a Unit. Any First Mortgagee or any other Person acquiring title or coming into possession of a Unit through foreclosure of the First Mortgage, purchase at a foreclosure sale or trustee sale, or through any equivalent proceedings, such as, but not limited to, the taking of a deed in lieu of foreclosure shall acquire title free and clear of any claims for unpaid Assessments and charges against the Unit which became payable prior to the acquisition of such

Unit by the First Mortgagee or other Person. Any assessments and charges against the Unit which accrue prior to such sale or transfer shall remain the obligation of the defaulting Unit Owner.

7.7.4 The Association shall have the right, at its option, to enforce collection of any delinquent Assessments, and all other fees and charges owed to the Association in any manner allowed by law including, but not limited to: (a) bringing an action at law against the Unit Owner personally obligated to pay the delinquent amounts and such action may be brought without waiving the Assessment Lien securing any such delinquent amounts; or (b) bringing an action to foreclose the Assessment Lien against the Unit in the manner provided by law for the foreclosure of a realty mortgage. The Association shall have the power to bid in at any foreclosure sale and to purchase, acquire, hold, lease, mortgage and convey any and all Units purchased at such sale.

7.8 Certificate of Payment. The Association on written request shall furnish to a lienholder, Unit Owner or Person designated by a Unit Owner a recordable statement setting forth the amount of unpaid Assessments against its Unit. The statement shall be furnished within ten (10) days after receipt of the request and is binding on the Association, the Board of Directors, and every Unit Owner. In addition, upon receipt of written notice from an Owner or other interested Person, the Association shall mail or deliver to a Purchaser within ten (10) days after receipt of a written notice of a pending sale of a Unit, a written statement setting forth the items required under A.R.S. § 33-1260. The Association may charge a reasonable fee in an amount established by the Board of Directors and as permitted by law for each such statement.

7.9 No Exemption or Offsets. No Owner may exempt himself from liability for payment of Assessments, monetary penalties and other fees and charges levied pursuant to the Condominium Documents by waiver and nonuse of any of the Common Elements and facilities or by the abandonment of its Unit. All Assessments, monetary penalties and other fees and charges shall be payable in accordance with the provisions of this Declaration, and no offsets against such Assessments, monetary penalties and other fees and charges shall be permitted for any reason, including, without limitation, a claim that the Association is not properly exercising its duties and powers as provided in the Condominium Documents or the Condominium Act.

7.10 Initial Working Capital Fund. To ensure that the Association has adequate funds for capital improvements and community enhancements, to meet its expenses, to maintain and improve property values, to purchase necessary equipment or services, or for any other proper Association purpose as determined the discretion of the Board of Directors, in addition to the Assessment set forth in this Article, each Purchaser of a Unit shall pay to the Association, immediately upon becoming the Owner of the Unit, a Working Capital Contribution in an amount determined from time to time by the Board of Directors. The amount of the Working Capital Contribution may be changed from time to time by the Board of Directors at its sole discretion. Such amount shall be non-refundable and shall not be considered as an advance payment of any Assessments levied by the Association pursuant to this Declaration.

7.10.1 No Working Capital Contribution shall be payable with respect to: (a) the transfer or conveyance of a Unit by devise or intestate succession; (b) a transfer or conveyance of a Unit to a family trust, family limited partnership or other Person for bona fide estate planning purposes; (c) a transfer or conveyance of a Unit to a corporation, partnership or other entity in

which the grantor owns a majority interest unless the Board determines, in its sole discretion, that a material purpose of the transfer or conveyance was to avoid payment of the Reserve Contribution in which event a Reserve Contribution shall be payable with respect to such transfer or conveyance; (d) the conveyance of a Unit by a trustee's deed following a trustee's sale under a deed of trust; or (e) a conveyance of a Unit as a result of the foreclosure of a realty mortgage or the forfeiture or foreclosure of a purchaser's interest under a Recorded contract for the conveyance of real property subject to A.R.S. § 33-741, et seq.

7.11 Reserve Contribution.

7.11.1 Except as provided in Section 7.11.2, each Purchaser of a Unit shall pay to the Association, immediately upon becoming the Owner of the Unit, a contribution (the "Reserve Contribution") to the reserves to be established pursuant to Section 7.13. The amount of the Reserve Contribution shall be determined from time to time by the Board of Directors, and may be changed from time to time by the Board of Directors at its sole discretion.

7.11.2 No Reserve Contribution shall be payable with respect to: (a) the transfer or conveyance of a Unit by devise or intestate succession; (b) a transfer or conveyance of a Unit to a family trust, family limited partnership or other Person for bona fide estate planning purposes; (c) a transfer or conveyance of a Unit to a corporation, partnership or other entity in which the grantor owns a majority interest unless the Board determines, in its sole discretion, that a material purpose of the transfer or conveyance was to avoid payment of the Reserve Contribution in which event a Reserve Contribution shall be payable with respect to such transfer or conveyance; (d) the conveyance of a Unit by a trustee's deed following a trustee's sale under a deed of trust; or (e) a conveyance of a Unit as a result of the foreclosure of a realty mortgage or the forfeiture or foreclosure of a purchaser's interest under a Recorded contract for the conveyance of real property subject to A.R.S. § 33-741, et seq.

7.11.3 All Reserve Contributions shall be deposited in the Reserve Account established pursuant to Section 7.13 and may be used for maintenance, repairs, replacements, and additions to the Common Elements. Reserve Contributions shall be non-refundable and shall not be considered as an advance payment of Assessments.

7.12 Transfer Fee. Each Purchaser of a Unit shall pay to the Association immediately upon becoming the Owner of the Unit a transfer fee in the amount set from time to time by the Board of Directors in accordance with Arizona law.

7.13 Reserves.

7.13.1 The Board of Directors shall establish reserves for the future periodic maintenance, repair or replacement of the major components of the Common Elements which the Association is obligated to maintain, repair and replace. The reserves may be funded from Regular Assessments, the Reserve Contributions paid pursuant to Section 7.11 or any other revenue of the Association. All amounts designated as reserves shall be deposited by the Board of Directors in a separate bank account (the "Reserve Account") to be held for the purposes for which they are collected and are to be segregated from and not commingled with any other funds of the

Association. The Board of Directors shall obtain a reserve study on or before the second anniversary of the date the first Unit is conveyed to a Purchaser, which study shall at a minimum include: (a) identification of the major components of the Common Elements which the Association is obligated to repair, replace, restore or maintain which, as of the date of the study, have a remaining useful life of less than thirty (30) years; (b) identification of the probable remaining useful life of the identified major components as of the date of the study; (c) an estimate of the cost of repair, replacement, restoration, or maintenance of the identified major components during and at the end of their useful life; and (d) an estimate of the total annual contribution necessary to defray the cost to repair, replace, restore, or maintain the identified major components during and at the end of their useful life, after subtracting total reserve funds as of the date of the study and projected Reserve Contribution pursuant to Section 7.11. The Board of Directors may update such reserve study or obtain one or more new studies from time to time as determined necessary by the Board of Directors.

7.13.2 Unless the Association is exempt from Federal or State taxes, all reserves shall be accounted for as contributions to the capital of the Association and as trust funds segregated from the regular income of the Association or in any other manner authorized by law or regulation of the Internal Revenue Service that will prevent such funds from being taxed as income of the Association.

7.14 Waiver of Exemption. Each Owner, to the extent permitted by law, waives, to the extent of any liens created pursuant to this Declaration, the benefit of any homestead or exemption laws of the State of Arizona in effect at the time any Assessment or installment becomes delinquent or any lien is imposed upon a Unit.

ARTICLE 8 INSURANCE

8.1 Scope of Coverage.

8.1.1 Commencing not later than the date of the first conveyance of a Unit to a Purchaser, the Association shall maintain, to the extent reasonably available, the following insurance coverage from generally acceptable insurance carriers:

(a) A special form policy of property insurance with sprinkler leakage, debris removal and water damage endorsements, insuring the Common Elements. Such property insurance shall cover the interests of the Association, the Board of Directors and all Unit Owners and their mortgagees, as their interests may appear (subject, however, to the loss payment adjustment provisions in favor of an Insurance Trustee), in an amount equal to one hundred percent (100%) of the then current replacement cost of the Common Elements (exclusive of the land, excavations, foundations and other items normally excluded from such coverage), without deduction for depreciation. The Board of Directors shall also obtain and maintain such coverage on all personal property owned by the Association.

(b) Broad form comprehensive general liability insurance, for a limit to be determined by the Board, but not less than \$3,000,000.00 for any single occurrence with an aggregate of \$3,000,000.00. Such insurance shall cover all occurrences commonly insured against for death, bodily injury and property damage arising out of or in connection with the use, ownership or maintenance of the Common Elements or the items the Association is required to maintain pursuant to the Development Agreement. Such policy shall include: (i) a cross liability clause to cover liabilities of the Owners as a group to an Owner; (ii) medical payments insurance and contingent liability coverage arising out of the use of hired and nonowned automobiles; (iii) coverage for any legal liability that results from lawsuits related to employment contracts in which the Association is a party; and (iv) a waiver of the contractual liability exclusion for personal injury.

(c) Workers' compensation insurance to the extent necessary to meet the requirements of the laws of Arizona and a policy of employer's liability insurance with coverage limits determined by the Board of Directors.

(d) Directors' and officers' liability insurance in an amount not less than \$1,000,000.00 covering all the directors and officers of the Association.

(e) Such other insurance as the Association shall determine from time to time to be appropriate to protect the Association, the members of the Board of Directors, the members of any committee or the Board of Directors or the Unit Owners, including, without limitation, umbrella general liability insurance which would provide general liability coverage in excess of the coverage provided by the policy to be obtained pursuant to Section 8.1.1(b).

(f) The insurance policies purchased by the Association shall, to the extent reasonably available, contain the following provisions:

(i) Each Unit Owner shall be an insured under the policy with respect to liability arising out of its ownership of an undivided interest in the Common Elements or its membership in the Association.

(ii) There shall be no subrogation with respect to the Association, its agents, servants, and employees against Unit Owners and members of their household.

(iii) No act or omission by any Unit Owner, unless acting within the scope of its authority on behalf of the Association, shall void the policy or be a condition to recovery on the policy.

(iv) The coverage afforded by such policy shall be primary and shall not be brought into contribution or proration with any insurance which may be purchased by Unit Owners or their mortgagees or beneficiaries under deeds of trust.

(v) A “severability of interest” endorsement which shall preclude the insurer from denying the claim of a Unit Owner because of the negligent acts of the Association or other Unit Owners.

(vi) The Association shall be the insured for use and benefit of the individual Unit Owners (designated by name if required by the insurer).

(vii) For policies of property insurance, a standard mortgagee clause providing that the insurance carrier shall notify the Association and each First Mortgagee named in the policy at least ten (10) days in advance of the effective date of any substantial change in coverage or cancellation of the policy.

(viii) Any Insurance Trust Agreement will be recognized by the insurer.

(g) If applicable, pressured, mechanical and electrical equipment coverage on a comprehensive form in an amount not less than \$500,000 per accident per location.

(h) If required by any governmental or quasi-governmental agency (including, without limitation, the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation) flood insurance in accordance with the applicable regulations of such agency.

8.1.2 If, at the time of a loss insured under an insurance policy purchased by the Association, the loss is also insured under an insurance policy purchased by a Unit Owner, the Association’s policy shall provide primary coverage.

8.1.3 Notwithstanding any of the other provisions of this Article 8 to the contrary, there may be named as an insured, on behalf of the Association, the Association’s authorized representative, including any trustee with whom the Association may enter into any Insurance Trust Agreement or any successor to such trustee who shall have exclusive authority to negotiate losses under any policy providing such property or liability insurance and to perform such other functions as are necessary to accomplish such purpose. Each Unit Owner appoints the Association, or any insurance trustee or substitute insurance trustee designated by the Association, as attorney-in-fact for the purpose of purchasing and maintaining such insurance, including: (a) the collection and appropriate disposition of the proceeds thereof; (b) the negotiation of losses and execution of releases of liability; (c) the execution of all documents; and (d) the performance of all other acts necessary to accomplish such purpose.

8.1.4 The Association and its directors and officers shall have no liability to any Owner or First Mortgagee or other Person having a lien on a Unit if, after a good faith effort, (a) the Association is unable to obtain insurance required hereunder because the insurance is no longer available; (b) if available, the insurance can be obtained only at a cost that the Board, in its sole

discretion, determines is unreasonable under the circumstances; or (c) the Members fail to approve any increase in the Regular Assessment needed to pay the insurance premiums.

8.1.5 The Board of Directors shall determine periodically whether the amounts and types of insurance the Association has obtained provide adequate coverage in light of increased construction costs, inflation, practice in the area in which the Condominium is located, or any other factor which tends to indicate that either additional insurance policies or increased coverage under existing policies are necessary or desirable to protect the interests of the Owners and of the Association.

8.2 Fidelity Insurance or Bonds.

8.2.1 The Association shall maintain blanket fidelity insurance or bonds for all officers, directors, trustees and employees of the Association and all other persons handling or responsible for funds of or administered by the Association including, but without limitation, officers, directors and employees of any Manager of the Association, whether or not they receive compensation for their services. The total amount of the fidelity insurance or bonds maintained by the Association shall be based upon the best business judgment of the Board, and shall not be less than the greater of the estimated maximum funds, including reserve funds, in the custody of the Association or the Manager, as the case may be, at any given time during the term of each bond, or the sum equal to three months aggregate Regular Assessments on all Units plus reserve funds. Fidelity insurance or bonds obtained by the Association must also meet the following requirements:

- (a) The fidelity insurance or bonds shall name the Association as an obligee;
- (b) The insurance or bonds shall contain waivers by the issuers of the bonds of all defenses based upon the exclusion of persons serving without compensation from the definition of “employees” or similar terms or expressions;
- (c) The insurance or bonds shall provide that they may not be cancelled or substantially modified (including cancellation from nonpayment of premium) without at least ten (10) days prior written notice to the Association and each First Mortgagee.

8.2.2 The Association shall require the Manager to maintain its own fidelity insurance or bond covering the Manager’s officers, employees and agents handling or responsible for funds of, or administered on behalf of, the Association in an amount equal to or greater than the amount of the fidelity insurance or bond to be maintained by the Association pursuant to Section 8.2.1. The fidelity insurance or bond maintained by the Manager shall cover funds maintained in bank accounts of the Manager and need not name the Association as an obligee.

8.3 Payment of Premiums and Deductibles. Premiums for all insurance obtained by the Association pursuant to this Article shall be Common Expenses and shall be paid for by the Association. The Board of Directors may select deductibles applicable to the insurance coverage

to be maintained by the Association pursuant to Section 8.1 in order to reduce the premiums payable for such insurance. The deductible, if any, on any insurance policy obtained by the Association shall be a Common Expense, except that the Association may assess the deductible to fewer than all of the Unit Owners for the cost of the deductible in accordance with Sections 7.2.3 and 7.2.4 herein. Specifically, in the event a claim is made on a policy of insurance obtained by the Association in relation to damage to Common Elements and to one or more Units, the amount of the deductible shall be split pro rata between the Association and the Unit Owners in proportion to the damage to the Common Elements and the Units respectively, unless the damage was caused by an Owner or by the Association, in which case the party at fault shall be responsible for the entire deductible. If an Owner is required to pay the amount of the deductible to the Association to perform any repair or reconstruction work, said amount shall be paid within sixty (60) days of its due date, as established by the Association. Any unpaid deductible shall be collectible in the same manner as a delinquent Assessment.

8.4 Insurance Obtained by Unit Owners. Each Unit Owner shall be responsible for: (a) property insurance on his or her personal property located in its Unit and elsewhere on the Condominium; (b) property insurance on his or her Unit, to the extent not covered by insurance obtained by the Association; and (c) comprehensive general liability insurance to the extent not covered by the policies of liability insurance obtained by the Board of Directors for the benefit of all of the Unit Owners. All policies of property insurance carried by an Owner shall be without contribution with respect to the policies of property insurance obtained by the Board of Directors for the benefit of all of the Unit Owners. If any Owner violates this provision, any diminution in insurance proceeds otherwise payable under the Association's policies that results from the existence of other insurance will be chargeable to and assess them against the Owner who acquired other insurance.

8.5 Payment of Insurance Proceeds. Any loss covered by property insurance obtained by the Association in accordance with this Article 8 shall be adjusted with the Association and the insurance proceeds shall be payable to the Association and not to any mortgagee or beneficiary under a deed of trust. The Association shall hold any insurance proceeds in trust for Unit Owners and lienholders as their interests may appear, and the proceeds shall be disbursed and applied as provided for in the Condominium Act.

8.6 Certificate of Insurance. An insurer that has issued an insurance policy pursuant to this Article 8 shall issue certificates or memoranda of insurance to the Association and, on written request, to any Unit Owner, mortgagee, or beneficiary under a deed of trust. The insurer issuing the policy shall not cancel or refuse to renew it until thirty (30) days after notice of the proposed cancellation or nonrenewal has been mailed to the Association, each Unit Owner, and each mortgagee or beneficiary under a deed of trust to whom a certificate or memorandum of insurance has been issued at their respective last known addresses.

ARTICLE 9 DESTRUCTION OF IMPROVEMENTS

9.1 Automatic Reconstruction. Any portion of the Condominium for which insurance is maintained by the Association which is damaged or destroyed shall be repaired or replaced promptly by the Association unless: (a) the Condominium is terminated; (b) repair or replacement would be illegal under any state or local health or safety statute or ordinance; or (c) eighty percent (80%) of the Unit Owners, including every Owner of a Unit or allocated Limited Common Element which will not be rebuilt, vote not to rebuild. The cost of repair or replacement of the damaged or destroyed portion of the Condominium in excess of insurance proceeds and reserves shall be a Common Expense and shall be assessed to the Members as a Special Assessment pursuant to Section 7.3.

9.2 Determination Not to Reconstruct Without Termination. If eighty percent (80%) of the Unit Owners (including every Owner of a Unit or an allocated Limited Common Element which will not be rebuilt) vote not to rebuild, and the Condominium is not terminated in accordance with the Condominium Act, the insurance proceeds shall be distributed in proportion to their interests in the Common Elements to the Owners of those Units and the Owners to which those Limited Common Elements were allocated, or to lienholders as their interests may appear. The remainder of the proceeds shall be distributed to all Unit Owners or lienholders as their interests may appear in proportion to Common Element interests of all the Units. If the Unit Owners vote not to rebuild any Unit, that Unit's allocated interests in the Common Elements and in the Common Expenses shall be automatically reallocated as if the Unit had been condemned under A.R.S. § 33-1206A, and the Association shall prepare, execute and record an amendment to this Declaration reflecting the reallocation.

9.3 Distribution of Insurance Proceeds in the Event of Termination of the Condominium. Notwithstanding any provisions of this Article 9 to the contrary, the distribution of insurance proceeds resulting from the damage or destruction of all or any part of the Common Elements shall be distributed as provided in the Condominium Act in the event of a termination of the Condominium.

9.4 Negotiations with Insurer. The Association shall have full authority to negotiate in good faith with representatives of the insurer of any totally or partially destroyed building or any other portion of the Common Elements, and to make settlements with the insurer for less than full insurance coverage on the damage to such building or any other portion of the Common Elements. Any settlement made by the Association in good faith shall be binding upon all Owners and First Mortgagees. Insurance proceeds for any damage or destruction of any part of the Condominium covered by property insurance maintained by the Association shall be paid to the Association and not to any First Mortgagee or other lienholder. The Association shall hold any proceeds in trust for the Unit Owners and lienholders as their interests may appear. Except as otherwise provided in Sections 9.1 and 9.2, all insurance proceeds shall be disbursed first for the repair or restoration of the damaged Common Elements, and Unit Owners and lienholders are not entitled to receive payment of any portion of the proceeds unless the Condominium is terminated.

9.5 Repair of Units. Installation of improvements to, and repair of any damage to, the interior of a Unit not covered by property insurance maintained by the Association shall be made by and at the individual expense of the Owner of that Unit and shall be completed as promptly as practicable and in a lawful and workmanlike manner.

9.6 Priority. Nothing contained in this Article shall entitle an Owner to priority over any lender under a lien encumbering its Unit as to any portion of insurance proceeds allocated to such Unit.

ARTICLE 10 EMINENT DOMAIN

10.1 Total Taking of a Unit. If a Unit is acquired by eminent domain, or if part of a Unit is acquired by eminent domain leaving the Owner with a remnant which may not be practically or lawfully used for any purpose permitted by this Declaration, the award must compensate the Owner for its Unit and interest in the Common Elements, regardless of whether any Common Elements are taken. Upon such a taking, unless the decree otherwise provides, that Unit's allocated interests in the Common Elements and in the Common Expenses shall automatically be reallocated to the remaining Units in proportion to their respective allocated interests immediately before the taking. Upon such a taking, the Association shall prepare, execute and record an amendment to the Declaration in compliance with the Condominium Act. Any remnant of a Unit remaining after part of a Unit is taken becomes a Common Element.

10.2 Partial Taking of a Unit. Except as provided in Section 10.1, if part of a Unit is acquired by eminent domain, the award must compensate the Owner for the reduction in the value of its Unit and interest in the Common Elements, regardless of whether any Common Elements are taken. On acquisition, unless the decree otherwise provides, that Unit's allocated interests in the Common Elements and in the Common Expenses shall be reduced in proportion to the reduction in size of the Unit and the portion of the allocated interests divested from the partially acquired Unit shall automatically be reallocated to that Unit and the remaining Units in proportion to their respective interests immediately before the taking, with the partially acquired Unit participating in the reallocation on the basis of its reduced interest.

10.3 Taking of Common Elements. If part of the Common Elements is acquired by eminent domain, the portion of the award attributable to the Common Elements taken shall be paid to the Association for the benefit of the Unit Owners, and any portion of the award attributable to the acquisition of a Limited Common Element shall be equally divided among the Owners of the Units to which that Limited Common Element was allocated at the time of the acquisition.

10.4 Taking of Entire Condominium. In the event the Condominium in its entirety is acquired by eminent domain, the Condominium is terminated and the provisions of A.R.S. § 33-1228 apply.

10.5 Priority and Power of Attorney. Nothing contained in this Article 10 shall entitle an Owner to priority over any First Mortgagee under a lien encumbering its Unit as to any portion of any condemnation award allocated to such Unit. Each Owner hereby appoints the Association as attorney-in-fact for the purpose of negotiations and settlement with the condemning authority for the acquisition of the Common Elements, or any part thereof. This power of attorney is coupled with an interest, shall be irrevocable, and shall be binding on any heirs, personal representatives, successors or assigns or an Owner.

ARTICLE 11 DISPUTE RESOLUTION

11.1 Defined Terms. As used in this Article 11, the following terms shall have the meaning set forth below:

(a) **“Alleged Defect”** means any alleged defect or deficiency in the planning, design, engineering, grading, construction or development of the Common Elements or any Unit.

(b) **“Bound Parties”** means: (i) Declarant; (ii) all Unit Owners, Lessees and Occupants; and (iii) any contractor or subcontractor, architect, engineer, consultant or other Person who performs or furnishes the design, specifications, surveying, planning, supervision, testing, construction or observation of construction of the Common Elements or the Units and who agrees in writing to be bound by the provisions of this Article 11.

(c) **“Claim”** means: (i) any claim or cause of action arising out of or related in any way to the planning, design, engineering, grading, construction or development of the Common Elements, the Units or any other part of the Condominium, including, without limitation, any claim or cause of action that the Common Elements or the Units are defective or that Declarant, its agents, contractors, employees, subcontractors, architects, engineers or consultants were negligent in the planning, design, engineering, grading, construction or development thereof; or (ii) any claim or cause of action against Declarant or any employee, agent, director, member or officer of Declarant arising out of or in any way related to the development of the Condominium or the management or operation of the Association, including, without limitation, any claim for negligence, fraud, intentional misconduct or breach of fiduciary duty.

11.2 Agreement to Resolve Certain Disputes Without Litigation. All Bound Parties agree that all Claims shall be resolved in accordance with the dispute resolution procedures set forth in this Article 11.

11.3 Notice of Claim. Any Bound Party who contends or alleges to have a Claim (a “Claimant”) against any other Bound Party (a “Respondent”) shall notify each Respondent in writing of the Claim (the “Claim Notice”), stating plainly and concisely: (a) the nature of Claim, including, date, time, location, Persons involved, and Respondent’s role in the Claim; (b) the factual and legal basis of the Claim; and (c) what Claimant wants Respondent to do or not do to resolve the Claim. In the event the Claimant is the Association and the Claim involves an Alleged Defect, the Association must provide written notice to all Members prior to delivering a Claim Notice to a Bound Party or initiating any legal action, cause of action, proceeding, or arbitration against any Bound Party which notice shall (at a minimum) include: (a) a description of the Claim; (b) a description of the attempts of Declarant or any other Bound Party to correct such Alleged Defect and the opportunities provided to Declarant or any other Bound Party to correct such Alleged Defect; (c) a certification from an engineer licensed in the State of Arizona that such Alleged Defect exists along with a description of the scope of work necessary to cure such Alleged

Defect and a resume of such engineer; (d) the estimated cost to repair such Alleged Defect; (e) the name and professional background of the attorney retained by the Association to pursue the Claim and a description of the relationship between such attorney and member(s) of the Board of Directors (if any); (f) a description of the fee arrangement between such attorney and the Association; (g) the estimated attorneys' fees and expert fees and costs necessary to pursue the Claim and the source of the funds which will be used to pay such fees and expenses; (h) the estimated time necessary to conclude the action; and (i) an affirmative statement from the Board of Directors that the action is in the best interests of the Association and its Members.

11.4 Mediation. The Claimant and the Respondent shall negotiate in good faith in an attempt to resolve the claim. If the Parties do not resolve the Claim through negotiation within thirty (30) days after the date of the Claim Notice or within such longer period as may be agreed upon by the Parties ("Termination of Negotiations"), Claimant shall have thirty (30) additional days within which to submit the Claim to mediation by the American Arbitration Association ("AAA") or such other independent mediation service selected by mutual agreement of the Claimant and the Respondent. If Claimant does not submit the Claim to mediation within thirty (30) days after Termination of Negotiations, Claimant shall be deemed to have waived the Claim, and Respondent shall be released and discharged from any and all liability to Claimant on account of such Claim. If the Parties do not settle the Claim within thirty (30) days after submission of the matter to the mediation process, or within such time as determined reasonable or appropriate by the mediator, the mediator shall issue a notice of termination of the mediation proceedings ("Termination of Mediation Notice"). The Termination of Mediation Notice shall set forth when and where the Parties met, that the Parties are at an impasse, and the date that mediation was terminated.

11.5 Binding Arbitration. In the event a Claim is not resolved by mediation, the Claimant shall have thirty (30) days after the date of the Termination of Mediation Notice to submit the Claim to binding arbitration in accordance with this Section 11.5. If the Claimant fails to timely submit the Claim to arbitration, then the Claim shall be deemed waived and abandoned and the Respondent shall be relieved of any and all liability to Claimant arising out of the Claim. The Claimant and Respondent shall cooperate in good faith to assure that all Bound Parties who may be liable to the Claimant or Respondent with respect to the Claim are made parties to the arbitration. If the Claimant submits the Claim to binding arbitration in accordance with this Section 11.5, the arbitration shall be conducted in accordance with the following rules:

(a) **Initiation of Arbitration.** The arbitration shall be initiated by either party delivering to the other a Notice of Intention to Arbitrate as provided for in the AAA Commercial Arbitration Rules or such other rules as the AAA may determine to be applicable (the "AAA Rules").

(b) **Governing Procedures.** The arbitration shall be conducted in accordance with the AAA Rules and A.R.S. § 12-1501, et seq. In the event of a conflict between the AAA Rules and this Section 11.5, the provisions of this Section 11.5 shall govern.

(c) **Appointment of Arbitrator.** The parties shall appoint a single Arbitrator by mutual agreement. If the parties have not agreed within ten (10) days of the date of the

Notice of Intention to Arbitrate on the selection of an arbitrator willing to serve, the AAA shall appoint a qualified Arbitrator to serve. Any arbitrator chosen in accordance with this Section (c) is referred to in this Section 11.5 as the “Arbitrator”.

(d) **Qualifications of Arbitrator.** The Arbitrator shall be neutral and impartial. The Arbitrator shall be fully active in such Arbitrator’s occupation or profession, knowledgeable as to the subject matter involved in the dispute, and experienced in arbitration proceedings. The foregoing shall not preclude otherwise qualified retired lawyers or judges from acting as the Arbitrator.

(e) **Disclosure.** Any candidate for the role of Arbitrator shall promptly disclose to the parties all actual or perceived conflicts of interest involving the dispute or the parties. No Arbitrator may serve if such person has a conflict of interest involving the subject matter of the dispute or the parties. If an Arbitrator resigns or becomes unwilling to continue to serve as an Arbitrator, a replacement shall be selected in accordance with the procedure set forth in Section 11.5(c).

(f) **Compensation.** The Arbitrator shall be fully compensated for all time spent in connection with the arbitration proceedings in accordance with the Arbitrator’s usual hourly rate unless otherwise agreed to by the parties, for all time spent by the Arbitrator in connection with the arbitration proceeding. Pending the final award, the Arbitrator’s compensation and expenses shall be advanced equally by the parties.

(g) **Preliminary Hearing.** Within thirty (30) days after the Arbitrator has been appointed, a preliminary hearing among the Arbitrator and counsel for the parties shall be held for the purpose of developing a plan for the management of the arbitration, which shall then be memorialized in an appropriate order. The matters which may be addressed include, in addition to those set forth in the AAA Rules, the following: (i) definition of issues; (ii) scope, timing and types of discovery, if any; (iii) schedule and place(s) of hearings; (iv) setting of other timetables; (v) submission of motions and briefs; (vi) whether and to what extent expert testimony will be required, whether the Arbitrator should engage one or more neutral experts, and whether, if this is done, engagement of experts by the parties can be obviated or minimized; (vii) whether and to what extent the direct testimony of witnesses will be received by affidavit or written witness statement; and (viii) any other matters which may promote the efficient, expeditious, and cost-effective conduct of the proceeding.

(h) **Management of the Arbitration.** The Arbitrator shall actively manage the proceedings as the Arbitrator deems best so as to make the proceedings expeditious, economical and less burdensome than litigation.

(i) **Confidentiality.** All papers, documents, briefs, written communication, testimony and transcripts as well as any and all arbitration decisions shall be confidential and not disclosed to anyone other than the Arbitrator, the parties or the parties’ attorneys and expert witnesses (where applicable to their testimony), except that upon prior written

consent of all parties, such information may be divulged to additional third parties. All third parties shall agree in writing to keep such information confidential.

(j) **Hearings.** Hearings may be held at any place within the State of Arizona designated by the Arbitrator and, in the case of particular witnesses not subject to subpoena at the usual hearing site, at a place where such witnesses can be compelled to attend.

(k) **Final Award.** The Arbitrator shall promptly (but, in no event later than sixty (60) days following the conclusion of the proceedings or such longer period as the parties mutually agree) determine the claims of the parties and render a final award in writing. The Arbitrator may award the prevailing party in the proceeding all or a part of such party's reasonable attorneys' fees and expert witness fees, taking into account the final result of arbitration, the conduct of the parties and their counsel in the course of the arbitration, and other relevant factors. The Arbitrator shall not award any punitive damages. The Arbitrator shall not award indirect, consequential or special damages regardless of whether the possibility of such damage or loss was disclosed to, or reasonably foreseen by the party against whom the claim is made. The Arbitrator shall assess the costs of the proceedings (including, without limitation, the fees of the Arbitrator) against the non-prevailing party.

11.6 Right to Enter, Inspect, Repair and/or Replace. Following the receipt by a Bound Party of a Claim Notice with respect to an Alleged Defect, the Bound Party and its employees, agents, contractors, subcontractors and consultants shall have the right, upon reasonable notice to Claimant and during normal business hours, to enter onto or into, as applicable, the Common Elements and any Unit for the purposes of inspecting and/or conducting testing to determine the validity of the Claim and, if deemed necessary by the Bound Party, to correct, repair and/or replace the Alleged Defect. In conducting such inspection, testing, repairs and/or replacement, the Bound Party shall be entitled to take any actions as it shall deem reasonable and necessary under the circumstances. Nothing set forth in this Section 11.6 shall be construed to impose any obligation on any Bound Party to inspect, test, repair, or replace any item or Alleged Defect for which the Bound Party is not otherwise obligated under applicable law or any warranty provided by Declarant or any other Bound Party in connection with the sale of the Units. The right of a Bound Party and its employees, agents, contractors and consultants to enter, inspect, test, repair and/or replace reserved hereby shall be irrevocable and may not be waived or otherwise terminated except by a writing, in recordable form, executed and Recorded by the Bound Party. In no event shall any statutes of limitations be tolled during the period in which a Bound Party conducts any inspection, testing, repair or replacement of any Alleged Defects.

11.7 Use of Funds. Any judgment, award or settlement received by a Claimant in connection with a Claim involving an Alleged Defect shall first be used to correct and or repair such Alleged Defect or to reimburse the Claimant for any costs actually incurred by such Claimant in correcting and/or repairing the Alleged Defect. Any excess funds remaining after repair of such Alleged Defect shall be paid into the Association's reserve fund.

11.8 Approval of Litigation. The Association shall not deliver a Claim Notice to any Bound Party or commence any legal action or arbitration proceeding in connection with any Claim

without the written approval of Unit Owners entitled to cast more than seventy-five percent (75%) of the total votes in the Association, excluding the votes of any Unit Owner who would be a defendant in such proceedings. The Association may not use reserve funds to pay for any such legal action or mediation or arbitration proceeding. In the event that the Association commences any legal action or arbitration proceeding involving a Claim, all Unit Owners must notify prospective purchasers of their Unit of such legal action or arbitration proceeding and must provide such prospective purchasers with a copy of the notice received from the Association in accordance with Section 11.3.

11.9 Statute of Limitations. All statutes of limitations applicable to Claims shall apply to the commencement of arbitration proceedings under Section 11.5. If the arbitration proceedings are not initiated within the time period provided by Arizona law for the filing of a legal action with respect to the Claim, the Claim shall forever be barred.

11.10 Conflicts. In the event of any conflict between this Article 11 and any other provision of the Condominium Documents, this Article 11 shall control.

BY ACCEPTANCE OF A DEED OR BY ACQUIRING A UNIT, EACH PERSON, FOR HIMSELF, HIS HEIRS, PERSONAL REPRESENTATIVES, SUCCESSORS, TRANSFEREES AND ASSIGNS, AGREES TO HAVE ANY CLAIM RESOLVED ACCORDING TO THE PROVISIONS OF THIS ARTICLE 11 AND WAIVES THE RIGHT TO PURSUE ANY DECLARANT OR OTHER BOUND PARTY IN ANY MANNER OTHER THAN AS PROVIDED IN ARTICLE 11. THE ASSOCIATION, EACH UNIT OWNER AND DECLARANT ACKNOWLEDGE THAT BY AGREEING TO RESOLVE ALL CLAIMS AS PROVIDED IN THIS ARTICLE 11, THEY ARE GIVING UP THEIR RESPECTIVE RIGHTS TO HAVE SUCH CLAIM TRIED BEFORE A JURY. THE ASSOCIATION, EACH UNIT OWNER AND DECLARANT FURTHER WAIVE THEIR RESPECTIVE RIGHTS TO AN AWARD OF PUNITIVE AND CONSEQUENTIAL DAMAGES RELATING TO A CLAIM. BY ACCEPTANCE OF A DEED OR BY ACQUIRING A UNIT, EACH UNIT OWNER VOLUNTARILY ACKNOWLEDGES THAT HE IS GIVING UP ANY RIGHTS HE MAY POSSESS TO PUNITIVE AND CONSEQUENTIAL DAMAGES OR THE RIGHT TO A TRIAL BEFORE A JURY RELATING TO A CLAIM.

ARTICLE 12 RIGHTS OF FIRST MORTGAGEES

12.1 Notification to First Mortgagees. Upon receipt by the Association of a written request from a First Mortgagee or insurer or governmental guarantor of a First Mortgage informing the Association of its correct name and mailing address and number or address of the Unit to which the request relates, the Association shall provide such Eligible Mortgage Holder or Eligible Insurer Or Guarantor with timely written notice of the following:

- (a) Any condemnation loss or any casualty loss which affects a material portion of the Condominium or any Unit on which there is a First Mortgage held, insured or guaranteed by such Eligible Mortgage Holder or Eligible Insurer Or Guarantor;

(b) Any delinquency in the payment of Assessments or charges owed by a Unit Owner subject to a First Mortgage held, insured or guaranteed by such Eligible Mortgage Holder or Eligible Insurer Or Guarantor, which delinquency or default remains uncured for the period of sixty (60) days;

(c) Any lapse, cancellation or material modification of any insurance policy or fidelity bond maintained by the Association;

(d) Any proposed action which requires the consent of a specified percentage of Eligible Mortgage Holders as set forth in Section 12.2.

12.2 Approval Required for Amendment to Declaration, Articles or Bylaws.

12.2.1 The approval of Eligible Mortgage Holders holding First Mortgages on Units the Unit Owners of which have at least fifty-one percent (51%) of the votes in the Association allocated to Unit Owners of all Units subject to First Mortgages shall be required to add or amend any material provisions of the Declaration, Articles or Bylaws which establish, provide for, govern or regulate any of the following:

(a) Voting rights;

(b) Increases in Assessments that raise the previously assessed amount by more than 25%, assessment liens or the priority of assessment liens;

(c) Reductions in reserves for maintenance, repair and replacement of Common Elements;

(d) Hazard or fidelity insurance requirements;

(e) Responsibility for maintenance and repairs;

(f) Expansion or contraction of the Condominium, or the addition, annexation of property to the Condominium;

(g) Redefinition of any Unit boundaries;

(h) Reallocation of interests in the Common Elements or Limited Common Elements or rights to their use;

(i) Convertibility of Units into Common Elements or of Common Elements into Units;

(j) Imposition of any restrictions on the leasing of Units;

(k) Imposition of any restrictions on a Unit Owner's right to sell or transfer his Unit;

(l) A decision by the Association to establish self-management when professional management had been required previously by an Eligible Mortgage Holder;

(m) Restoration or repair of the Condominium (after a hazard damage or partial condemnation) in a manner other than that specified in the Condominium Documents;

(n) Any provisions that expressly benefit mortgage holders, insurers, or guarantors.

12.2.2 Any action to terminate the legal status of the Condominium after substantial destruction or condemnation occurs must be agreed to by the Unit Owners of Units to which at least eighty percent (80%) of the votes in the Association are allocated and the approval of Eligible Mortgage Holders that represent at least fifty-one percent (51%) of the votes of Units subject to mortgages held by Eligible Mortgage Holders or Eligible Insurers or Guarantors.

12.2.3 Any action to terminate the legal status of the Condominium for reasons other than substantial destruction or condemnation of the Condominium must be approved by Eligible Mortgage Holders holding mortgages on Units, the Unit Owners of which have at least eighty percent (80%) of the votes in the Association allocated to Unit Owners of all Units subject to First Mortgages held by Eligible Mortgage Holders.

12.2.4 Any Eligible Mortgage Holder who receives a written proposal for an amendment to the Declaration, Articles or Bylaws who does not deliver or mail to the requesting party a negative response within thirty (30) days after the Eligible Mortgage Holder receives proper notice of the proposal shall be deemed to have approved the proposed amendment, provided the notice was delivered by certified or registered mail, with a "return receipt" requested. Any addition or amendment to the Declaration, Articles or Bylaws shall not be considered material if it is for the purpose of correcting technical errors or for clarification only.

12.3 Prohibition Against Right of First Refusal. The right of a Unit Owner to sell, transfer or otherwise convey his Unit shall not be subject to any right of first refusal or similar restriction.

12.4 Right of Inspection of Records. Any Unit Owner, First Mortgagee or Eligible Insurer Or Guarantor will, upon written request, be entitled to: (a) inspect the current copies of the Condominium Documents and the books, records and financial statements of the Association during normal business hours; (b) receive within ninety (90) days following the end of any fiscal year of the Association, an audited financial statement of the Association for the immediately preceding fiscal year of the Association, free of charge to the requesting party; and (c) receive written notice of all meetings of the Members of the Association and be permitted to designate a representative to attend all such meetings. Upon written request of any agency or corporation

which has an interest or prospective interest in the Condominium, the Association shall prepare and furnish within a reasonable time an audited financial statement of the Association. The Association, upon request, shall make available for inspection during normal business hours to prospective purchasers of a Unit, copies of the Condominium Documents and the most recent annual audited financial statement, if one has been prepared.

12.5 Prior Written Approval of First Mortgagees. Except as provided by statute in case of condemnation or substantial loss to the Units or the Common Elements, unless at least two-thirds (2/3) of all First Mortgagees (based upon one vote for each First Mortgage owned) or Unit Owners (other than the Declarant or other sponsor, developer or builder of the Condominium) of the Units have given their prior written approval, the Association shall not be entitled to:

(a) By act or omission, seek to abandon or terminate this Declaration or the Condominium;

(b) Change the pro rata interest or obligations of any individual Unit for the purpose of: (i) levying Assessments or charges or allocating distributions of hazard insurance proceeds or condemnation awards, or (ii) determining the pro rata share of ownership of each Unit in the Common Elements;

(c) Partition or subdivide any Unit;

(d) By act or omission, seek to abandon, partition, subdivide, encumber, sell or transfer the Common Elements. The granting of easements for public utilities or for other public purposes consistent with the intended use of the Common Elements shall not be deemed a transfer within the meaning of this Subsection;

(e) Use Hazard insurance proceeds for losses to any Units or the Common Elements for any purpose other than the repair, replacement or reconstruction of such Units or the Common Elements.

Nothing contained in this Section or any other provisions of this Declaration shall be deemed to grant the Association the right to partition any Unit without the consent of the Unit Owners thereof. Any partition of a Unit shall be subject to such limitations and prohibitions as may be set forth elsewhere in this Declaration or as provided under Arizona law.

12.6 Liens Prior to First Mortgage. All taxes, assessments, and charges which may become liens prior to the First Mortgage under local law shall relate only to the individual Unit and not to the Condominium as a whole.

12.7 Condemnation or Insurance Proceeds. No Unit Owner, or any other party, shall have priority over any rights of any First Mortgagee of the Unit pursuant to its mortgage in the case of a distribution to such Unit Owner of insurance proceeds or condemnation awards for losses to or a taking of Units and/or Common Elements.

12.8 Limitation on Partition and Subdivision. No Unit shall be partitioned or subdivided without the prior written approval of the Holder of any First Mortgage on such Unit.

12.9 Conflicting Provisions. In the event of any conflict or inconsistency between the provisions of this Article and any other provision of the Condominium Documents, the provisions of this Article shall prevail; provided, however, that in the event of any conflict or inconsistency between the different Sections of this Article or between the provisions of this Article and any other provision of the Condominium Documents with respect to the number or percentage of Unit Owners, First Mortgagees, Eligible Mortgage Holders or Eligible Insurers Or Guarantors that must consent to (a) an amendment of the Declaration, Articles or Bylaws, (b) a termination of the Condominium, or (c) certain actions of the Association as specified in Sections 12.2 and 12.5, the provision requiring the consent of the greatest number or percentage of Unit Owners, First Mortgagees, Eligible Mortgage Holders or Eligible Insurers Or Guarantors shall prevail; provided, however, that the Declarant shall have the right to unilaterally amend this Declaration, the Articles or the Bylaws during the Period of Declarant Control in order to (a) comply with the Condominium Act or any other applicable law if the amendment does not adversely affect the rights of any Unit Owner, (b) correct any error or inconsistency in the Declaration, the Articles or the Bylaws if the amendment does not adversely affect the rights of any Unit Owner, or (c) comply with the requirements or guidelines in effect from time to time of any governmental or quasi-governmental entity or federal corporation guaranteeing or insuring mortgage loans or governing transactions involving mortgage instruments including, without limitation, the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, the Federal Housing Administration, the Department of Veterans Affairs.

12.10 Restoration or Repair of Condominium. Any restoration or repair of the Condominium after a partial condemnation or change due to an insurable hazard shall be substantially in accordance with this Declaration and the original plans and specifications unless the approval of Eligible Mortgage Holders holding mortgages on Units to which at least fifty-one percent (51%) of the votes in the Association allocated to Units subject to First Mortgages held by Eligible Mortgage Holders is obtained.

ARTICLE 13 GENERAL PROVISIONS

13.1 Enforcement. The Association, or any Owner may enforce the Condominium Documents in any manner provided for in the Condominium Documents or by law or in equity, including, but not limited to:

- (a) imposing reasonable monetary penalties after notice and an opportunity to be heard is given to the Unit Owner or other violator. A Unit Owner shall be responsible for payment of any fine levied or imposed against a Lessee or Occupant of the Owner's Unit or by any Invitee of the Unit Owner or any Lessee or Occupant;
- (b) suspending a Unit Owner's right to vote;

(c) suspending any Person's right to use any facilities within the Common Elements; provided, however, nothing in this Section 13.1 shall authorize the Board to limit ingress or egress to or from a Unit;

(d) suspending any services provided by the Association to a Unit Owner or the Owner's Unit if the Unit Owner is more than fifteen (15) days delinquent in paying any assessment or other charge owed to the Association;

(e) exercising self-help of taking action to abate any violation of the Condominium Documents;

(f) requiring a Unit Owner, at the Unit Owner's expense, to remove any Improvement installed or constructed in such Owner's Unit or in any Limited Common Element allocated to the Owner's Unit in violation of this Declaration and to restore the Unit or the Limited Common Element to its previous condition and, upon failure of the Unit Owner to do so, the Board of Directors or its designee shall have the right to enter the property, remove the violation and restore the property to substantially the same condition as previously existed and any such action shall not be deemed a trespass;

(g) without liability to any person, prohibiting any contractor, subcontractor, agent, employee or other invitee of a Unit Owner who fails to comply with the terms and provisions of the Condominium Documents from continuing or performing any further activities of the Condominium;

(h) towing vehicles which are parked in violation of this Declaration or the Rules;

(i) filing a suit at law or in equity to enjoin a violation of the Condominium Documents, to compel compliance with the Condominium Documents, to recover monetary penalties or money damages or to obtain such other relief as to which the Association may be entitled;

(j) recording a written notice of a violation of any restriction or provision of the Condominium Documents. The notice shall be executed and acknowledged by an officer of the Association and shall contain substantially the following information: (i) the legal description of the Unit against which the notice is being recorded; (ii) a brief description of the nature of the violation; and (iii) a statement of the specific steps which must be taken by the Unit Owner to cure the violation. Recordation of a Notice of Violation shall serve as a notice to the Unit Owner and to any subsequent purchaser of the Unit that there is a violation of the provisions of the Condominium Documents.

The Association shall not be obligated to take any enforcement action if the Board of Directors determines, in its sole discretion, that because of the strength of possible defenses, the time and expense of litigation or other enforcement action, the likelihood of a result favorable to the Association, or other facts deemed relevant by the Board of Directors, enforcement action would not be appropriate or in the best interests of the Association.

Any Unit Owner may enforce the Condominium Documents in any manner provided for in this Declaration or at law or in equity, except that a Unit Owner may not exercise any remedy provided to the Association by this Declaration or enforce payment of any Assessments or other amounts payable to the Association pursuant to the Condominium Documents.

All rights and remedies of the Association under the Condominium Documents or at law or in equity are cumulative, and the exercise of one right or remedy shall not waive the Association's right to exercise another right or remedy. The failure of the Association or an Owner to take enforcement action with respect to a violation of the Condominium Documents shall not constitute or be deemed a waiver of the right of the Association or any Owner to enforce the Condominium Documents in the future. If any lawsuit is filed by the Association or any Owner to enforce the provisions of the Condominium Documents or in any other manner arising out of the Condominium Documents or the operations of the Association, the prevailing party in such action shall be entitled to recover from the other party all attorney fees incurred by the prevailing party in the action.

13.2 Severability. Invalidity of any one of these covenants or restrictions by judgment or court order shall in no way affect any other provisions which shall remain in full force and effect.

13.3 Duration. The covenants and restrictions of this Declaration, as amended from time to time, shall run with and bind the Condominium in perpetuity unless the Condominium is terminated as provided in Section 13.4.

13.4 Termination of Condominium. Except in the case of a taking of all the Units by eminent domain, the Condominium may be terminated only by the agreement of Unit Owners of Units to which at least ninety-five percent (95%) of the votes in the Association are allocated. An agreement of Unit Owners to terminate the Condominium must be evidenced by the execution or ratifications of a termination agreement, in the same manner as a deed, by the requisite number of Unit Owners.

13.5 Amendment.

13.5.1 Except in cases of amendments that may be executed by a Declarant in the exercise of its Development Rights or under Section 33-1220 of the Condominium Act, by the Association under Section 33-1206 or 33-1216(D) of the Condominium Act, or by certain Unit Owners under Section 33-1218(B), Section 33-1222, Section 33-1223 or Section 33-1228(B) of the Condominium Act, the Declaration, including the Plat, may be amended only by a vote of the Unit Owners to which at least sixty-seven percent (67%) of the votes in the Association are allocated. All Unit Owners are hereby provided notice of the possibility that the Declaration may be modified, and that restrictions may be added to, expanded, modified, or removed from the Declaration at any time pursuant to the procedures set forth in this provision.

13.5.2 Except to the extent expressly permitted or required by this Declaration or the Condominium Act or as set forth in Section 2.9, an amendment to this Declaration shall not do

any of the following without the unanimous consent of the Unit Owners: (a) create or increase Special Declarant Rights; (b) increase the number of Units; or (c) change the boundaries of any Unit, the allocated Interest of a Unit, or the use as to which any Unit is restricted. After the expiration of the Period of Declarant Control, an amendment to this Declaration shall not amend or delete any provisions of this Section 13.5.2 or Article 11 in the absence of the unanimous consent of the Unit Owners.

13.5.3 An amendment to the Declaration shall not terminate or decrease any unexpired Development Right, Special Declarant Right or Period of Declarant Control or revoke any easement granted to Declarant pursuant to Section 3.4, unless the Declarant approves the amendment in writing. In addition, any amendment to this Declaration adopted during the Period of Declarant Control must be approved in writing by the Declarant. No amendment to Section 13.5.2 or Article 11 shall be effective unless the Declarant approves the amendment in writing even if the Declarant no longer owns any Unit at the time of such amendment.

13.5.4 During the Period of Declarant Control, the Declarant shall have the right to amend the Declaration and the Plat, without a vote of the Owners, to: (a) comply with the Condominium Act or any other applicable law if the amendment does not adversely affect the rights of any Unit Owner; (b) correct any error, omission or inconsistency in the Declaration or the Plat if the amendment does not adversely affect the rights of any Unit Owner; or (c) comply with the rules or guidelines in effect from time to time of any governmental or quasi-governmental entity or federal corporation guaranteeing or insuring mortgage loans or governing transactions involving mortgage instruments, including without limitation, the Department of Veterans Affairs, the Federal Housing Administration, the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation.

13.5.5 Any amendment adopted by the Unit Owners pursuant to Section 13.5.1 shall be signed by the President or Vice President of the Association and shall be Recorded within thirty (30) days after the adoption of the amendment. Any such amendment shall certify that the amendment has been approved as required by this Section. Any amendment made by Declarant pursuant to Section 13.5.4 or the Condominium Act shall be executed by Declarant and shall be Recorded.

13.6 Notices. All notices, demands, statements or other communications required to be given to or served on a Unit Owner under this Declaration shall be in writing and shall be deemed to have been duly given and served if delivered personally or sent by United States mail, postage prepaid, return receipt requested, addressed to the Unit Owner, at the address which the Unit Owner shall designate in writing and file with the Association or, if no such address is designated, at the address of the Unit of such Owner. A Unit Owner may change its address on file with the Association for receipt of notices by delivering a written notice of change of address to the Association. A notice given by mail, whether regular, certified, or registered, shall be deemed to have been received by the person to whom the notice was addressed on the earlier of the date the notice is actually received or three days after the notice is mailed. If a Unit is owned by more than one person, notice to one of the Owners shall constitute notice to all Owners of the same Unit. Each Unit Owner shall file its correct mailing address with the Association, and shall promptly notify the Association in writing of any subsequent change of address.

13.7 Gender. The singular, wherever used in this Declaration, shall be construed to mean the plural when applicable, and the necessary grammatical changes required to make the provisions of this Declaration apply either to corporations or individuals, or men or women, shall in all cases be assumed as though in each case fully expressed.

13.8 Topic Headings. The marginal or topical headings of the sections contained in this Declaration are for convenience only and do not define, limit or construe the contents of the sections or of this Declaration. Unless otherwise specified, all references in this Declaration to Articles or Sections refer to Articles and Sections of this Declaration.

13.9 Survival of Liability. The termination of membership in the Association shall not relieve or release any such former Owner or Member from any liability or obligation incurred under, or in any way connected with, the Association during the period of such ownership or membership, or impair any rights or remedies which the Association may have against such former Owner or Member arising out of, or in any way connected with, such ownership or membership and the covenants and obligations incident thereto.

13.10 Construction. In the event of any discrepancies, inconsistencies or conflicts between the provisions of this Declaration and the Articles, Bylaws or the Association Rules, the provisions of this Declaration shall prevail.

13.11 Joint and Several Liability. In the case of joint ownership of a Unit, the liabilities and obligations of each of the joint Unit Owners set forth in, or imposed by, the Condominium Documents shall be joint and several.

13.12 Lessees and Invitees. Each Unit Owner shall be responsible for compliance by its Lessees, Invitees and their respective servants, agents, and employees with the provisions of the Condominium Documents. A Unit Owners' failure to insure compliance by such Persons shall be grounds for the same action available to the Association or any other Unit Owner by reason of such Unit Owner's own noncompliance.

13.13 Attorneys' Fees. In addition to the Association's right to attorneys' fees in Section 13.1 of this Article 13, in the event the Association incurs legal expenses and costs, including, but not limited to, attorney's fees, in bringing claims against Owners or defending claims brought by Owners in any type of action or proceeding, including but not limited to, proceedings in Superior Court, proceedings before an Administrative Law Judge, and any appeals therefrom, the Association shall be entitled to recover all of its attorney fees and costs from the Owner involved in the action or proceeding.

13.14 Number of Days. In computing the number of days for purposes of any provision of the Condominium Documents, all days shall be counted including Saturdays, Sundays and holidays; provided, however, that if the final day of any time period falls on a Saturday, Sunday or holiday, then the next day shall be deemed to be the next day which is not a Saturday, Sunday or holiday.

13.15 Declarant's Right to Use Similar Name. The Association hereby irrevocably consents to the use by any other nonprofit corporation which may be formed or incorporated by Declarant of a corporate name which is the same or deceptively similar to the name of the Association provided one or more words are added to the name of such other corporation to make the name of the Association distinguishable from the name of such other corporation. Within five (5) days after being requested to do so by Declarant, the Association shall sign such letters, documents or other writings as may be required by the Arizona Corporation Commission in order for any other nonprofit corporation formed or incorporated by Declarant to use a corporate name which is the same or deceptively similar to the name of the Association.

13.16 Interpretation of Covenants. Except for judicial construction, the Association, by its Board, shall have the exclusive right to construe and interpret the provisions of this Declaration. In the absence of any adjudication to the contrary by a court of competent jurisdiction, the Association's construction or interpretation of the provisions of this Declaration shall be final, conclusive and binding as to all persons and property benefitted or bound by the provisions of this Declaration.

DECLARANT:

PLATEAU PARTNERS, LLC, an Arizona limited liability company

By: _____

Name: _____

Title: _____

STATE OF _____)
) ss.
County of _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 20__ by _____, the _____ of Plateau Partners, LLC, an Arizona limited liability company, for and on behalf thereof.

Notary Public

My Commission Expires:

EXHIBIT A

LEGAL DESCRIPTION OF PROPERTY SUBMITTED TO CONDOMINIUM

Parcel 1: (400-06-032F)

A parcel of land located in the Town of Clarkdale in Section 20, Township 16 North, Range 3 East of the Gila and Salt River Base and Meridian, Yavapai County, Arizona, more particularly described as follows:

COMMENCING at a set 1/2-inch rebar with aluminum tag stamped "LS 32224" at the intersection of the southerly right of way line of Main Street and the Easterly right of way line of Ninth Street, in the Town of Clarkdale, as shown in Book 5 of Maps, Page 85;

THENCE North 81 degrees 19 minutes 52 seconds East along said southerly right of way, a distance of 276.32 feet (North 81 degrees 22 minutes 01 seconds East, a distance of 275.46 feet record per Book 4276 of Official Records, Page 567 hereinafter referred to as RECORD) to a set 1/2-inch rebar with aluminum tag stamped "LS 32224" and the POINT OF BEGINNING;

THENCE North 81 degrees 19 minutes 52 seconds East along said southerly right of way, a distance of 332.94 feet (North 81 degrees 22 minutes 01 seconds East, a distance of 332.54 feet RECORD) to a found 1/2-inch rebar-affixed brass tag stamped "LS 32224";

THENCE South 8 degrees 32 minutes 41 seconds East, a distance of 260.07 feet (South 8 degrees 36 minutes 00 seconds East, a distance of 260.00 feet RECORD) to a found 1-inch square bolt-affixed brass tag stamped "FOUND LS 32224 on the Northerly right of way line of First South Street;

THENCE South 81 degrees 19 minutes 34 seconds West along said northerly right of way, a distance of 331.42 feet (South 81 degrees 25 minutes 26 seconds West RECORD) to a set 1/2-inch rebar with aluminum tag stamped "LS 32224";

THENCE North 8 degrees 52 minutes 54 seconds West, a distance of 260.10 feet to the POINT OF BEGINNING.

Parcel 2: (400-06-031C)

A parcel of land located in the Town of Clarkdale in Section 20, Township 16 North, Range 3 East of the Gila and Salt River Base and Meridian, Yavapai County, Arizona, more particularly described as follows: COMMENCING at a set 1/2-inch rebar with aluminum tag stamped "LS 32224 " at the intersection of the Northerly right of way line of First South Street and the Easterly right of way line of Ninth Street , in the Town of Clarkdale, as shown in Book 5 of Maps, Page 85;

THENCE North 81 degrees 19 minutes 34 seconds East along said Northerly right of way, a distance of 608.33 feet (North 82 degrees 07 minutes 04 seconds East along said Northerly right of way, a distance of 6038 feet record per Book 4276 of Official Record, Page 567 hereinafter referred to as RECORD) to a found 1-inch square bolt-affixed brass tag stamped "FOUND LS 32224" and the POINT OF BEGINNING;

THENCE North 8 degrees 32 minutes 41 seconds West, a distance of 260.07 feet (North 7 degrees 54 minutes 46 seconds West, a distance of 260.00 feet RECORD} to a found 1/2-inch rebar-affixed brass tag stamped "FOUND LS 32224" on the southerly right of way line of Main Street per Book 5 of Maps, Page 85;

THENCE North 81 degrees 19 minutes 52 seconds East along said southerly right of way, a distance of 257.31 feet (North 82 degrees 07 minutes 04 seconds East, a distance of 257.92 feet RECORD) to a set ½-inch rebar with aluminum tag stamped "LS 32224";

THENCE South 8 degrees 32 minutes 41 seconds East along said right of way, a distance of 57.12 feet (South 7 degrees 54 minutes 46 seconds East, a distance of 57.12 feet RECORD) to a found railroad rail right of way marker affixed brass tag stamped "FOUND LS 32224" and the beginning of a non-tangent curve, concave southerly, the radius point of which bears South 8 degrees 39 minutes 53 seconds East, a distance of 377.47 feet (377.47 feet RECORD);

THENCE Easterly along said curve, through a central angle of 35 degrees 38 minutes 35 seconds, a distance of 234.82 feet (234.92 feet RECORD);

THENCE South 62 degrees 53 minutes 10 seconds East, a distance of 187.92 feet (South 63 degrees 15 minutes 16 seconds East, a distance of 189.83 feet RECORD) to a set 1/2-inch rebar with aluminum tag stamped "LS 32224";

THENCE South 79 degrees 18 minutes 02 seconds West, a distance of 630.56 feet (South 80 degrees 08 minutes 40 seconds West, a distance of 632.57 feet RECORD) to the POINT OF BEGINNING.

Parcel 3: (400-06-031L)

A parcel of land located in the Town of Clarkdale in Section 20, Township 16 North, Range 3 East of the Gila and Salt River Base and Meridian, Yavapai County, Arizona, more particularly described as follows:

COMMENCING at the intersection of the southerly right of way line of First South Street and the easterly right of way line of Ninth Street, as shown in Book 5 of Maps, Page 85, in the Town of Clarkdale, Arizona, a set 1/2-inch rebar with aluminum tag stamped "LS 32224";

THENCE North 81 degrees 19 minutes 34 seconds East along said southerly right of way, a distance of 128.35 feet (North 82 degrees 07 minutes 04 seconds East, 128 feet Record per Book 3751 of Official Records, Page 629 hereinafter referred to as Record) to a found 3/8-inch rebar with affixed brass tag stamped "FOUND LS 32224";

THENCE North 8 degrees 39 minutes 33 seconds West, a distance of 59.51 feet to a set 1/2-inch rebar with aluminum tag stamped "LS 32224";

THENCE North 81 degrees 19 minutes 34 seconds East, a distance of 139.84 feet to a set 1/2-inch rebar with aluminum tag stamped "LS 32224" and the POINT OF BEGINNING;

THENCE North 81 degrees 19 minutes 34 seconds East, a distance of 340.14 feet (North 82 degrees 07 minutes 04 seconds East record per Book 3668 of official records, page 164 hereinafter referred to as R2) to a found 1-inch square bolt with affixed brass tag stamped "FOUND LS 32224";

THENCE South 51 degrees 23 minutes 28 seconds West, a distance of 119.28 feet (South 51 degrees 8 minutes 04 seconds West, a distance of 119.46 feet R2) to a found 1/2-inch Rebar with affixed brass tag stamped "FOUND LS 32224";

THENCE South 81 degrees 19 minutes 34 seconds West, a distance of 236.74 feet (South 82 degrees 07 minutes 04 seconds West, a distance of 236.70 feet R2) to a found 1/2-inch Rebar with affixed brass tag stamped "found ls 32224";

Thence North 8 degrees 42 minutes 04 seconds West, a distance of 59.51 feet to the POINT OF BEGINNING.

Parcel 4:

An easement for ingress, egress and utilities, as created in deed recorded in Book 4329 of Official Records, Page 348, Records of Yavapai County, Arizona, across the southeasterly corner of the following described parcel of land lying to the east of the above-described parcel, and subject and under to lease to the U. S. Postal Service:

Commencing at the intersection of the northerly right of way line of First South Street and the easterly right of way line of Ninth Street in the Town of Clarkdale, said intersection being the TRUE POINT OF BEGINNING;

Thence North 8 degrees 36 minutes 00 seconds West along the easterly right of way line of First South Street, a distance of 128.13 feet;

Thence North 81 degrees 25 minutes 26 seconds East, a distance of 275.80 feet;

Thence South 8 degrees 44 minutes 46 seconds East, a distance of 128.24 feet;

Thence South 81 degrees 24 minutes 00 seconds West, a distance of 276.13 feet to the True POINT OF BEGINNING.

THE PLATEAU AT CLARKDALE DEVELOPMENT AGREEMENT

TOWN OF CLARKDALE, ARIZONA

THIS DEVELOPMENT AGREEMENT (this "Agreement") is made and entered into by and between the TOWN OF CLARKDALE, an Arizona municipal corporation (the "Town"), and PLATEAU PARTNERS, L.L.C., an Arizona limited liability company (the "OWNER/DEVELOPER"). The Town and the OWNER/DEVELOPER are sometimes collectively referred to as the "Parties," either one of which is sometimes individually referred to as a "Party."

RECITALS

A. The OWNER/DEVELOPER is the current OWNER/DEVELOPER of a parcel of land located within the corporate boundary of the Town of Clarkdale, Arizona, at 880 First South Street, commonly known as Yavapai County Assessor's parcel numbers 400-06-032F, 400-06-031C, and 400-06-031L, and referred to in this Agreement as the "PROJECT" depicted in Exhibit A and legally described in Exhibit B attached to and incorporated by this reference in this Agreement.

B. The OWNER/DEVELOPER's Land is zoned "C" Commercial without conditions or restrictions.

C. The Town and the OWNER/DEVELOPER desire to establish certain agreements regarding the Development pursuant to A.R.S. § 9-500.05 upon and in accordance with the terms and conditions set forth in this Agreement.

D. The Development is in compliance with the Town's adopted and approved General Plan (as defined in A.R.S. § 9-461).

E. The Town is authorized by A.R.S. § 9-500.05 to enter into a development agreement with an OWNER/DEVELOPER or other person or entity having an interest in real property located within the Town to facilitate development of the property by providing for, among other things, the conditions, terms, restrictions, and requirements for development and public infrastructure and the financing of public infrastructure.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing recitals, which are incorporated into this Agreement as though fully restated here, and the mutual covenants set forth in this Agreement, the Parties hereby agree as follows:

1. *Term.* This Agreement shall become effective as of the effective date of the resolution of the Town Council approving the mutually executed Agreement (the “Effective Date”), The term of this Agreement shall begin on the Effective Date and, unless sooner terminated by the mutual consent of the Parties shall be terminated on the 10th anniversary of the approval of this agreement.

2. *Proposed uses.* The Development is a residential condominium development containing 52 units in 13 separate structures which shall be used for single family residential purposes and no other and as illustrated in **Exhibit E, Design Review Board Approval.**

3. *Development regulations.* The Clarkdale Zoning Code, including the written rules, regulations, substantive procedures, and policies relating to development of land, adopted or approved by the Mayor and Council (collectively the “Clarkdale Zoning Code”) in effect on the Effective Date shall apply to the extent not covered by this Agreement. In the event of any express conflict, the Clarkdale Zoning Code shall control over the terms of this Agreement. Notwithstanding anything in this Agreement, or the Clarkdale Zoning Code to the contrary, no future ordinance, rule, regulation, standard or policy adopted by the Town shall apply to any development occurring on the OWNER/DEVELOPER’s Land during the period ending on the tenth (10th) anniversary of the Effective Date unless:

(A) The future rule or regulation has been enacted by the Town to comply with state or federal laws and regulations, provided that in the event the new rule or regulation prevents or precludes compliance with this Agreement, such provision of this Agreement shall be modified as necessary in order to comply with the new rule or regulation; or

(B) The future rule or regulation has been enacted by the Town to address a legitimate health or safety issue and the implementation of such rule or regulation will not adversely affect the development and use of the OWNER/DEVELOPER’s Land.

4. *Development review.* The Development shall be developed in a manner consistent with the Development Regulations and this Agreement, which together establish the basic land uses, and the densities, intensities and development regulations that apply to the land uses authorized for the Development. Upon the OWNER/DEVELOPER’s compliance with the applicable development review and approval procedures and substantive requirements of the Development Regulations, the Town agrees to issue such permits or approvals for the Development as may be requested by the OWNER/DEVELOPER.

5. *Phasing.* OWNER/DEVELOPER shall develop the property in accordance with the following Phasing Plan as illustrated in **Exhibit D:**

Phase I: Buildings 12 and 13

Phase II: Buildings 7, 8, 9, 10, 11

Phase III: Buildings 1, 2, 3, 4, 5, 6

- 2 -

OWNER/DEVELOPER shall also design, construct, and install the Civil Improvements, in accordance with the terms and conditions of this Agreement, subject to the Town's customary development requirements regarding development of other property located within the Town.

6. *Use of Town easements and rights-of-way; right-of-way use permits.* OWNER/DEVELOPER and its agents shall have the right to enter, remain upon and cross over any Town easement or right-of-way to the extent reasonably necessary to design, construct or connect to the Public Water and Sewer system and the extension of First South Street , provided that with alternative construction access as approved by Town, OWNER/DEVELOPER's use does not unreasonably impede Town's or Public's use and enjoyment of the subject property; and provided that OWNER/DEVELOPER shall obtain any required permit for the use of such easement or right-of-way, as required by Town, and provided also that the OWNER/DEVELOPER obtaining such permit shall restore such easement or right-of-way to substantially the same condition as existed prior to OWNER/DEVELOPER's entry.

7. *Water service.* The OWNER/DEVELOPER's Land is within the geographic area where water service is available from the Town upon installation of necessary water connection infrastructure. Upon installation of necessary water connections to existing infrastructure, the Town shall provide water service to the OWNER/DEVELOPER's Land. OWNER/DEVELOPER shall connect each dwelling unit to Town water.

8. *Sewer service.* The OWNER/DEVELOPER'S land is within the geographic area where sewer service is available from the Town upon installation of necessary sewer connection infrastructure. Upon installation of necessary sewer connections to existing infrastructure, the Town shall provide sewer service to the OWNER/DEVELOPER'S Land. OWNER/DEVELOPER shall connect each unit to the Town sewer services.

9. *Water and Sewer Connection fees.* Nothing in this Agreement shall be construed as a waiver or reduction of sewer and water connection fees as set forth in Clarkdale Town Code applicable to the Development. Each dwelling unit shall have municipal sewer and water service.

10. *Town review and approval of plans.* Except as expressly provided in this Agreement, the development and construction of connections to Public Infrastructure is subject to the Town's normal plan submittal, review and approval procedures and construction inspection requirements. The Town acknowledges that timely reviews, inspections and approvals by the Town are necessary to effectuate the development of the OWNER/DEVELOPER's Land. The Town agrees to use its reasonable best efforts to promptly initiate all review, inspection, and approval processes in accordance with the Town's adopted regulations. Additionally, the Town may retain independent consultants, reviewers, inspectors, and advisors at OWNER/DEVELOPER's request in order to efficiently continue the review, inspection and approval process. The

OWNER/DEVELOPER shall pay all costs incurred by the Town for any private, independent consultants, reviewers, inspectors, and advisors retained by the Town, at OWNER/DEVELOPER's request, for assistance in the review, inspection and approval process, and such consultants, reviewers, inspectors, and advisors shall take instruction from, be controlled by and be responsible to the Town, not the OWNER/DEVELOPER.

11. *Contribution to Selna-Mongini Park Improvements.* In lieu of providing on-site recreational facilities, OWNER/DEVELOPER agrees to a one-time contribution of \$52,000 for improvements to Selna-Mongini Park, located at the northeast corner of the intersection of North Broadway, South Broadway, and Main streets in Clarkdale, commonly known as Yavapai County Assessor's Parcel numbers 400-03-152 and 400-03-152A. Said contribution shall be used for this purpose and no other. OWNER/DEVELOPER shall remit payment in full to the Town prior to the issuance of the first Certificate of Occupancy for any unit in the project.

12. *Improvements to existing stairway.* At their sole expense, Developer agrees to restore the former elementary/middle school stairway as set forth in the original 1928 plans attached hereto as **Exhibit C, Clarkdale Townsite Improvements of Main Street, Details of Retaining Wall, No. 251-205**. The stairway is located in Yavapai County Assessor's Parcel Number 800-19-005E, Town of Clarkdale Public Right of Way. Developer agrees to make every effort to replace lights and light standards as closely as possible to the original design. Developer and/or successor condominium association shall maintain the stairway, railings and fencing within the stairwell in perpetuity. Town shall be responsible to supply power to the lights, to replace light bulbs and to maintain, repair and replace the light standards in perpetuity.

13. *Improvements to existing retention wall.* At their sole expense, Developer agrees to paint the retaining wall as illustrated in **Exhibit C** and located in A.P.N. 800-19-005E. The color shall match the exterior walls of the dwelling units, and shall be either Canvas Tan (SW 7531) or Neutral Ground (SW 75689). Developer and/or successor condominium association shall repaint the retention wall located in A.P.N. 800-19-005E in perpetuity. Said obligation to repaint, shall not include the obligation to maintain, repair or replace the retention wall, other than the obligations set forth in Section 12 herein.

14. *On-site circulation private.* All on-site circulation facilities (streets, sidewalks, paths) shall be privately maintained by Owner/Developer or when declared, the Homeowner's Association connected to the project.

15. *Proposition 207 Waiver.* The Owners hereby waive and release the Town from any and all claims under A.R.S. § 12-1134, et seq., including any right to compensation for reduction to the fair market value of the Property, as a result of the City's approval of this Agreement. The terms of this waiver shall run with the land and shall be binding upon all subsequent landowners and shall survive the expiration or earlier termination of this Agreement.

16. *Pre-Construction requirements* Developer, prior to implementation of construction of improvements, shall complete each of the following requirements:

16.1 Developer shall complete and file with the Town an Application for Construction Permit, and obtain the appropriate Construction Permit from the Town and any other necessary regulatory agencies.

16.2 Developer shall provide an estimate, sealed by a Registered Engineer, for the full amount of the cost for all improvements in the entire project, including off-site roadway and utility connection improvements.

16.3 Developer shall construct on-site and off-site improvements in accordance with the Project Phasing Schedule shown on the map attached hereto as **Exhibit D**, and in accordance with the Final Plat recorded with the Yavapai County Recorder's Office.

16.4 To cover the Town's costs to administer the construction permit, the Developer shall pay a Construction Permit application fee to the Town. The fee shall be based upon the estimated cost of the project for each phase as set forth in Section 5 and **Exhibit D, Phasing**.

17. *Inspections* Developer shall pay the Town's total cost for inspections related to the construction of improvements for any and all phases of construction. Developer shall comply with the inspection procedure of the Town as follows:

17.1 Developer's engineer, or the engineer's project representative, shall be present on the site for the purposes of inspection of work being undertaken. Developer's engineer, or the engineer's project representative, shall be present at the site for sufficient time to conduct inspections and assess compliance with the plans and specifications for each element of the construction, which shall be no less than once a day, when construction is in progress.

17.2 The Town Engineer shall be entitled to make periodic inspections during construction of the project, as frequently as determined appropriate by the Town, in the Town's sole discretion.

17.3 The Developer's engineer, or the engineer's project representative, shall be responsible for submitting weekly progress reports to the Town Engineer. The weekly progress reports shall include the results of all tests taken during the preceding week, which reports shall be received by the Town no later than Monday of the week following the week reported.

17.4 Developer shall be responsible for paying the Town's total costs incurred for inspections by the Town Engineer during the course of the work permitted under this Agreement. Invoices submitted by the Town Engineer shall be submitted to the Developer and payment remanded to the Town within thirty (30) days of mailing by the Town to the Developer.

17.5 After any approvals by the Town, and prior to commencement of construction on any phase of the subdivision, Developer shall schedule and hold a pre-construction meeting for the construction. The Town may require additional meetings at the issuance of the final permit.

18 Cooperation and alternative dispute resolution.

18.1 Appointment of representatives. To further the commitment of the Parties to cooperate in the progress of the Development, the Town and the OWNER/DEVELOPER each shall designate and appoint a representative to act as a liaison between the Town and its various departments and the OWNER/DEVELOPER. The initial representative for the Town (the "Town Representative") shall be the Town Manager, and the initial representative for the OWNER/DEVELOPER shall be Jon Lash or a replacement to be selected by the OWNER/DEVELOPER. The representatives shall be available at all reasonable times to discuss and review the performance of the Parties and the Development.

18.1 Non-performance; remedies. If either Party does not perform under this Agreement (the "Non-Performing Party") with respect to any of that Party's obligations under this Agreement, the other Party (the "Demanding Party") shall be entitled to give written notice in the manner prescribed in paragraph 19 below to the Non-Performing Party, which notice shall state the nature of the non-performance claimed and make demand that such non-performance be corrected. The Non-Performing Party shall then have (i) 20 days from the date of the notice within which to correct the non-performance if it can reasonably be corrected by the payment of money, or (ii) 30 days from the date of the notice to cure the non-performance if action other than the payment of money is reasonably required, or if the non-monetary non-performance cannot reasonably be cured within thirty days, then such longer period as may be reasonably required, provided and so long as the cure is promptly commenced within thirty days and thereafter diligently prosecuted to completion. If any non-performance is not cured within the applicable time period set forth in this paragraph, then the Demanding Party shall be entitled to begin the mediation and arbitration proceedings set forth in this paragraph 18. The Parties agree that due to the size, nature and scope of the Development, and due to the fact that it may not be practical or possible to restore the property to its condition prior to OWNER/DEVELOPER's development and improvement work, once implementation of this Agreement has begun, money damages and remedies at law will likely be inadequate and that specific performance will likely be appropriate for the non-performance of a covenant contained in this Agreement. This paragraph shall not limit any contract or other rights, remedies, or causes of action that either Party may have at law or in equity.

18.2 *Mediation.* If there is a dispute under this Agreement which the Parties cannot resolve between themselves, the Parties agree that there shall be a 45-day moratorium on arbitration during which time the Parties agree to attempt to settle the dispute by nonbinding mediation before commencement of arbitration. The mediation shall be held under the commercial mediation rules of the American Arbitration Association. The matter in dispute shall be submitted to a mediator mutually selected by the OWNER/DEVELOPER and the Town. If the Parties cannot agree upon the selection of a mediator within seven days, then within three days thereafter the Town and the OWNER/DEVELOPER shall request the presiding judge of the Superior Court in and for the County of Yavapai, State of Arizona, to appoint an independent mediator. The mediator selected shall have at least five years' experience in mediating or arbitrating disputes relating to real estate development. The cost of any such mediation shall be divided equally between the Town and the OWNER/DEVELOPER. The results of the mediation shall be nonbinding on the Parties, and any Party shall be free to initiate arbitration after the moratorium.

18.3 *Arbitration.* After mediation, as provided for in this paragraph 17.3, any dispute, controversy, claim or cause of action arising out of or relating to this Agreement shall be settled by submission of the matter by both Parties to binding arbitration in accordance with the rules of the American Arbitration Association and the Arizona Uniform Arbitration Act, A.R.S. § 12-501 *et seq.*, and judgment upon the award rendered by the arbitrator(s) may be entered in a court having jurisdiction.

19 *Notices.* All notices, requests and other communications under this Agreement shall be given in writing and either (i) personally served on the party to whom it is given, or (ii) mailed by registered or certified mail, postage prepaid, return receipt requested, or (iii) sent by private overnight courier such as Federal Express or Airborne, or (iv) transmitted by facsimile (provided that a confirming copy of the facsimile transmission is mailed on the date of such transmission), addressed as follows:

If to the TOWN:

TOWN OF CLARKDALE

P.O Box 308/39 N. Ninth Street

Clarkdale, AZ 86324

Attention: Town Manager

Phone: 928-639-2400

WITH A COPY TO:

BOYLE, PECHARICH, CLINE, WHITTINGTON & STALLINGS, P.L.L.C.

125 N. Granite Street Prescott, AZ 86301

Attention: Stephen Polk

Phone: 928-445-0122 Email: SPolk@BPCWS.com

If to the OWNER/DEVELOPER:

PLATEAU PARTNERS, LLC

28205 Acana Street Ranchos Palos Verdes, CA 90275

Attention: Jon Lash, Managing Partner

Phone: 310-948-9607 Email: jon.lashonline@gmail.com

WITH A COPY TO:

CARPENTER, HAZLEWOOD, DELGADO & BOLEN, LLP

1550 Plaza West Drive, Prescott, AZ 86303

Attention: Jason Miller

Phone: 928-445-5035 Email: jason.miller@carpenterhazlewood.com

All notices shall be deemed given when delivered or transmitted by facsimile or, if mailed as provided above, on the second day after the day of mailing, and if sent by overnight courier, on the next day after the date of deposit with the courier. Any party may change its address for the receipt of notices at any time by giving written notice thereof to the other parties in accordance with the terms of this section. The inability to deliver notice because of a changed address of which no notice was given, or rejection or other refusal to accept any notice, shall be deemed to be the effective receipt of the notice as of the date of such inability to deliver or rejection or refusal to accept.

20 Miscellaneous.

20.1 This Agreement may not be modified except in writing and signed by the Parties.

20.2 Time is of the essence of this Agreement.

20.3 This Agreement shall be governed by and interpreted in accordance with the laws of the State of Arizona, and any lawsuit to enforce any provision of this Agreement or to obtain any remedy with respect to this Agreement shall be brought in the Yavapai County Superior Court, and for this purpose the Parties expressly and irrevocably consent to the jurisdiction of the Yavapai County Superior Court.

20.4 If either of the Parties fails to perform any of its obligations under this Agreement or if a dispute arises concerning the meaning or interpretation of any provision of this Agreement, the defaulting party or the party not prevailing in the dispute, as the case may be, shall pay any and all costs and expenses incurred by the other party in enforcing or establishing its rights under this Agreement, including, without limitation, court costs and reasonable attorneys' fees.

20.5 This Agreement may be executed in multiple counterparts, each of which shall, for all purposes, be deemed an original and all of which, taken together, shall constitute one and the same agreement.

20.6 This Agreement shall be binding upon and inure to the benefit of the Parties and their respective successors in interest and assigns; provided, however, that no assignment of this Agreement shall in any way relieve the assignor of its obligations under this Agreement.

20.7 This Agreement is subject to A.R.S. § 38-511, which provides for cancellation of contracts in certain instances involving conflicts of interest.

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement as of the last date set forth below their respective signatures.

THE "TOWN":
TOWN OF CLARKDALE, , an Arizona
municipal corporation

By: _____
Robyn Prudhomme-Bauer, Mayor

Date: _____

ATTEST:

Charity Brooks, , Clerk

APPROVED AS TO FORM:

Stephen Polk, Town Attorney

The "OWNER/DEVELOPER":
PLATEAU PARTNERS, L.L.C., an Arizona
limited liability company

By: _____
Jon Lash, , Member Manager

Date: _____

STATE OF ARIZONA)
) ss

County of Yavapai)

The foregoing instrument was acknowledged before me on _____ by,

(Seal)

Notary Public

EXHIBITS

- Exhibit A Depiction of the “OWNER/DEVELOPER’s Land”
- Exhibit B Legal description of the “OWNER/DEVELOPER’s Land”
- Exhibit C Original plans for retaining walls, stairs, and light fixtures (On file at Town of Clarkdale)
- Exhibit D Phasing Plan
- Exhibit E Renderings approved by Design Review Board

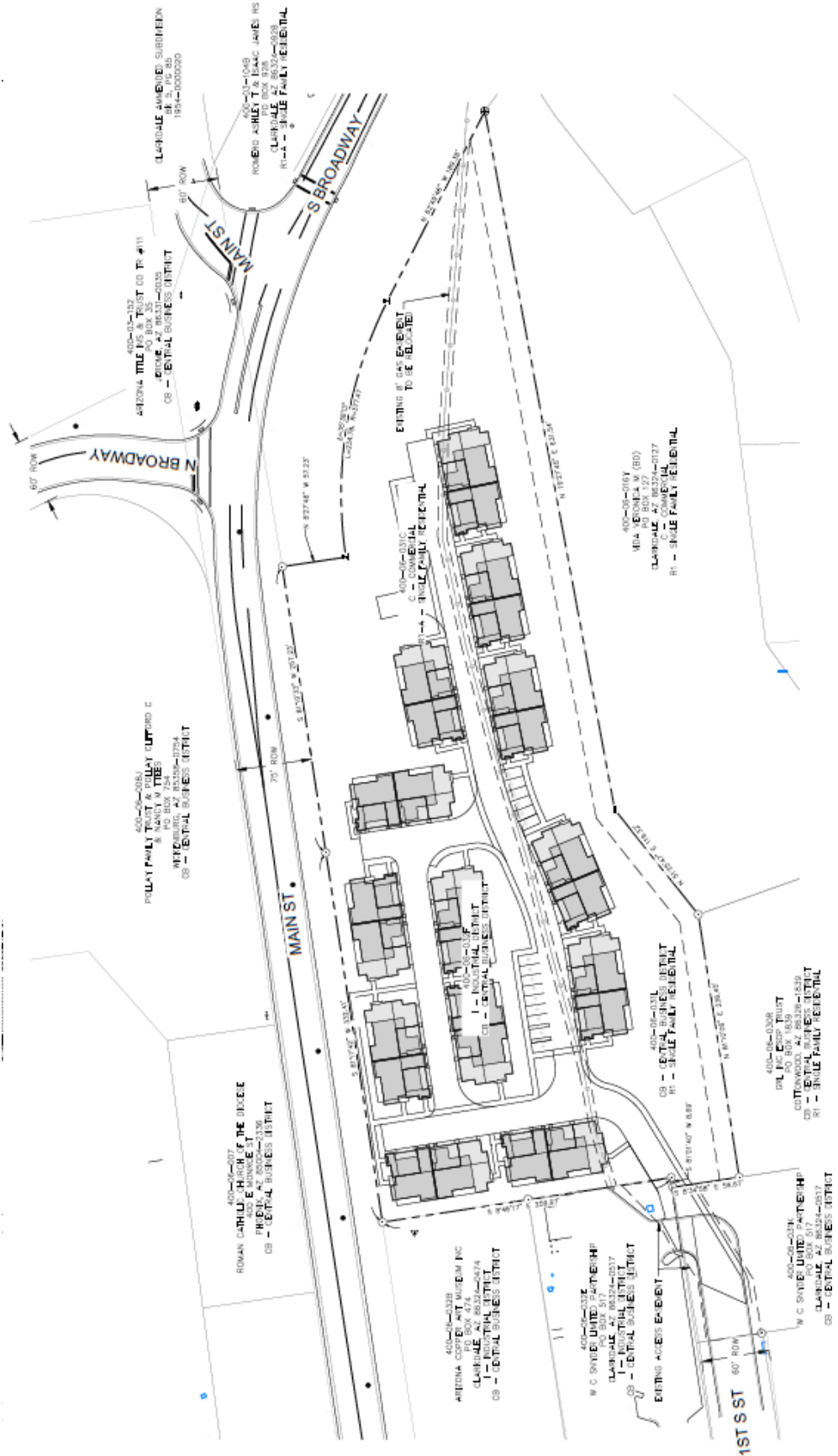
Exhibit B:
Legal
Description

Parcel 1: (400-
06-
032F)

A
parcel
of land
located
in the
Town
of

Exhibit A: Depiction of Owner's/Developer's Land

C...dale in
S...n 20,
T...ship 16
North, Range 3
East of the Gila
and Salt River
Base and
Meridian,
Yavapai
County,
Arizona, more
particularly



described as follows:

COMMENCING at a set 1/2-inch rebar with aluminum tag stamped "LS 32224" at the intersection of the southerly right of way line of Main Street and the Easterly right of way line of Ninth Street, in the Town of Clarkdale, as shown in Book 5 of Maps, Page 85;

THENCE North 81 degrees 19 minutes 52 seconds East along said southerly right of way, a distance of 276.32 feet (North 81 degrees 22 minutes 01 seconds East, a distance of 275.46 feet record per Book 4276 of Official Records, Page 567 hereinafter referred to as RECORD) to a set 1/2-inch rebar with aluminum tag stamped "LS 32224" and the POINT OF BEGINNING;

THENCE North 81 degrees 19 minutes 52 seconds East along said southerly right of way, a distance of 332.94 feet (North 81 degrees 22 minutes 01 seconds East, a distance of 332.54 feet RECORD) to a found 1/2-inch rebar-affixed brass tag stamped "LS 32224";

THENCE South 8 degrees 32 minutes 41 seconds East, a distance of 260.07 feet (South 8 degrees 36 minutes 00 seconds East, a distance of 260.00 feet RECORD) to a found 1-inch square bolt-affixed brass tag stamped "FOUND LS 32224 on the Northerly right of way line of First South Street;

THENCE South 81 degrees 19 minutes 34 seconds West along said northerly right of way, a distance of 331.42 feet (South 81 degrees 25 minutes 26 seconds West RECORD) to a set 1/2-inch rebar with aluminum tag stamped "LS 32224";

THENCE North 8 degrees 52 minutes 54 seconds West, a distance of 260.10 feet to the POINT OF BEGINNING.

Parcel 2: (400-06-031C)

A parcel of land located in the Town of Clarkdale in Section 20, Township 16 North, Range 3 East of the Gila and Salt River Base and Meridian, Yavapai County, Arizona, more particularly described as follows: COMMENCING at a set 1/2-inch rebar with aluminum tag stamped "LS 32224 " at the intersection of the Northerly right of way line of First South Street and the Easterly right of way line of Ninth Street , in the Town of Clarkdale, as shown in Book 5 of Maps, Page 85;

THENCE North 81 degrees 19 minutes 34 seconds East along said Northerly right of way, a distance of 608.33 feet (North 82 degrees 07 minutes 04 seconds East along said Northerly right of way, a distance of 6038 feet record per Book 4276 of Official Record, Page 567 hereinafter referred to as RECORD) to a found 1-inch square bolt-affixed brass tag stamped "FOUND LS 32224" and the POINT OF BEGINNING;

THENCE North 8 degrees 32 minutes 41 seconds West, a distance of 260.07 feet (North 7 degrees 54 minutes 46 seconds West, a distance of 260.00 feet RECORD} to a found 1/2-inch rebar- affixed brass tag stamped "FOUND LS 32224" on the southerly right of way line of Main Street per Book 5 of Maps, Page 85;

THENCE North 81 degrees 19 minutes 52 seconds East along said southerly right of way, a distance of 257.31 feet (North 82 degrees 07 minutes 04 seconds East, a distance of 257.92 feet RECORD) to a set 1/2-inch rebar with aluminum tag stamped "LS 32224";

THENCE South 8 degrees 32 minutes 41 seconds East along said right of way, a distance of 57.12 feet (South 7 degrees 54 minutes 46 seconds East, a distance of 57.12 feet RECORD) to a found railroad rail right of way marker affixed brass tag stamped "FOUND LS 32224" and the beginning of a non-tangent curve, concave southerly, the radius point of which bears South 8 degrees 39 minutes 53 seconds East, a distance of 377.47 feet (377.47 feet RECORD);

THENCE Easterly along said curve, through a central angle of 35 degrees 38 minutes 35 seconds, a distance of 234.82 feet (234.92 feet RECORD);

THENCE South 62 degrees 53 minutes 10 seconds East, a distance of 187.92 feet (South 63 degrees 15 minutes 16 seconds East, a distance of 189.83 feet RECORD) to a set 1/2-inch rebar with aluminum tag stamped "LS 32224";

THENCE South 79 degrees 18 minutes 02 seconds West, a distance of 630.56 feet (South 80 degrees 08 minutes 40 seconds West, a distance of 632.57 feet RECORD) to the POINT OF BEGINNING.

Parcel 3: (400-06-031L)

A parcel of land located in the Town of Clarkdale in Section 20, Township 16 North, Range 3 East of the Gila and Salt River Base and Meridian, Yavapai County, Arizona, more particularly described as follows:

COMMENCING at the intersection of the southerly right of way line of First South Street and the easterly right of way line of Ninth Street, as shown in Book 5 of Maps, Page 85, in the Town of Clarkdale, Arizona, a set 1/2-inch rebar with aluminum tag stamped "LS 32224";

THENCE North 81 degrees 19 minutes 34 seconds East along said southerly right of way, a distance of 128.35 feet (North 82 degrees 07 minutes 04 seconds East, 128 feet Record per Book 3751 of Official Records, Page 629 hereinafter referred to as Record) to a found 3/8-inch rebar with affixed brass tag stamped "FOUND LS 32224";

THENCE North 8 degrees 39 minutes 33 seconds West, a distance of 59.51 feet to a set 1/2-inch rebar with aluminum tag stamped "LS 32224";

THENCE North 81 degrees 19 minutes 34 seconds East, a distance of 139.84 feet to a set 1/2-inch rebar with aluminum tag stamped "LS 32224" and the POINT OF BEGINNING;

THENCE North 81 degrees 19 minutes 34 seconds East, a distance of 340.14 feet (North 82 degrees 07 minutes 04 seconds East record per Book 3668 of official records, page 164 hereinafter referred to as R2) to a found 1-inch square bolt with affixed brass tag stamped "FOUND LS 32224";

THENCE South 51 degrees 23 minutes 28 seconds West, a distance of 119.28 feet (South 51 degrees 8 minutes 04 seconds West, a distance of 119.46 feet R2) to a found 1/2-inch Rebar with affixed brass tag stamped "FOUND LS 32224";

THENCE South 81 degrees 19 minutes 34 seconds West, a distance of 236.74 feet (South 82 degrees 07 minutes 04 seconds West, a distance of 236.70 feet R2) to a found 1/2-inch Rebar with affixed brass tag stamped "found ls 32224";

Thence North 8 degrees 42 minutes 04 seconds West, a distance of 59.51 feet to the POINT OF BEGINNING.

Parcel 4:

An easement for ingress, egress and utilities, as created in deed recorded in Book 4329 of Official Records, Page 348, Records of Yavapai County, Arizona, across the southeasterly corner of the following described parcel of land lying to the east of the above-described parcel, and subject and under to lease to the U. S. Postal Service:

Commencing at the intersection of the northerly right of way line of First South Street and the easterly right of way line of Ninth Street in the Town of Clarkdale, said intersection being the TRUE POINT OF BEGINNING;

Thence North 8 degrees 36 minutes 00 seconds West along the easterly right of way line of First South Street, a distance of 128.13 feet;

Thence North 81 degrees 25 minutes 26 seconds East, a distance of 275.80 feet;

Thence South 8 degrees 44 minutes 46 seconds East, a distance of 128.24 feet;

Thence South 81 degrees 24 minutes 00 seconds West, a distance of 276.13 feet to the True POINT OF BEGINNING.

Exhibit C: 1917 Retaining Wall/Stairway Plans

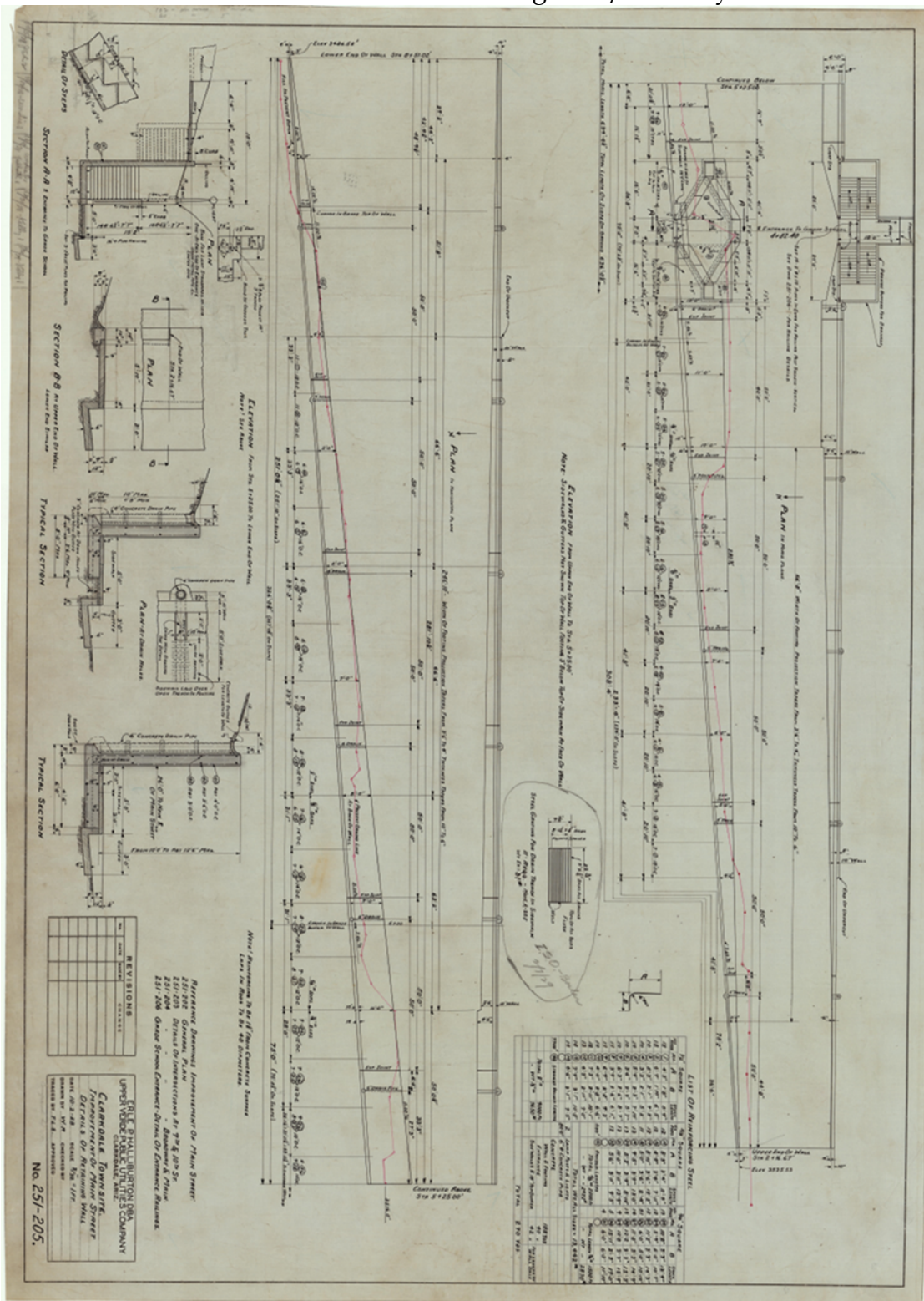


EXHIBIT D - PHASING PLAN

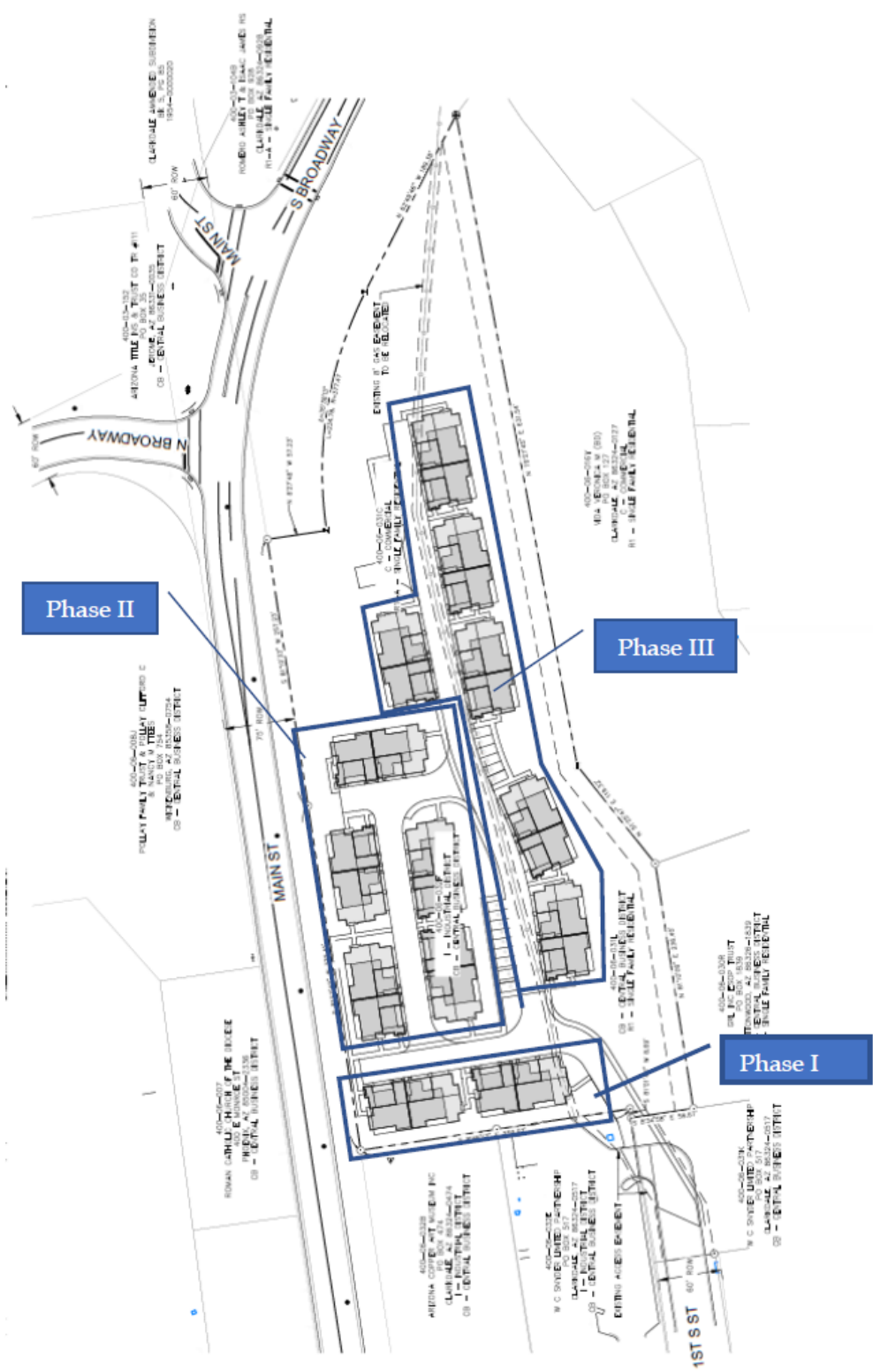


EXHIBIT E RENDERINGS APPROVED BY DESIGN REVIEW BOARD



THE PLATEAU AT CLARKDALE

DATE:
2021-12-20

Clarkdale, Arizona

APN: 400-06-032F, 400-06-031L,
400-06-031C

PROJECT APPLICANT:

PLATEAU PARTNERS, LLC
28025 ACANA STREET
RANCHO PALOS VERDES, CA 90275
CONTACT: JON LASH (310) 948-9607

OWNER OF RECORD:

PLATEAU PARTNERS, LLC
28025 ACANA STREET
RANCHO PALOS VERDES, CA 90275
CONTACT: JON LASH (310) 948-9607

RESPONSIBLE PARTY:

PLACEWORKS
3 MACARTHUR PLACE, SUITE 1100
SANTA ANA, CA 92707
CONTACT: SHEILA CEDERVALL (714) 966-9220

ENGINEER:

SHEPARD-WESNITZER, INC. (SWI)
75 KALLOP PLACE
SEDONA, ARIZONA 86336
CONTACT: ARTHUR H. BECKWITH (928)282-1061

ARCHITECT:

STUDIO-195, INC.
23 ORCHARD ROAD, SUITE 150
LAKE FOREST, CA 92630
CONTACT: TARANE RAHMANI (949) 577-4585

LANDSCAPE ARCHITECT:

PLACEWORKS
3 MACARTHUR PLACE, SUITE 1100
SANTA ANA, CA 92707
CONTACT: SHEILA CEDERVALL (714) 966-9220

DRAWING NO:

R1



THE PLATEAU AT CLARKDALE

DATE:
2021-12-03

Clarkdale, Arizona APN: 400-06-032F, 400-06-031L, 400-06-031C	PROJECT APPLICANT: PLATEAU PARTNERS, LLC 28025 ACANA STREET RANCHO PALOS VERDES, CA 90275 CONTACT: JON LASH (310) 948-9607	OWNER OF RECORD: PLATEAU PARTNERS, LLC 28025 ACANA STREET RANCHO PALOS VERDES, CA 90275 CONTACT: JON LASH (310) 948-9607	RESPONSIBLE PARTY: PLACEWORKS 3 MACARTHUR PLACE, SUITE 1100 SANTA ANA, CA 92707 CONTACT: SHEILA CEDERVALL (714) 966-9220	ENGINEER: SHEPARD-WESNITZER, INC. (SWI) 75 KALLOF PLACE SEDONA, ARIZONA 86336 CONTACT: ARTHUR H. BECKWITH (928)282-1061	ARCHITECT: STUDIO-195, INC. 23 ORCHARD ROAD, SUITE 150 LAKE FOREST, CA 92630 CONTACT: TANABE RAHMANI (949) 677-4585	LANDSCAPE ARCHITECT: PLACEWORKS 3 MACARTHUR PLACE, SUITE 1100 SANTA ANA, CA 92707 CONTACT: SHEILA CEDERVALL (714) 966-9220	DRAWING NO.: R2
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THE PLATEAU AT CLARKDALE

DATE:
3/27/12/10

Clarkdale, Arizona APN: 400-06-032F, 400-06-031L, 400-06-031C	PROJECT APPLICANT: PLATEAU PARTNERS, LLC 28025 ACANA STREET RANCHO PALOS VERDES, CA 90275 CONTACT: JON LASH (310) 948-9607	OWNER OF RECORD: PLATEAU PARTNERS, LLC 28025 ACANA STREET RANCHO PALOS VERDES, CA 90275 CONTACT: JON LASH (310) 948-9607	RESPONSIBLE PARTY: PLACEWORKS 3 MACARTHUR PLACE, SUITE 1300 SANTA ANA, CA 92707 CONTACT: SHEILA CEDERVALL (714) 966-9220	ENGINEER: SHEPARD-WESNITZER, INC. (SWI) 75 KALLOP PLACE SEDONA, ARIZONA 86336 CONTACT: ARTHUR H. BECKWITH (928)282-3061	ARCHITECT: STUDIO 195, INC. 23 ORCHARD ROAD, SUITE 150 LAKE FOREST, CA 92630 CONTACT: TARANE RAHMANI (949) 677-4585	LANDSCAPE ARCHITECT: PLACEWORKS 3 MACARTHUR PLACE, SUITE 1300 SANTA ANA, CA 92707 CONTACT: SHEILA CEDERVALL (714) 966-9220	DRAWING NO.: R3
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THE PLATEAU AT CLARKDALE

DATE:
2021-12-20

Clarkdale, Arizona

APN: 400-06-032F, 400-06-031L,
400-06-031C

PROJECT APPLICANT:

PLATEAU PARTNERS, LLC
28025 ACANA STREET
RANCHO PALOS VERDES, CA 92275
CONTACT: JON LASH (310) 948-9607

OWNER OF RECORD:

PLATEAU PARTNERS, LLC
28025 ACANA STREET
RANCHO PALOS VERDES, CA 92275
CONTACT: JON LASH (310) 948-9607

RESPONSIBLE PARTY:

PLACEWORKS
3 MACARTHUR PLACE, SUITE 1100
SANTA ANA, CA 92707
CONTACT: SHEILA CEDERVALL (714) 966-9220

ENGINEER:

SHEPARD-WESNITZER, INC. (SWI)
75 KALLOF PLACE
SIDONA, ARIZONA 85376
CONTACT: ARTHUR M. BECKWITH (928) 282-1061

ARCHITECT:

STUDIO-195, INC.
23 ORCHARD ROAD, SUITE 150
LAKE FOREST, CA 92630
CONTACT: TURABE RAMMANI (949) 677-4585

LANDSCAPE ARCHITECT:

PLACEWORKS
3 MACARTHUR PLACE, SUITE 1100
SANTA ANA, CA 92707
CONTACT: SHEILA CEDERVALL (714) 966-9220

DRAWING NO:

R4



THE PLATEAU AT CLARKDALE

DATE:
2021-12-03

Clarkdale, Arizona

APN: 400-06-032F, 400-06-031L,
400-06-031C

PROJECT APPLICANT:

PLATEAU PARTNERS, LLC
28025 ACANA STREET
RANCHO PALOS VERDES, CA 90275
CONTACT: JON LASH (310) 968-9607

OWNER OF RECORD:

PLATEAU PARTNERS, LLC
28025 ACANA STREET
RANCHO PALOS VERDES, CA 90275
CONTACT: JON LASH (310) 968-9607

RESPONSIBLE PARTY:

PLACEWORKS
3 MACARTHUR PLACE, SUITE 1100
SANTA ANA, CA 92707
CONTACT: SHEILA CEDERVALL (714) 966-9220

ENGINEER:

SHEPARD-WESNITZER, INC. (SWI)
75 KALLOF PLACE
SEDONA, ARIZONA 86336
CONTACT: ARTHUR H. BECKWITH (928) 282-1061

ARCHITECT:

STUDIO-196, INC.
23 ORCHARD ROAD, SUITE 150
LAKE FOREST, CA 92630
CONTACT: TARANE RANMANI (949) 577-4585

LANDSCAPE ARCHITECT:

PLACEWORKS
3 MACARTHUR PLACE, SUITE 1100
SANTA ANA, CA 92707
CONTACT: SHEILA CEDERVALL (714) 966-9220

DRAWING NO.:

R5



LEFT

SCALE: 1/8" = 1'-0"



FRONT

SCALE: 1/8" = 1'-0"

THE PLATEAU AT CLARKDALE



DATE:
2021-12-03

Clarkdale, Arizona APN: 400-06-032F, 400-06-031L, 400-06-031C	PROJECT APPLICANT: PLATEAU PARTNERS, LLC 28025 ACANA STREET RANCHO PALOS VERDES, CA 90275 CONTACT: JON LASH (310) 948-9607	OWNER OF RECORD: PLATEAU PARTNERS, LLC 28025 ACANA STREET RANCHO PALOS VERDES, CA 90275 CONTACT: JON LASH (310) 948-9607	RESPONSIBLE PARTY: PLACEWORKS 3 MACARTHUR PLACE, SUITE 1100 SANTA ANA, CA 92707 CONTACT: SHEILA CEDERVALL (714) 966-9220	ENGINEER: SHEPARD-WESNITZER, INC. (SWI) 75 KALLOP PLACE SEDONA, ARIZONA 86336 CONTACT: ARTHUR H. BECKWITH (928)282-1061	ARCHITECT: STUDIO-195, INC. 23 ORCHARD ROAD, SUITE 150 LAKE FOREST, CA 92530 CONTACT: TARANE RAHMANI (949) 677-4585	LANDSCAPE ARCHITECT: PLACEWORKS 3 MACARTHUR PLACE, SUITE 1100 SANTA ANA, CA 92707 CONTACT: SHEILA CEDERVALL (714) 966-9220	DRAWING NO.: 2.04 C1
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THE PLATEAU AT CLARKDALE



DATE: 2021-12-20

Clarkdale, Arizona APN: 400-06-032F, 400-06-031L, 400-06-031C.	PROJECT APPLICANT: PLATEAU PARTNERS, LLC 28025 ACANA STREET RANCHO PALOS VERDES, CA 90275 CONTACT: JON LASH (310) 948-9607	OWNER OF RECORD: PLATEAU PARTNERS, LLC 28025 ACANA STREET RANCHO PALOS VERDES, CA 90275 CONTACT: JON LASH (310) 948-9607	RESPONSIBLE PARTY: PLACEWORKS 3 MACARTHUR PLACE, SUITE 1100 SANTA ANA, CA 92707 CONTACT: SHEILA CEDERVALL (714) 966-9220	ENGINEER: SHEPARD-WESNITZER, INC. (SWI) 71 KALLOP PLACE SEDONA, ARIZONA 86336 CONTACT: ARTHUR H. BECKWITH (928) 282-1061	ARCHITECT: STUDIO-195, INC. 23 ORCHARD ROAD, SUITE 150 LAKE FOREST, CA 92630 CONTACT: TARAHE RAHMANI (949) 677-4585	LANDSCAPE ARCHITECT: PLACEWORKS 3 MACARTHUR PLACE, SUITE 1100 SANTA ANA, CA 92707 CONTACT: SHEILA CEDERVALL (714) 966-9220	DRAWING NO: 2.04 C2
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DECLARATION AND DEDICATION

STATE OF ARIZONA
COUNTY OF YAVAPAI

KNOW ALL MEN BY THESE PRESENTS:

1. THAT PLATEAU PARTNERS, LLC, AN ARIZONA LIMITED LIABILITY COMPANY ("OWNER"), AS OWNER OF THE REAL PROPERTY DESCRIBED AND DEPICTED HEREON, HEREBY PUBLISHES UNDER THE NAME "THE PLATEAU" A PORTION OF SECTION 20, TOWNSHIP 16 NORTH, RANGE 3 EAST, GILA AND SALT RIVER MERIDIAN, YAVAPAI COUNTY, ARIZONA. OWNER HEREBY DECLARES THAT THE PLAT SETS FORTH THE LOCATION AND GIVES THE DIMENSIONS OF THE UNITS AND EASEMENTS, AND THAT SUCH UNITS AND EASEMENTS SHALL BE KNOWN BY THE NUMBER, LETTER OR NAME GIVEN HEREON.

2. THE OWNER OF THE PLATEAU HEREBY RESERVES AND DEDICATES OVER AND ACROSS ALL THOSE AREAS LISTED AS COMMON ELEMENT AS SHOWN HEREON, AND GRANTS TO THE OWNERS OF THE INDIVIDUAL UNITS, THE APPLICABLE PUBLIC AND PRIVATE UTILITY COMPANIES, AND EMERGENCY SERVICE PROVIDERS, A BLANKET EASEMENT FOR INGRESS AND EGRESS; DRAINAGE; FOR INSTALLATION, OPERATION AND MAINTENANCE TO PUBLIC AND PRIVATE UTILITY LINES AND FACILITIES, INCLUDING WITHOUT LIMITATION, WATER, SEWER, DRAINAGE, ELECTRIC, NATURAL GAS, TELEPHONE, AND CABLE TELEVISION, OR OTHER COMMUNICATION LINES AND SYSTEMS. CONSTRUCTION WITHIN EASEMENTS, EXCEPT BY PUBLIC AGENCIES AND UTILITY COMPANIES, SHALL BE LIMITED TO UTILITIES, AND WOOD, WIRE, OR REMOVABLE SECTION TYPE FENCING.

IN WITNESS WHEREOF, OWNER HAS CAUSED THIS PLAT TO BE DULY EXECUTED

AS OF THE _____ DAY OF _____, 20____

PLATEAU PARTNERS, LLC, AN ARIZONA LIMITED LIABILITY COMPANY

BY: _____
JON LASH, MANAGING MEMBER, PLATEAU PARTNERS, LLC

COORDINATE SYSTEM DETAILS

LINEAR UNIT: INTERNATIONAL FOOT

GEODETIC DATUM: NAD 1983 (NA 2011)

VERTICAL DATUM: NAVD 1988 (SEE BELOW)

SYSTEM: STATE PLANE COORDINATE SYSTEM (1984)

ZONE: ARIZONA CENTRAL 0202

PROJECTION

TRANSVERSE MERCATOR
LATITUDE OF GRID ORIGIN: 31°00'00" N
LONGITUDE OF CENTRAL MERIDIAN: 111°55'00" W
NORTHING AT GRID ORIGIN: 0.000 FT
EASTING AT CENTRAL MERIDIAN: 700,000 FT
CENTRAL MERIDIAN SCALE FACTOR: 0.9999 (EXACT)

ALL DISTANCES AND BEARINGS SHOWN HEREON ARE NOT GRID VALUES BUT PROJECTED FOR THE PRECEDING COORDINATE SYSTEM DEFINITION. THIS DEFINITION IS SUCH THAT GRID DISTANCES ARE NOT EQUIVALENT TO "GROUND" DISTANCES IN THE PROJECT AREA.

ORTOMETRIC HEIGHTS (ELEVATIONS) WERE TRANSFERRED TO THE SITE FROM POINT "PANORAMA" (NGS PID DH5792) USING GPS WITH NGS GEOID MODEL "GEOID 12B". ELEVATIONS SHOWN HEREON ARE REFERENCED TO THE PUBLISHED ELEVATION OF THIS STATION.

POINT# 2002: REBAR WITH TAG STAMPED "RLS 32224"

NORTHING: 1372092.86
EASTING: 658036.22
ELEVATION: 3551.30 FT

POINT# 2006: REBAR WITH TAG STAMPED "RLS 32224"

NORTHING: 1371835.92
EASTING: 658075.86
ELEVATION: 3552.53 FT

POINT# 2017: REBAR WITH TAG STAMPED "RLS 32224"

NORTHING: 1372181.96
EASTING: 658619.09
ELEVATION: 3497.85 FT

APPROVALS

THIS PLAT HAS BEEN CHECKED FOR CONFORMANCE TO THE APPROVED PRELIMINARY PLAT AND ANY SPECIAL CONDITIONS ATTACHED THERETO, TO THE REQUIREMENTS OF THE YAVAPAI COUNTY SUBDIVISION REGULATIONS, THE TOWN OF CLARKDALE SUBDIVISION REGULATIONS, AND TO ANY OTHER APPLICABLE REGULATIONS, AND APPEARS TO COMPLY WITH ALL REQUIREMENTS WITHIN MY JURISDICTION TO CHECK AND EVALUATE.

APPROVED: _____ DATE _____

PUBLIC WORKS DIRECTOR
TOWN OF CLARKDALE, ARIZONA

APPROVED BY THE COUNCIL OF THE TOWN OF CLARKDALE, ARIZONA, THIS _____ DAY OF _____, 20____

BY: _____ DATE _____
MAYOR

ATTEST: _____ DATE _____
TOWN CLERK

BY _____ DATE _____
YAVAPAI COUNTY HEALTH DEPARTMENT

ACKNOWLEDGEMENT

STATE OF ARIZONA
COUNTY OF YAVAPAI

SUBSCRIBED AND SWORN TO BEFORE ME THIS _____ DAY OF _____, 2022, BY _____

MANAGING MEMBER OF PLATEAU PARTNERS, LLC, AN ARIZONA LIMITED LIABILITY COMPANY, ON BEHALF OF THE COMPANY

MY COMMISSION EXPIRES: _____

_____, NOTARY PUBLIC

CERTIFICATE OF LAND SURVEYOR

THIS IS TO CERTIFY THAT THE PROPERTY DESCRIBED AND PLATTED HEREON WAS MADE UNDER MY DIRECTION AND SUPERVISION AND IS ACCURATELY REPRESENTED ON THIS PLAT. I ALSO CERTIFY THAT THE PLAT IS IN SUBSTANTIAL CONFORMANCE TO THE APPROVED PRELIMINARY PLAT AND THAT THIS PLAT IS CORRECT AND ACCURATE AS SHOWN TO THE BEST OF MY KNOWLEDGE AND BELIEF.

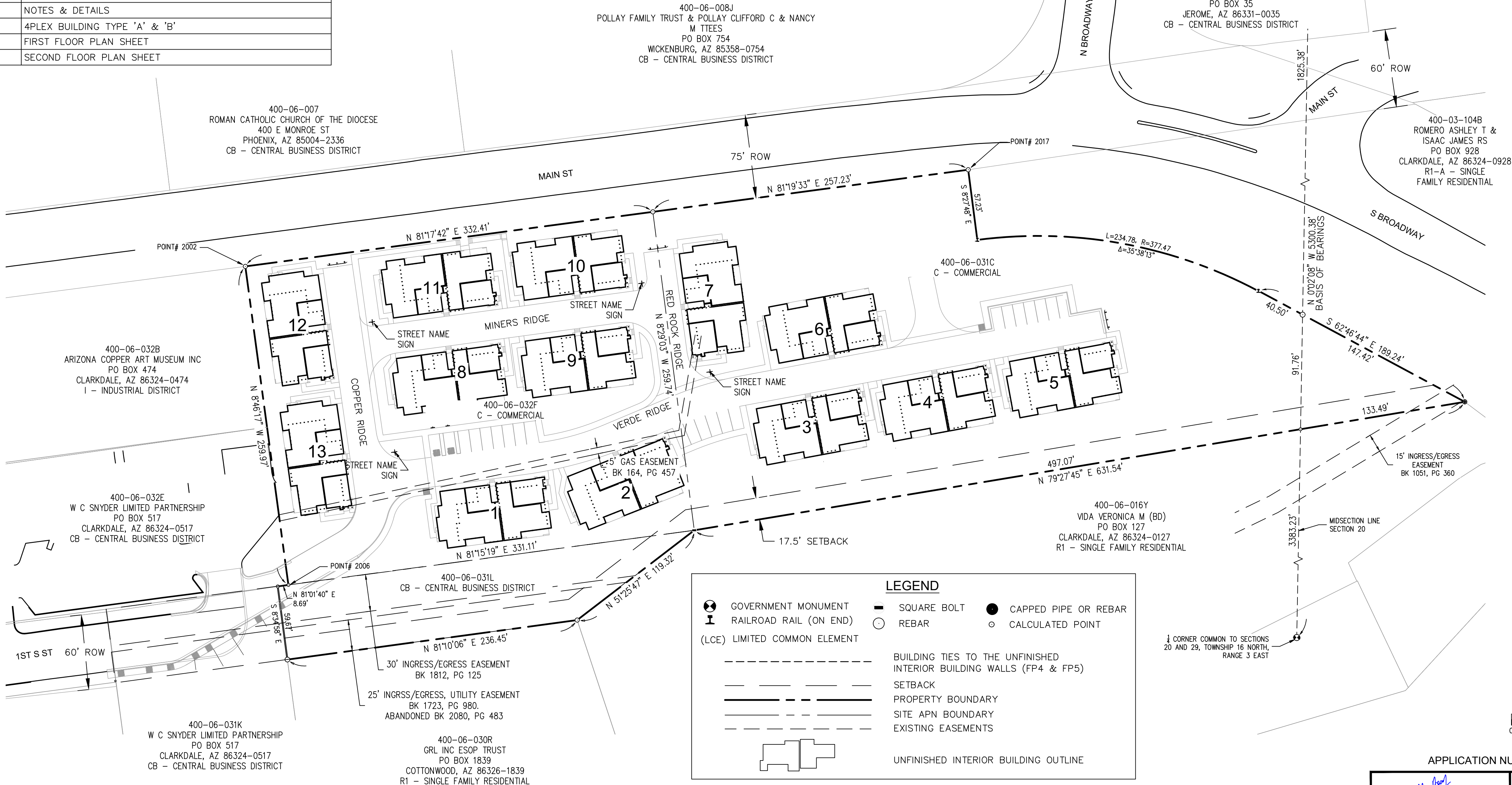
REGISTERED LAND SURVEYOR _____
ARON REAY, RLS 60237

DATE January 06, 2023

CERTIFICATE FOR ASSURED OR ADEQUATE WATER SUPPLY

THIS SUBDIVISION IS NOT WITHIN A DESIGNATED ACTIVE WATER MANAGEMENT AREA. A STATEMENT OF WATER SERVICEABILITY HAS BEEN PROVIDED BY THE TOWN OF CLARKDALE MUNICIPAL WATER UTILITY.

SHEET INDEX		
SHT NO.	DWG NO.	TITLE
1	FP1	COVER SHEET
2	FP2	NOTES & DETAILS
3	FP3	4PLEX BUILDING TYPE 'A' & 'B'
4	FP4	FIRST FLOOR PLAN SHEET
5	FP5	SECOND FLOOR PLAN SHEET



LEGEND		
	GOVERNMENT MONUMENT	
	RAILROAD RAIL (ON END)	
	(LCE) LIMITED COMMON ELEMENT	
	SQUARE BOLT	
	REBAR	
	CAPPED PIPE OR REBAR	
	CALCULATED POINT	
	BUILDING TIES TO THE UNFINISHED INTERIOR BUILDING WALLS (FP4 & FP5)	
	SETBACK	
	PROPERTY BOUNDARY	
	SITE APN BOUNDARY	
	EXISTING EASEMENTS	
	UNFINISHED INTERIOR BUILDING OUTLINE	

Contact Arizona 811 at least two full working days before you begin excavation



Call 811 or click Arizona811.com

REVISIONS			
NO.	DESCRIPTION	DATE	BY



75 Kallaf Place
Sedona, AZ 86336
928.282.1061
928.282.2058 fax

www.swiaz.com

JOB NO:	21059
DATE:	JAN 23
SCALE:	AS SHOWN
DRAWN:	EGM
DESIGN:	AHB
CHECKED:	AHB

THE PLATEAU AT CLARKDALE

CITY OF CLARKDALE
ARIZONA

FINAL PLAT
COVER SHEET

APPLICATION NUMBER 093160



DRAWING NO.

FP1

SHT NO. OF
1 5

FINAL PLAT NOTES

1. NO STRUCTURE OF ANY KIND SHALL BE CONSTRUCTED OR PLACED WITHIN OR OVER UTILITY EASEMENTS EXCEPT: UTILITIES, WOOD, WIRE, OR REMOVABLE SECTION TYPE OF FENCING; ASPHALT PAVING, GRAVEL, CONCRETE, OR OTHER DRIVEWAY MATERIALS OR SUITABLE LANDSCAPING. IT SHALL BE FURTHER UNDERSTOOD THAT THE UTILITY COMPANIES SHALL NOT BE REQUIRED TO REPLACE OBSTRUCTIONS OR PLANTING THAT MUST BE REMOVED DURING THE COURSE OF MAINTENANCE, CONSTRUCTION OR RECONSTRUCTION OF UTILITIES.
2. EACH OF THE UNITS SHOWN HEREON ARE SUBJECT TO THE CONDOMINIUM DECLARATION FOR THE PLATEAU, TO BE RECORDED WITH THE COUNTY RECORDER OF YAVAPAI COUNTY, ARIZONA, FOLLOWING THE RECORDING OF THIS PLAT.
3. PROPERTY BOUNDARY INFORMATION SHOWN HEREON WAS OBTAINED FROM A RECORD OF SURVEY COMPLETED ON JUNE 9, 2021, SIGNED BY ARON M. REAY, R.L.S. 60237, RECORDED IN INSTRUMENT NO. 2021-0071528 OF THE YAVAPAI RECORDER'S OFFICE PERFORMED BY SHEPHARD-WESNITZER, INC.
4. ALL AREA OUTSIDE THE UNITS IS COMMON ELEMENT WITH THE EXCEPTION OF BALCONIES/DECKS AND PATIOS WHICH ARE LIMITED COMMON ELEMENT.
5. BUILDING SETBACKS AS SHOWN HEREON, ARE PER TOWN OF CLARKDALE REGULATIONS.
6. NO LINES, WIRES, OR OTHER SERVICES FOR THE COMMUNICATION OR TRANSMISSION OF ELECTRIC CURRENT OR POWER OR ELECTROMAGNETIC IMPULSES, INCLUDING TELEPHONE, TELEVISION, AND RADIO SIGNALS, SHALL BE ERECTED, PLACED, OR MAINTAINED ANYWHERE IN OR UPON THE PROPERTY UNLESS THEY ARE CONTAINED IN CONDUITS TO CABLES INSTALLED AND MAINTAINED UNDERGROUND OR CONCEALED IN, UNDER, OR ON BUILDINGS OR OTHER STRUCTURES APPROVED BY THE PLATEAU ASSOCIATION. NO PROVISION OF THIS APPROVED PLAT SHALL BE DEEMED TO FORBID THE ERECTION OF TEMPORARY POWER OR TELEPHONE STRUCTURES INCIDENT TO THE CONSTRUCTION OF BUILDINGS, STRUCTURES, OR IMPROVEMENTS APPROVED BY THE ASSOCIATION.
7. THE BOUNDARIES OF EACH UNIT SHALL BE AS FOLLOWS:

(A) THE VERTICAL BOUNDARIES ARE THE INTERIOR UNFINISHED SURFACES OF THE PERIMETER WALLS, DOORS AND WINDOWS OF THE UNIT.

(B) THE HORIZONTAL BOUNDARY SHALL BE THE CONCRETE FLOOR OF THE UNIT.

(C) THE UPPER HORIZONTAL BOUNDARY SHALL BE A HORIZONTAL PLANE HAVING AN ELEVATION EQUAL TO THE HIGHEST POINT OF THE FINISHED CEILING OF THE UNIT.
8. CONSTRUCTION WITHIN EASEMENTS, EXCEPT BY PUBLIC AGENCIES AND UTILITY COMPANIES, SHALL BE LIMITED TO UTILITIES, AND WOOD, WIRE, OR REMOVABLE SECTION TYPE FENCING.
9. THERE ARE NO EXISTING OR PROPOSED DEED RESTRICTIONS IMPOSED UPON THE PLAT OR ANY PART OR PARTS THEREOF PERTAINING TO THE INTENDED USE OF THE LAND.
10. THE PERPETUAL MAINTENANCE OF PRIVATE ROADS, SIDEWALKS, RECREATION FACILITIES, OPEN SPACES, AND ALL COMMON ELEMENTS SHALL BE PROVIDED BY THE PLATEAU AT CLARKDALE COVENANTS, CONDITIONS AND RESTRICTIONS AND RECORDED AT BOOK ____ PAGE ____ (INSTRUMENT NO. _____) YAVAPAI COUNTY RECORDS.

LEGAL DESCRIPTION

PARCEL 1: (400-06-032F)

A PARCEL OF LAND LOCATED IN THE TOWN OF CLARKDALE IN SECTION 20, TOWNSHIP 16 NORTH, RANGE 3 EAST OF THE GILA AND SALT RIVER BASE AND MERIDIAN, YAVAPAI COUNTY, ARIZONA, MORE PARTICULARLY DESCRIBED AS FOLLOWS:

COMMENCING AT A SET 1/2-INCH REBAR WITH ALUMINUM TAG STAMPED "LS 32224" AT THE INTERSECTION OF THE SOUTHERLY RIGHT OF WAY LINE OF MAIN STREET AND THE EASTERLY RIGHT OF WAY LINE OF NINTH STREET, IN THE TOWN OF CLARKDALE, AS SHOWN IN BOOK 5 OF MAPS, PAGE 85; THENCE NORTH 81 DEGREES 19 MINUTES 52 SECONDS EAST ALONG SAID SOUTHERLY RIGHT OF WAY, A DISTANCE OF 276.32 FEET (NORTH 81 DEGREES 22 MINUTES 01 SECONDS EAST, A DISTANCE OF 275.46 FEET RECORD PER BOOK 4276 OF OFFICIAL RECORDS, PAGE 567 HEREINAFTER REFERRED TO AS RECORD) TO A SET 1/2 INCH REBAR WITH ALUMINUM TAG STAMPED "LS 32224" AND THE POINT OF BEGINNING; THENCE NORTH 81 DEGREES 19 MINUTES 52 SECONDS EAST ALONG SAID SOUTHERLY RIGHT OF WAY, A DISTANCE OF 332.94 FEET (NORTH 81 DEGREES 22 MINUTES 01 SECONDS EAST, A DISTANCE OF 332.54 FEET RECORD) TO A FOUND 1/2 INCH REBAR-AFFIXED BRASS TAG STAMPED "LS 32224"; THENCE SOUTH 8 DEGREES 32 MINUTES 41 SECONDS EAST, A DISTANCE OF 260.07 FEET (SOUTH 8 DEGREES 36 MINUTES 00 SECONDS EAST, A DISTANCE OF 260.00 FEET RECORD) TO A FOUND 1 INCH SQUARE BOLT-AFFIXED BRASS TAG STAMPED "FOUND LS 32224 ON THE NORTHERLY RIGHT OF WAY LINE OF FIRST SOUTH STREET; THENCE SOUTH 81 DEGREES 19 MINUTES 34 SECONDS WEST ALONG SAID NORTHERLY RIGHT OF WAY, A DISTANCE OF 331.42 FEET (SOUTH 81 DEGREES 25 MINUTES 26 SECONDS WEST RECORD) TO A SET 1/2-INCH REBAR WITH ALUMINUM TAG STAMPED "LS 32224"; THENCE NORTH 8 DEGREES 52 MINUTES 54 SECONDS WEST, A DISTANCE OF 260.10 FEET TO THE POINT OF BEGINNING.

PARCEL 2: (400-06-031C)

A PARCEL OF LAND LOCATED IN THE TOWN OF CLARKDALE IN SECTION 20, TOWNSHIP 16 NORTH, RANGE 3 EAST OF THE GILA AND SALT RIVER BASE AND MERIDIAN, YAVAPAI COUNTY, ARIZONA, MORE PARTICULARLY DESCRIBED AS FOLLOWS:

COMMENCING AT A SET 1/2-INCH REBAR WITH ALUMINUM TAG STAMPED "LS 32224 " AT THE INTERSECTION OF THE NORTHERLY RIGHT OF WAY LINE OF FIRST SOUTH STREET AND THE EASTERLY RIGHT OF WAY LINE OF NINTH STREET, IN THE TOWN OF CLARKDALE, AS SHOWN IN BOOK 5 OF MAPS, PAGE 85; THENCE NORTH 81 DEGREES 19 MINUTES 34 SECONDS EAST ALONG SAID NORTHERLY RIGHT OF WAY, A DISTANCE OF 608.33 FEET (NORTH 82 DEGREES 07 MINUTES 04 SECONDS EAST ALONG SAID NORTHERLY RIGHT OF WAY, A DISTANCE OF 6038 FEET RECORD PER BOOK 4276 OF OFFICIAL RECORD, PAGE 567 HEREINAFTER REFERRED TO AS RECORD) TO A FOUND 1 INCH SQUARE BOLT WITH AFFIXED BRASS TAG STAMPED "FOUND LS 32224" AND THE POINT OF BEGINNING; THENCE NORTH 8 DEGREES 32 MINUTES 41 SECONDS WEST, A DISTANCE OF 260.07 FEET (NORTH 7 DEGREES 54 MINUTES 46 SECONDS WEST, A DISTANCE OF 260.00 FEET RECORD) TO A FOUND 1/2 INCH REBAR- AFFIXED BRASS TAG STAMPED "FOUND LS 32224" ON THE SOUTHERLY RIGHT OF WAY LINE OF MAIN STREET PER BOOK 5 OF MAPS, PAGE 85; THENCE NORTH 81 DEGREES 19 MINUTES 52 SECONDS EAST ALONG SAID SOUTHERLY RIGHT OF WAY, A DISTANCE OF 257.31 FEET (NORTH 82 DEGREES 07 MINUTES 04 SECONDS EAST, A DISTANCE OF 257.92 FEET RECORD) TO A SET 1/2-INCH REBAR WITH ALUMINUM TAG STAMPED "LS 32224"; THENCE SOUTH 8 DEGREES 32 MINUTES 41 SECONDS EAST ALONG SAID RIGHT OF WAY, A DISTANCE OF 57.12 FEET (SOUTH 7 DEGREES 54 MINUTES 46 SECONDS EAST, A DISTANCE OF 57.12 FEET RECORD) TO A FOUND RAILROAD RAIL RIGHT OF WAY MARKER -AFFIXED BRASS TAG STAMPED "FOUND LS 32224" AND THE BEGINNING OF A NON-TANGENT CURVE, CONCAVE SOUTHERLY, THE RADIUS POINT OF WHICH BEARS SOUTH 8 DEGREES 39 MINUTES 53 SECONDS EAST, A DISTANCE OF 377.47 FEET (377.47 FEET RECORD); THENCE EASTERLY ALONG SAID CURVE, THROUGH A CENTRAL ANGLE OF 35 DEGREES 38 MINUTES 35 SECONDS, A DISTANCE OF 234.82 FEET (234.92 FEET RECORD); THENCE SOUTH 62 DEGREES 53 MINUTES 10 SECONDS EAST, A DISTANCE OF 187.92 FEET (SOUTH 63 DEGREES 15 MINUTES 16 SECONDS EAST, A DISTANCE OF 189.83 FEET RECORD) TO A SET 1/2-INCH REBAR WITH ALUMINUM TAG STAMPED "LS 32224"; THENCE SOUTH 79 DEGREES 18 MINUTES 02 SECONDS WEST, A DISTANCE OF 630.56 FEET (SOUTH 80 DEGREES 08 MINUTES 40 SECONDS WEST, A DISTANCE OF 632.57 FEET RECORD) TO THE POINT OF BEGINNING.

PARCEL 3: (400-06-031L)

A PARCEL OF LAND LOCATED IN THE TOWN OF CLARKDALE IN SECTION 20, TOWNSHIP 16 NORTH, RANGE 3 EAST OF THE GILA AND SALT RIVER BASE AND MERIDIAN, YAVAPAI COUNTY, ARIZONA, MORE PARTICULARLY DESCRIBED AS FOLLOWS:

COMMENCING AT THE INTERSECTION OF THE SOUTHERLY RIGHT OF WAY LINE OF FIRST SOUTH STREET AND THE EASTERLY RIGHT OF WAY LINE OF NINTH STREET, AS SHOWN IN BOOK 5 OF MAPS, PAGE 85, IN THE TOWN OF CLARKDALE, ARIZONA, A SET 1/2 INCH REBAR WITH ALUMINUM TAG STAMPED "LS 32224"; THENCE NORTH 81 DEGREES 19 MINUTES 34 SECONDS EAST ALONG SAID SOUTHERLY RIGHT OF WAY, A DISTANCE OF 128.35 FEET (NORTH 82 DEGREES 07 MINUTES 04 SECONDS EAST 128 FEET RECORD PER BOOK 3751 OF OFFICIAL RECORDS, PAGE 629 HEREINAFTER REFERRED TO AS RECORD) TO A FOUND 3/8 INCH REBAR WITH AFFIXED BRASS TAG STAMPED "FOUND LS 32224"; THENCE NORTH 8 DEGREES 39 MINUTES 33 SECONDS WEST, A DISTANCE OF 59.51 FEET TO A SET 1/2 INCH REBAR WITH ALUMINUM TAG STAMPED "LS 32224"; THENCE NORTH 81 DEGREES 19 MINUTES 34 SECONDS EAST, A DISTANCE OF 139.84 FEET TO A SET 1/2 INCH REBAR WITH ALUMINUM TAG STAMPED "LS 32224" AND THE POINT OF BEGINNING; THENCE NORTH 81 DEGREES 19 MINUTES 34 SECONDS EAST, A DISTANCE OF 340.14 FEET (NORTH 82 DEGREES 07 MINUTES 04 SECONDS EAST RECORD PER BOOK 3668 OF OFFICIAL RECORDS, PAGE 164 HEREINAFTER REFERRED TO AS R2) TO A FOUND 1 INCH SQUARE BOLT WITH AFFIXED BRASS TAG STAMPED "FOUND LS 32224"; THENCE SOUTH 51 DEGREES 23 MINUTES 28 SECONDS WEST, A DISTANCE OF 119.28 FEET (SOUTH 51 DEGREES 8 MINUTES 04 SECONDS WEST, A DISTANCE OF 119.46 FEET R2) TO A FOUND 1/2 INCH REBAR WITH AFFIXED BRASS TAG STAMPED "FOUND LS 32224"; THENCE SOUTH 81 DEGREES 19 MINUTES 34 SECONDS WEST, A DISTANCE OF 236.74 FEET (SOUTH 82 DEGREES 07 MINUTES 04 SECONDS WEST, A DISTANCE OF 236.70 FEET R2) TO A FOUND 1/2 INCH REBAR WITH AFFIXED BRASS TAG STAMPED "FOUND LS 32224"; THENCE NORTH 8 DEGREES 42 MINUTES 04 SECONDS WEST, A DISTANCE OF 59.51 FEET TO THE POINT OF BEGINNING.

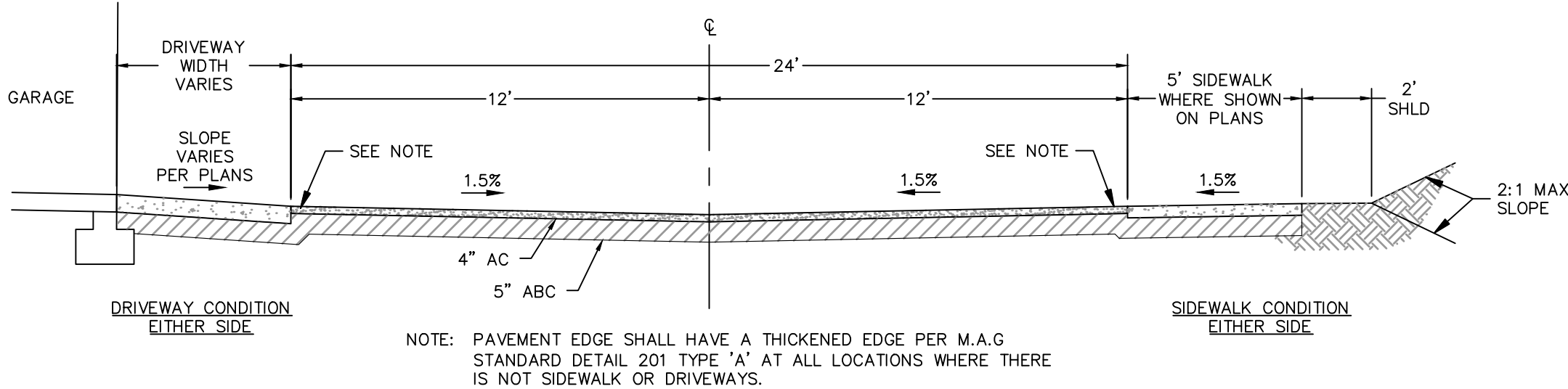
PARCEL 4:

AN EASEMENT FOR INGRESS, EGRESS AND UTILITIES, AS CREATED IN DEED RECORDED IN BOOK 4329 OF OFFICIAL RECORDS, PAGE 348, RECORDS OF YAVAPAI COUNTY, ARIZONA, ACROSS THE SOUTHEASTERLY CORNER OF THE FOLLOWING DESCRIBED PARCEL OF LAND LYING TO THE EAST OF THE ABOVE DESCRIBED PARCEL, AND SUBJECT AND UNDER TO LEASE TO THE U. S.

POSTAL SERVICE: COMMENCING AT THE INTERSECTION OF THE NORTHERLY RIGHT OF WAY LINE OF FIRST SOUTH STREET AND THE EASTERLY RIGHT OF WAY LINE OF NINTH STREET IN THE TOWN OF CLARKDALE, SAID INTERSECTION BEING THE TRUE POINT OF BEGINNING; THENCE NORTH 8 DEGREES 36 MINUTES 00 SECONDS WEST ALONG THE EASTERLY RIGHT OF WAY LINE OF FIRST SOUTH STREET, A DISTANCE OF 128.13 FEET; THENCE NORTH 81 DEGREES 25 MINUTES 26 SECONDS EAST, A DISTANCE OF 275.80 FEET; THENCE SOUTH 8 DEGREES 44 MINUTES 46 SECONDS EAST, A DISTANCE OF 128.24 FEET; THENCE SOUTH 81 DEGREES 24 MINUTES 00 SECONDS WEST, A DISTANCE OF 276.13 FEET TO THE TRUE POINT OF BEGINNING.

GENERAL NOTES

1. THE SUBDIVIDER HEREBY DECLARES AND AGREES THAT THE NUMBERED UNITS ARE SHOWN AT THE MINIMUM SIZE PERMISSIBLE AND SHALL NOT BE FURTHER DIVIDED. THIS PROHIBITION AGAINST FURTHER DIVISIONS OF NUMBERED LOTS SHALL BECOME BINDING UPON EACH AND EVERY SUCCESSIVE OWNER.
2. THE PURPOSE OF THIS PLAT IS TO CREATE AND SELL CONDOMINIUM UNITS. UNITS ARE THE AIR SPACE THAT IS PLATTED HEREON.
3. ALL UNIT DIMENSIONS ARE FROM FINISHED STUDS TO FINISHED STUDS FOR THE WALLS AND FROM FINISHED RAFTER AT THE CEILING TO THE CONCRETE ON FIRST LEVEL FLOOR AND PLYWOOD ON THE SECOND FLOOR.
4. ALL THE AREA OUTSIDE THE UNITS IS COMMON ELEMENT WITH THE EXCEPTION OF THE BALCONIES, ATTIC SPACE AND FLOOR SPACE WHICH IS LIMITED COMMON ELEMENT.
5. WITH THE EXCEPTION OF THE UNITS, THE ENTIRE PROPERTY WILL HAVE A BLANKET EASEMENT FOR INGRESS/EGRESS AND PUBLIC UTILITIES DEDICATED ON THE FINAL PLAT.
6. THE PROPERTY IS LOCATED IN FEMA ZONE X, AREA OF MINIMAL FLOOD HAZARD.
7. NO PARKS OR SCHOOLS ARE PROPOSED WITH THIS APPLICATION.
8. COMMON ELEMENT TO INCLUDE ALL PRIVATE ROADS, SIDEWALKS, RECREATIONAL FACILITIES, OPEN SPACES, DRAINAGE AREAS, PARKING SPACES, ETC.
9. THERE ARE NO FEMA FLOODWAY OR FLOODPLAIN BOUNDARIES LOCATED ON THE PROJECT SITE.
10. THERE AREA NO SCHOOL OR PARK SITES LOCATED ON THE PROJECT SITE.
11. NO UNITS ARE RESERVED FOR FUTURE SUBDIVISION, LEASEHOLD, OR WITHDRAWAL



TYPICAL 24' INVERTED STREET SECTION
NO SCALE

Contact Arizona 811 at least two full working days before you begin excavation



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REVISIONS			
NO.	DESCRIPTION	DATE	BY


Shephard Wesnitzer, Inc.

75 Kalliof Place
Sedona, AZ 86336
928.282.1061
928.282.2058 fax

www.swiaz.com

JOB NO:	21059
DATE:	JAN 23
SCALE:	AS SHOWN
DRAWN:	EGM
DESIGN:	AHB
CHECKED:	AHB

THE PLATEAU AT CLARKDALE

CITY OF CLARKDALE
ARIZONA

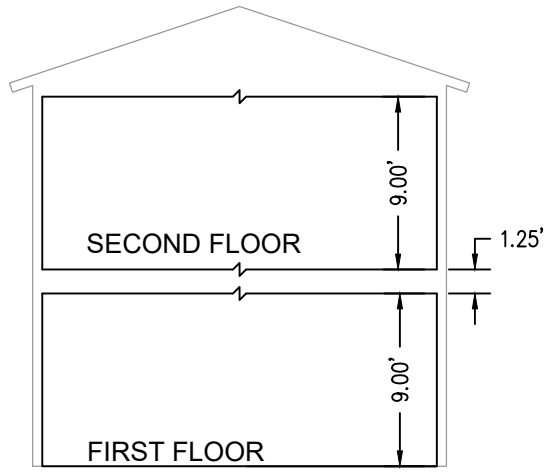
FINAL PLAT
NOTES & DETAILS

APPLICATION NUMBER 093160



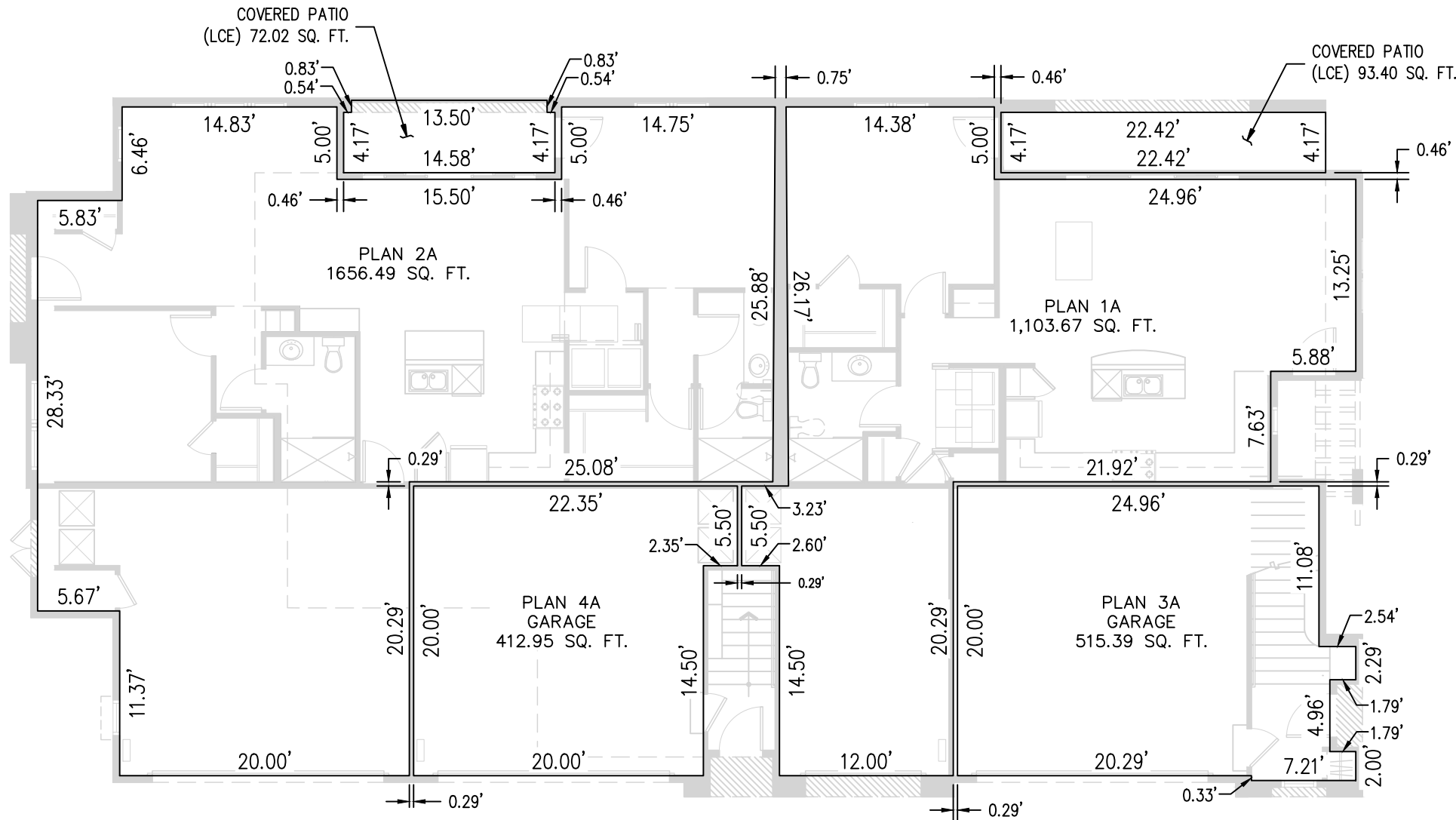
DRAWING NO.
FP2

SHT NO. 2 OF 5

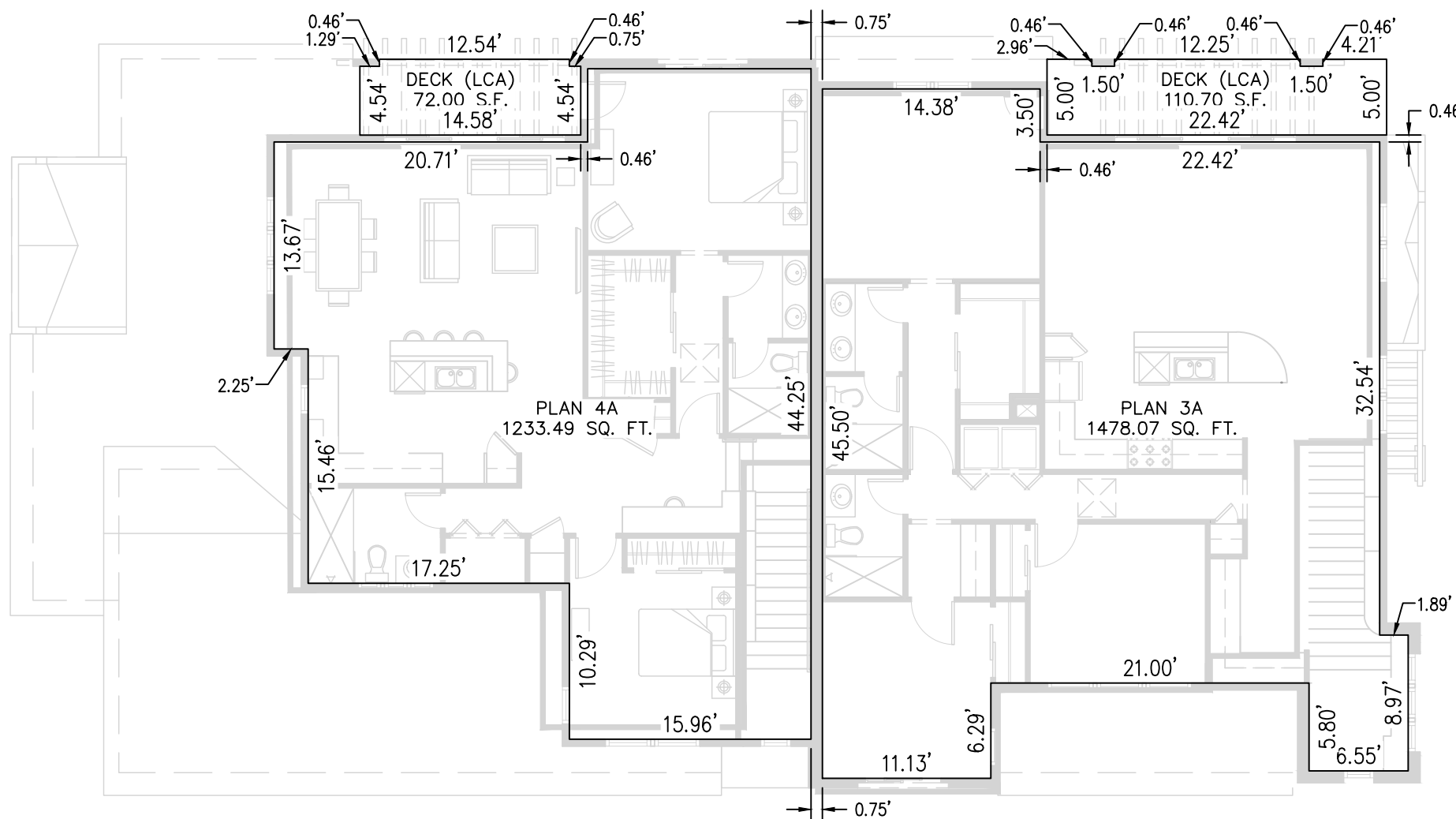


SEE FLOOR PLAN FOR HORIZONTAL DIMENSIONS

CROSS-SECTION (TYPICAL)

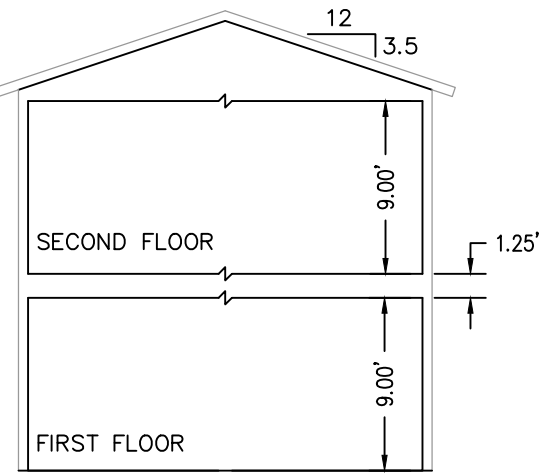
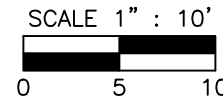


FIRST FLOOR (TYPICAL)



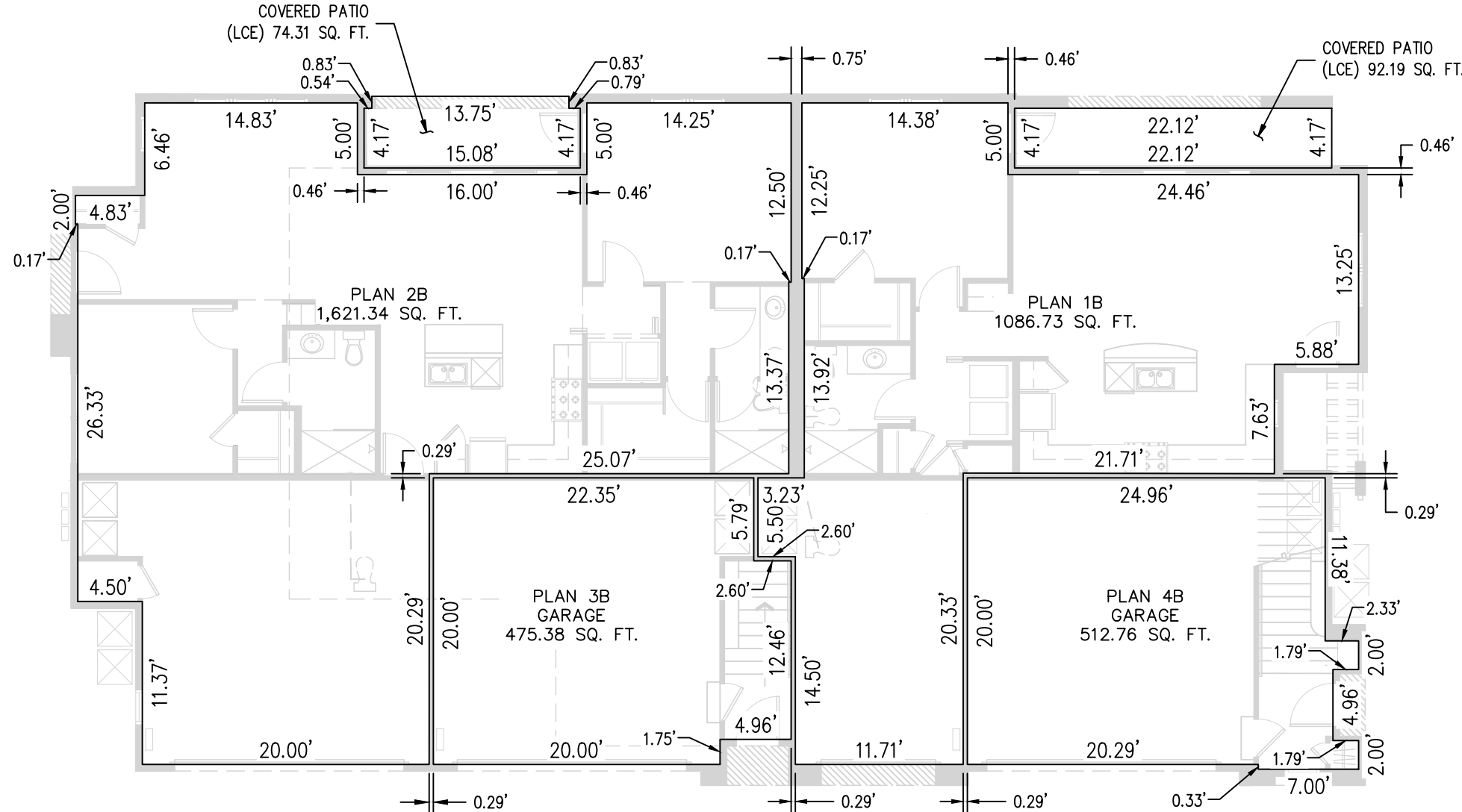
SECOND FLOOR (TYPICAL)

BUILDING 1 (TYPE 'A')

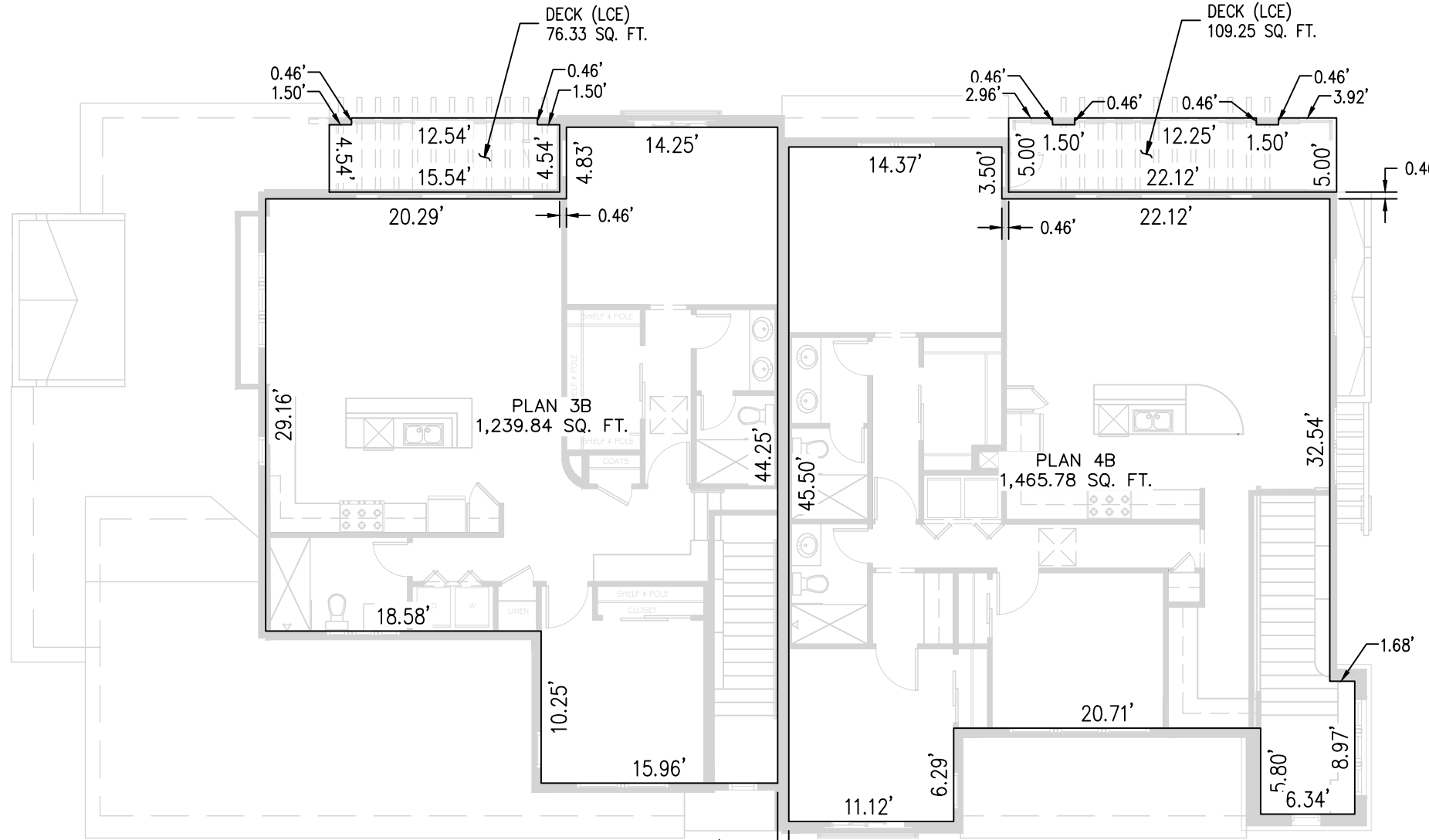


SEE FLOOR PLAN FOR HORIZONTAL DIMENSIONS

CROSS-SECTION (TYPICAL)

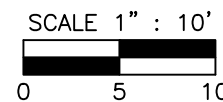


FIRST FLOOR (TYPICAL)



SECOND FLOOR (TYPICAL)

BULDINGS 2-13 (TYPE 'B')



Building	Unit	Type	Finish Floor	Plan
1	1	B	3,542.00	2B
	2	B	3,541.00	1B
	3	B	3,552.25	3B
	4	B	3,551.25	4B
2	5	A	3,538.00	2A
	6	A	3,539.00	1A
	7	A	3,548.25	4A
	8	A	3,549.25	3A
3	9	A	3,534.25	2A
	10	A	3,533.25	1A
	11	A	3,544.50	4A
	12	A	3,543.50	3A
4	13	A	3,531.50	2A
	14	A	3,530.50	1A
	15	A	3,541.75	4A
	16	A	3,540.75	3A
5	17	A	3,528.00	2A
	18	A	3,527.00	1A
	19	A	3,538.25	4A
	20	A	3,537.25	3A
6	21	A	3,532.50	1A
	22	A	3,533.50	2A
	23	A	3,542.75	3A
	24	A	3,543.75	4A
7	25	A	3,539.00	1A
	26	A	3,510.00	2A
	27	A	3,549.25	2A
	28	A	3,520.25	4A
8	29	A	3,545.00	2A
	30	A	3,544.00	1A
	31	A	3,555.25	4A
	32	A	3,554.25	3A
9	33	A	3,542.08	2A
	34	A	3,541.08	1A
	35	A	3,552.33	4A
	36	A	3,551.33	3A
10	37	A	3,541.00	2A
	38	A	3,542.00	1A
	39	A	3,551.25	4A
	40	A	3,552.25	3A
11	41	A	3,544.00	2A
	42	A	3,545.00	1A
	43	A	3,554.25	4A
	44	A	3,555.25	3A
12	45	A	3,548.50	1A
	46	A	3,547.50	2A
	47	A	3,558.75	3A
	48	A	3,557.75	4A
13	49	A	3,546.05	1A
	50	A	3,545.05	2A
	51	A	3,556.30	3A
	52	A	3,555.30	4A

Contact Arizona 811 at least two full working days before you begin excavation



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THE PLATEAU AT CLARKDALE

CITY OF CLARKDALE
ARIZONA

FINAL PLAT
4PLEX BUILDING TYPE 'A' & 'B'



APPLICATION NUMBER 093160

DRAWING NO.

FP3

SHT NO. 3 OF 5

Contact Arizona 811 at least two full working days before you begin excavation

ARIZONA811
Call 811 or click Arizona811.com

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NO.	DESCRIPTION	DATE	BY

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Shephard Wesnitzer, Inc.

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THE PLATEAU AT CLARKDALE
CITY OF CLARKDALE
ARIZONA

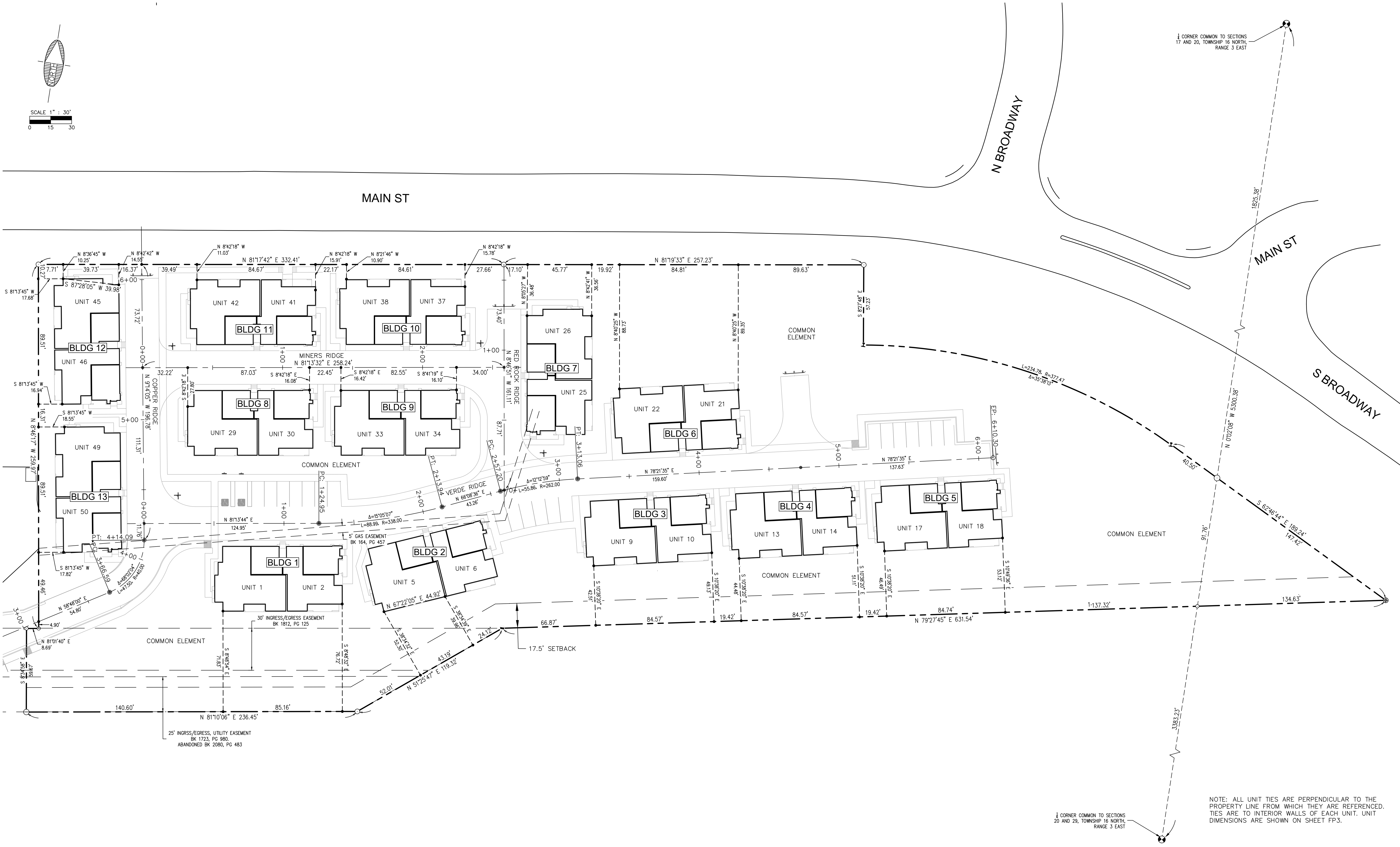
**FINAL PLAT
FIRST FLOOR PLAN SHEET**

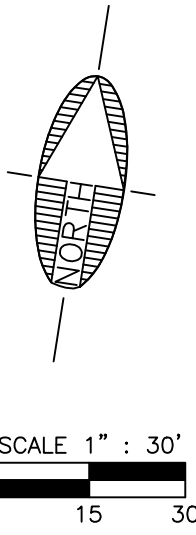
APPLICATION NUMBER 093160

60237
ARON M. REAY
1/06/23
Sedona, AZ
9/30/2024

DRAWING NO.
FP4

SHT NO.	OF
4	5





1/4 CORNER COMMON TO SECTIONS 17 AND 20, TOWNSHIP 16 NORTH, RANGE 3 EAST

1/4 CORNER COMMON TO SECTIONS 20 AND 29, TOWNSHIP 16 NORTH, RANGE 3 EAST

NOTE: ALL UNIT TIES ARE PERPENDICULAR TO THE PROPERTY LINE FROM WHICH THEY ARE REFERENCED. TIES ARE TO INTERIOR WALLS OF EACH UNIT. UNIT DIMENSIONS ARE SHOWN ON SHEET FP3.

Contact Arizona 811 at least two full working days before you begin excavation

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REVISIONS			
NO.	DESCRIPTION	DATE	BY

SWI
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CHECKED:	AHB

THE PLATEAU AT CLARKDALE
CITY OF CLARKDALE
ARIZONA

**FINAL PLAT
SECOND FLOOR PLAN SHEET**

APPLICATION NUMBER 093160		DRAWING NO.	
		FP5	
SHT NO.	5	OF	5



Staff Report

Item Number: 8.E.

Agenda Item:**Annual Financial Audit**

Discuss, consider and act upon the annual audited financial statements and annual expenditure limitations report as presented by Colby & Powell, PLC.

Staff Contact:

Julie Goucher, Finance Director

Meeting Date:

January 24, 2023

Strategic Goal:

This agenda item supports the following strategic goal:

- Goal area 4: Strengthen and diversify our economy through cultivating a business-friendly climate for business attraction and strategically capitalizing upon tourism.
- Goal area 5: Plan for the maintenance and growth of quality infrastructure that is sustainable and resilient.
- Goal area 6: Strategically invest in organizational development to enhance efficiency and service delivery and to attract and retain an exemplary workforce.

Background:

The annual audit has been completed for the fiscal year ending June 30, 2022. The annual financial reports included herein consist of the Annual Financial Statements and Independent Auditors' Report and the Annual Expenditure Limitations Report (AELR).

The Annual Financial Statements and Independent Auditors' Report provides information on the financial position of all funds along with notes and supplementary schedules. The Management's Discussion and Analysis section begins on page five and provides an overview of the financial activities and an introduction to the basic financial statements.

The Annual Expenditure Limitations Report (AELR) is a report required by the State of Arizona. This report 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.

Budget Impact: No budget impact.

Recommendation: Staff recommends approval of the annual financial reports.

TOWN OF CLARKDALE, ARIZONA

Annual Financial Statements
and Independent Auditors' Report
June 30, 2022

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INDEPENDENT AUDITORS' REPORT

To the Town Council
Town of Clarkdale, Arizona

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Clarkdale, Arizona's of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town of Clarkdale, Arizona's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of Clarkdale, Arizona, as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Clarkdale, Arizona and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, for the year ended June 30, 2022, the Town adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 87, *Leases*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and

fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Clarkdale, Arizona's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town of Clarkdale, Arizona's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Clarkdale, Arizona's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules, Schedule of the Town's Proportionate Share of the Net Pension/OPEB Liability – Cost-Sharing Pension Plans, Schedule of Changes in the Town's Net Pension/OPEB Liability (Asset) and Related Ratios – Agent Pension Plans, and Schedule of Town Pension/OPEB Contributions as listed on the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 9, 2023, on our consideration of the Town of Clarkdale, Arizona's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Clarkdale, Arizona's internal control over financial reporting and compliance.

Other Reporting Required by Arizona Revised Statutes

In connection with our audit, nothing came to our attention that caused us to believe that the Town failed to use highway user revenue fund monies received by the Town pursuant to Arizona Revised Statutes Title 28, Chapter 18, Article 2 and any other dedicated state transportation revenues received by the Town solely for the authorized transportation purposes, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Town's noncompliance with the use of highway user revenue fund monies and other dedicated state transportation revenues, insofar as they relate to accounting matters.

The communication related to compliance over the use of Highway User Revenue Fund and other dedicated State transportation revenue monies in the preceding paragraph is intended solely for the information and use of the members of the Arizona State Legislature, (the Arizona Auditor General,) the Town Council and management, and other responsible parties within the Town and is not intended to be and should not be used by anyone other than these specified parties.

Colby J. Powell

January 9, 2023

TOWN OF CLARKDALE, ARIZONA
Management's Discussion and Analysis
June 30, 2022

We, the Town of Clarkdale, Arizona, are pleased to provide an overview of our financial activities for the fiscal year ended June 30, 2022. 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.

FINANCIAL HIGHLIGHTS

- ❖ The total net position of the Town showed an increase of 26.03%, between fiscal years 2021 and 2022. The 2022 Governmental Activities' net position increased 47.78% and the Business-type Activities' increased 13.69%.
- ❖ The Town's total 2022 revenues were \$10,939,906 and expenses totaled \$6,567,025, resulting in an increase in net position of \$4,372,881.
- ❖ The revenue sources of local taxes and state-shared revenues of \$5,060,449 represented 70.43% of all revenues in the Governmental Activities. The local tax revenue consists of local sales tax, property tax, and franchise taxes and were the largest sources of revenue for the Governmental Activities, accounting for 48.60% of the total Governmental Activities revenue. The state-shared revenues consist of state revenue sharing, state sales tax, and motor vehicle tax and accounted for 21.83% of the total Governmental Activities revenue.
- ❖ Expenses for the Town's Governmental Activities total \$4,337,247 (excluding interest of \$443). Public Safety activities accounted for 32.87%, Highway and Streets accounted for 22.30%, Culture and Recreation accounted for 4.85%, and General Government services accounted for 39.98% of total expenses for 2022.
- ❖ The Town of Clarkdale had total long-term obligations outstanding of \$11,256,634 in 2022, a decrease of \$1,793,278. Business-type Activities accounted for 66.76% of the \$11,256,634. 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.
- ❖ The Arizona State Retirement System (ASRS), which covers all employees other than public safety employees, had a net pension liability at the end of 2022 of \$1,688,420, a decrease of 31.03%. The Public Safety Personnel Retirement System (PSPRS), which covers only public safety employees (certified full-time police), had a net pension liability at the end of 2022 of \$929,759 a decrease of 40.81%. The total net pension liability for the Town at the end of 2022 was \$2,618,179, a decrease of 34.86%.
- ❖ The Town's total governmental funds reported combined ending fund balances of \$7,140,649, an increase of \$2,528,493 in comparison with the prior year. The proprietary funds' total net position was \$12,182,039, an increase of \$1,466,773 from 2021. General Fund revenues of \$5,836,654 were higher than budgeted revenues of \$4,335,285 or 34.63% while General Fund expenditures 4,698,864 were lower than budgeted expenditures of \$5,749,488 or 18.27%

TOWN OF CLARKDALE, ARIZONA
Management's Discussion and Analysis
June 30, 2022

ECONOMIC HIGHLIGHTS

- ❖ Construction contracting continued to be strong, especially in the residential sector. Local sales taxes (including construction sales tax) increased from \$2.27 million in 2021 to \$2.8 million in 2022.
- ❖ A formal Strategic Plan was adopted along with an aligned project tracking schedule.
- ❖ The Town continued its newly implemented multi-year Capital Improvement Plan, reflecting the goals of the Council's Strategic Plan and the needs of the community.
- ❖ Completed and received approval for the update of the Town's 10-Year General Plan, including outlining the goals, objectives, and participating in public outreach.
- ❖ A new website was launched, with a reverse 911 system and citizen request tracking feature planned for fiscal 2023.
- ❖ Distribution began of weekly Council updates and E-newsletters for the community.
- ❖ The Town is focusing on access to grants, applying for multiple funding opportunities, primarily focusing on tourism, infrastructure, and recreation in the Community.
- ❖ A compensation study was performed to ensure the Town is attracting and retaining a quality workforce. The Town also implemented online training programs, employee appreciation events, and filled all leadership positions.
- ❖ The Town contracted with the City of Cottonwood to provide municipal magistrate court services.
- ❖ Efforts continue on implementation of Broadband to further public wi-fi access.
- ❖ The Town continued significant event programming through the Parks and Recreation Department including a summer concert series, 4th of July, Halloween, and Christmas events.
- ❖ Several Public Works projects were completed or in progress, including sidewalks, building improvements, highway improvements, well and water maintenance projects, and playground upgrades.
- ❖ Final design completed on the Selna-Mongini Park project.
- ❖ Approved Pre-development and development phases of two new housing tracts, and received submission to re-plat another potential development.
- ❖ Planning began for a new arts incubator in downtown.

TOWN OF CLARKDALE, ARIZONA
Management's Discussion and Analysis
June 30, 2022

OVERVIEW OF THE FINANCIAL STATEMENTS

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

1. *The Management's Discussion and Analysis* provides a brief discussion of the basic financial statements, annual comparisons of the government-wide financial statements, and analysis of government's overall financial position.
2. *Basic Financial Statements*:
 - ❖ *Government-wide Financial Statements* provide both long-term and short-term information about the Town's overall financial status.
 - ❖ *Fund Financial Statements* focus on the individual parts of Town government and report the Town's operations in more detail than the government-wide statements.
 - ❖ *Notes to the Financial Statements* explain some of the information in the financial statements and provide more detailed data.
3. *Required Supplementary Information* further explains and supports the information in the financial statements and includes detailed budgetary comparison schedules for major special revenue funds as well as the General Fund. It also includes schedules and notes related to pensions and other postemployment benefits as required by GASB 68 and 75.

Government-wide Financial Statements

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

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

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

The *Statement of Net Position* presents information on all of the Town of Clarkdale's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating. (The Statement of Net Position can be found on page 24 of this report)

The *Statement of Activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. The statement shows the degree to which the direct expenses of a function are offset by program revenues. (The Statement of Activities can be found on page 25 of this report)

TOWN OF CLARKDALE, ARIZONA
Management's Discussion and Analysis
June 30, 2022

Fund Financial Statements

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

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

Governmental Funds – Most of the Town's basic services are included in governmental funds which focus on how cash, and other financial assets that can be easily converted to cash, flow in and out, along with the balances left at the end of the year that are available for spending. The governmental fund financial statements tell how general government services were funded as well as what is available for future spending remains. Because fund financial statements do not include the additional long-term focus of government-wide statements, additional information is provided reconciling the difference between them. (The governmental fund financial statements can be found on pages 26 to 29 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.
- ❖ Grants Fund – Accounts for specific revenue sources that are restricted to expenditures for specified purposes as defined by the grantor.
- ❖ The remaining funds are classified as non-major governmental (Other Governmental) funds:
 - ❖ HURF Fund
 - ❖ Impact Fees Fund
 - ❖ Cemetery Perpetual Care Fund
 - ❖ Developer Reimbursement 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 30 - 33 of this report).

TOWN OF CLARKDALE, ARIZONA
Management's Discussion and Analysis
June 30, 2022

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 34 - 62 of this report)

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

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

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

Supplemental Information

In addition to the basic financial statements and accompanying notes, required supplementary information presents a budgetary comparison schedule for the General Fund and all major special revenue funds to demonstrate compliance with the budget. Additionally, governments are required to disclose certain information about employee pensions and other postemployment benefits. (Supplementary information and schedules can be found on pages 64-73 of this report).

TOWN OF CLARKDALE, ARIZONA
Management's Discussion and Analysis
June 30, 2022

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Condensed Statement of Net Position

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
ASSETS						
Current and other assets	\$ 7,940,967	\$ 5,733,036	\$ 9,026,385	\$ 7,899,544	\$ 16,967,352	\$ 13,632,580
Capital assets						
Non-depreciable	739,561	670,001	1,063,335	933,929	1,802,896	1,603,930
Depreciable (net)	3,716,764	3,674,174	14,191,943	14,556,765	17,908,707	18,230,939
Total assets	12,397,292	10,077,211	24,281,663	23,390,238	36,678,955	33,467,449
DEFERRED OUTFLOWS OF RESOURCES	651,233	733,842	94,984	102,762	746,217	836,604
LIABILITIES						
Other liabilities	355,632	744,400	3,066,478	3,077,283	3,422,110	3,821,683
Noncurrent liabilities						
Due within one year	235,080	128,789	573,861	549,689	808,941	678,478
Due in more than one year	2,309,326	3,504,424	8,138,367	8,867,010	10,447,693	12,371,434
Total liabilities	2,900,038	4,377,613	11,778,706	12,493,982	14,678,744	16,871,595
DEFERRED INFLOWS OF RESOURCES	1,160,857	351,918	174,480	283,752	1,335,337	635,670
NET POSITION						
Net investment in capital assets	4,453,009	4,340,859	6,947,374	6,640,868	11,400,383	10,981,727
Restricted	946,560	478,912	2,263,516	2,263,516	3,210,076	2,742,428
Unrestricted	3,588,061	1,261,751	2,971,149	1,810,882	6,559,210	3,072,633
Total net position	\$ 8,987,630	\$ 6,081,522	\$ 12,182,039	\$ 10,715,266	\$ 21,169,669	\$ 16,796,788
CHANGE IN NET POSITION	2,906,108	1,232,033	1,466,773	1,199,276	4,372,881	2,431,309
PERCENTAGE CHANGE IN NET POSITIONS	47.79%	24.25%	13.69%	12.63%	26.03%	16.63%

Net Position: Net position may serve over time as a useful indicator of a government's financial position. The table above reflects the Condensed Statement of Net Position of the Town showing that net position increased 26.03%, between fiscal years 2021 and 2022. The 2022 Governmental Activities' net position increased 47.79% and the Business-type Activities' increased 13.69%.

Net position consists of three components. The largest portion of the Town of Clarkdale's net position reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment). The Town of Clarkdale uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves will not be used to liquidate these liabilities. An additional portion of the Town's net position represents resources that are subject to external restrictions on how they may be used. The increase in the Governmental Activities was mainly due to increases in current assets and reductions in long-term liabilities, primarily in net pension and post-employment benefit liabilities.

TOWN OF CLARKDALE, ARIZONA
Management's Discussion and Analysis
June 30, 2022

Condensed Statement of Changes in Net Position

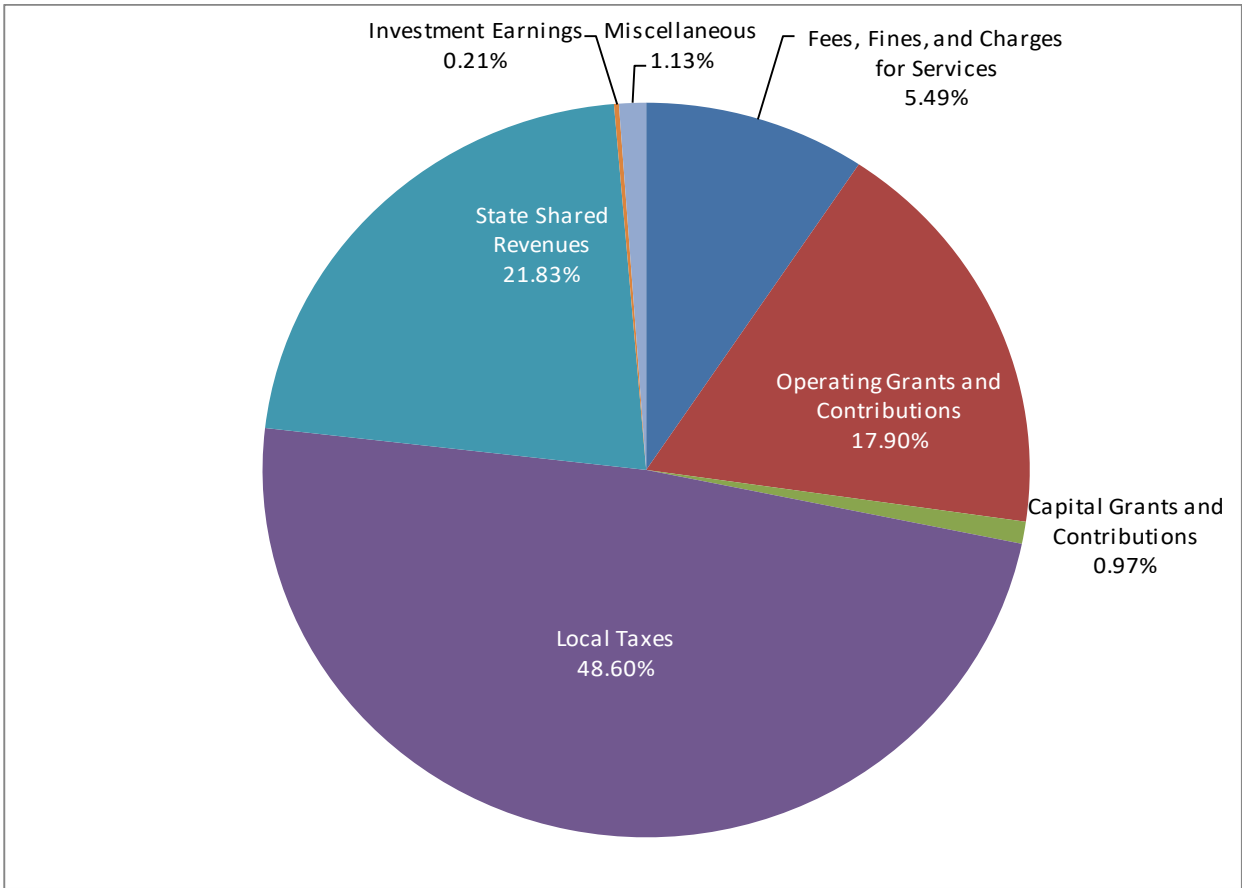
	Governmental Activities		Business-type Activities		Total	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Revenues						
Program revenues						
Fees, fines, and charges for services	\$ 671,899	\$ 490,165	\$ 3,379,825	\$ 3,219,095	\$ 4,051,724	\$ 3,709,260
Operating grants and contributions	1,286,142	543,072	28	87	1,286,170	543,159
Capital grants and contributions	69,829	582,001	354,526	320,500	424,355	902,501
General revenues						
Local taxes	3,491,915	2,940,614	-	-	3,491,915	2,940,614
State-shared revenues	1,568,534	1,520,939	-	-	1,568,534	1,520,939
Investment earnings	15,086	2,023	20,721	1,978	35,807	4,001
Miscellaneous	81,401	91,295	-	-	81,401	91,295
Total revenues	<u>7,184,806</u>	<u>6,170,109</u>	<u>3,755,100</u>	<u>3,541,660</u>	<u>10,939,906</u>	<u>9,711,769</u>
Expenses						
General government	1,733,821	1,433,470	-	-	1,733,821	1,433,470
Public safety	1,425,664	1,711,616	-	-	1,425,664	1,711,616
Highways and streets	967,230	1,726,120	-	-	967,230	1,726,120
Culture and recreation	210,532	222,430	-	-	210,532	222,430
Interest on long term debt	443	2,495	-	-	443	2,495
Wastewater	-	-	849,134	860,449	849,134	860,449
Sanitation	-	-	294,661	299,209	294,661	299,209
Water	-	-	1,034,577	986,617	1,034,577	986,617
Cemetery	-	-	50,963	38,054	50,963	38,054
Total expenses	<u>4,337,690</u>	<u>5,096,131</u>	<u>2,229,335</u>	<u>2,184,329</u>	<u>6,567,025</u>	<u>7,280,460</u>
Change in net position before transfers	2,847,116	1,073,978	1,525,765	1,357,331	4,372,881	2,431,309
Transfers	58,992	158,055	(58,992)	(158,055)	-	-
Change in net position	<u>2,906,108</u>	<u>1,232,033</u>	<u>1,466,773</u>	<u>1,199,276</u>	<u>4,372,881</u>	<u>2,431,309</u>
Net position, beginning of year	6,081,522	4,849,489	10,715,266	9,515,990	16,796,788	14,365,479
Net position, end of year	<u>\$ 8,987,630</u>	<u>\$ 6,081,522</u>	<u>\$12,182,039</u>	<u>\$10,715,266</u>	<u>\$21,169,669</u>	<u>\$16,796,788</u>

Change in Net Position: The Town's total 2022 revenues were \$10,939,906 and expenses totaled \$6,567,025, resulting in an increase in net position of \$4,372,881.

Revenues for the Town's Governmental Activities totaled \$7,184,806, a 16.45% increase from 2021. Local taxes are the largest revenue source for the Governmental Activities, accounting for 48.60% of total revenues and increased 18.75%. State-shared revenues account for 21.83% of the total revenues and increased 3.12%. Operating and capital grants together contribute 18.90% of the revenues, which is an increase of 20.52% from 2021. Local tax revenue and state shared revenues were the largest driver for increased revenues. Charges for services contribute 9.35% of the total revenues while miscellaneous revenues and investment earnings make up 1.11%.

TOWN OF CLARKDALE, ARIZONA
Management’s Discussion and Analysis
June 30, 2022

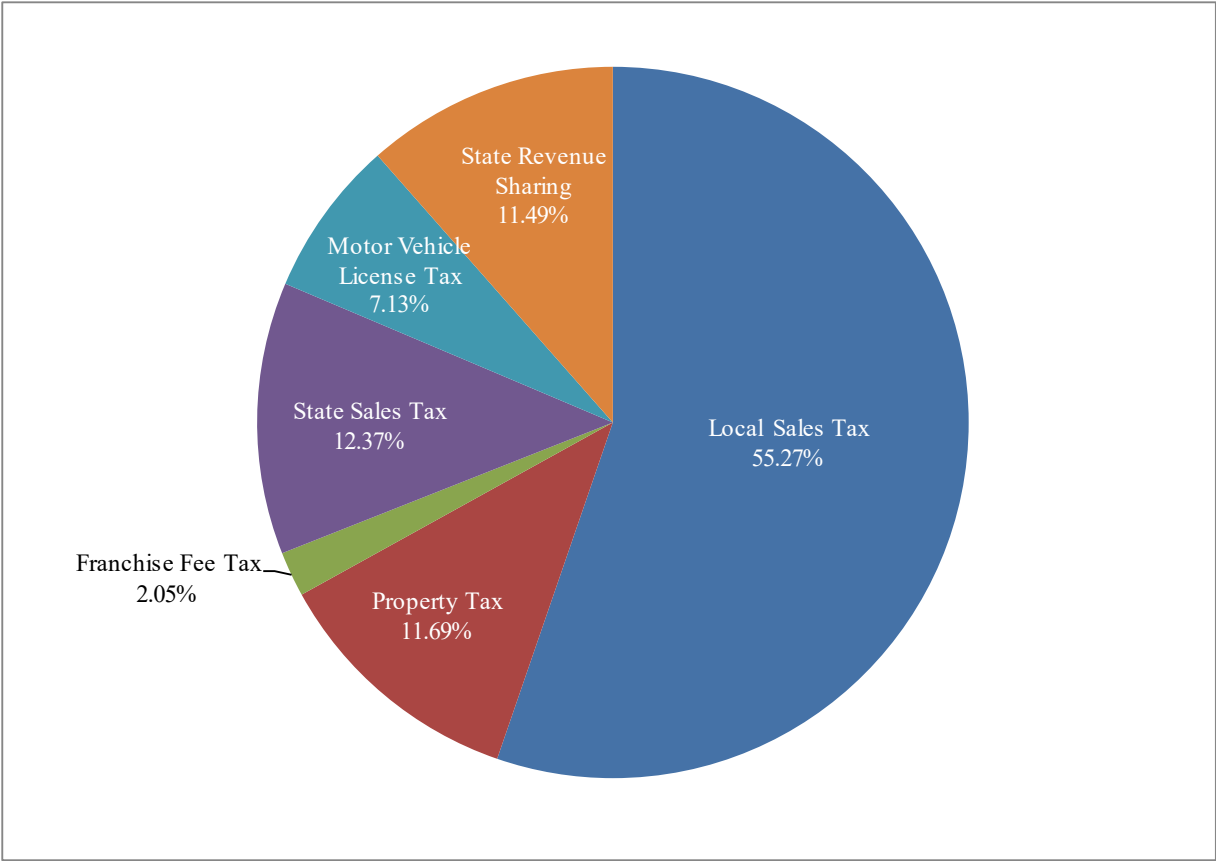
Governmental Activity Revenue



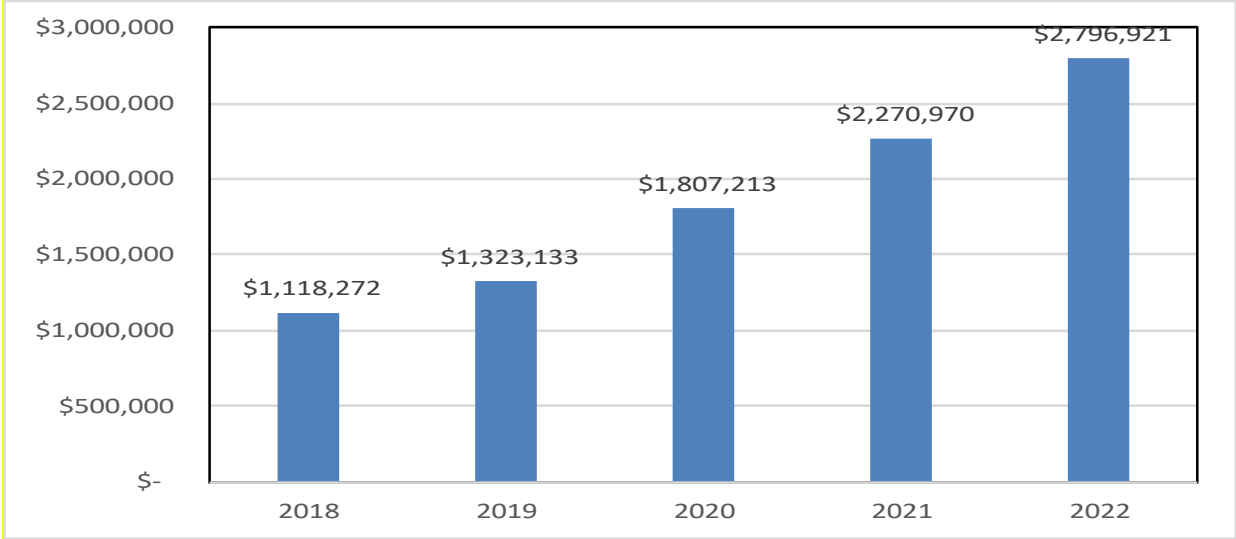
The revenue sources of local taxes and state-shared revenues totaled \$5,060,449 representing 70.43% of all revenues in the Governmental Activities. The local tax revenue consists of local sales tax, property tax, and franchise taxes and were the largest sources of revenue for the Governmental Activities, accounting for 48.60% of the total Governmental Activities revenue. The state-shared revenues consist of state revenue sharing, state sales tax, and motor vehicle tax and accounted for 21.83% of the total Governmental Activities revenue.

TOWN OF CLARKDALE, ARIZONA
Management’s Discussion and Analysis
June 30, 2022

Tax Distributions



Local Sales Tax Collections Fiscal Years 2018 – 2022

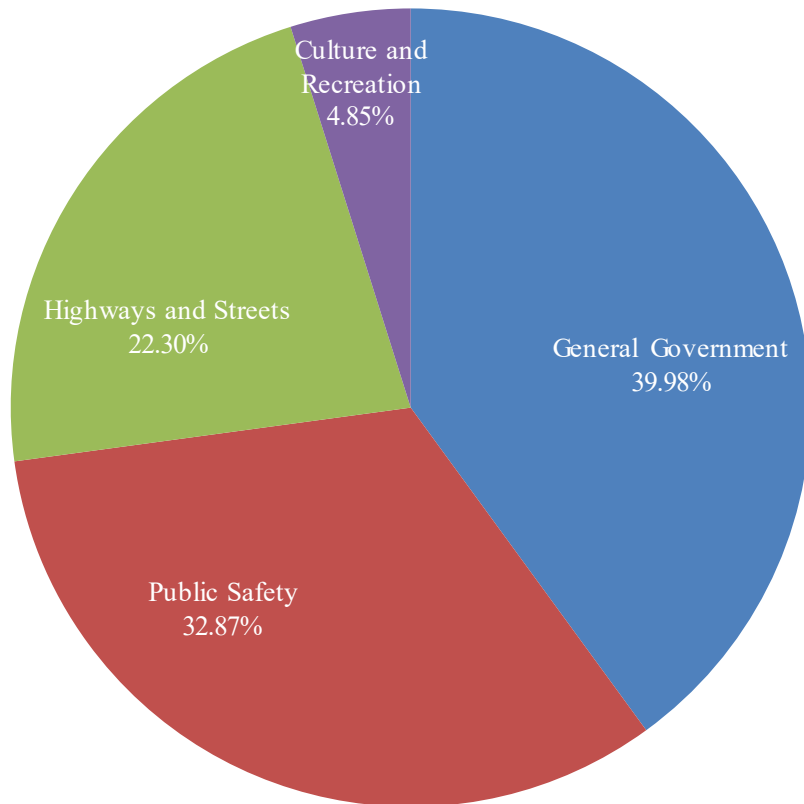


Revenues for the Town’s Business-type Activities totaled \$3,755,100, an increase of 6.03% from 2021. The increase was mainly due to Utility fees for new construction and capital grant contributions. The Business-type Activities’ total net position was \$12,182,039, an increase of \$1,466,773 from 2021.

TOWN OF CLARKDALE, ARIZONA
Management's Discussion and Analysis
June 30, 2022

Government Activity Expense

Expenditures for the Town's Governmental Activities total \$4,337,247 (excluding interest of \$443). Public Safety activities account for 32.87%, Highway and Streets spent 22.30% of the expenditures, Culture and Recreation 4.85%, and General Government services accounted for 39.98% of total expenditures for 2022. General Government services include Administration, Parks and Recreation, Community Development, Public Works and Finance.



TOWN OF CLARKDALE, ARIZONA
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June 30, 2022

Net Cost of Town of Clarkdale Activities

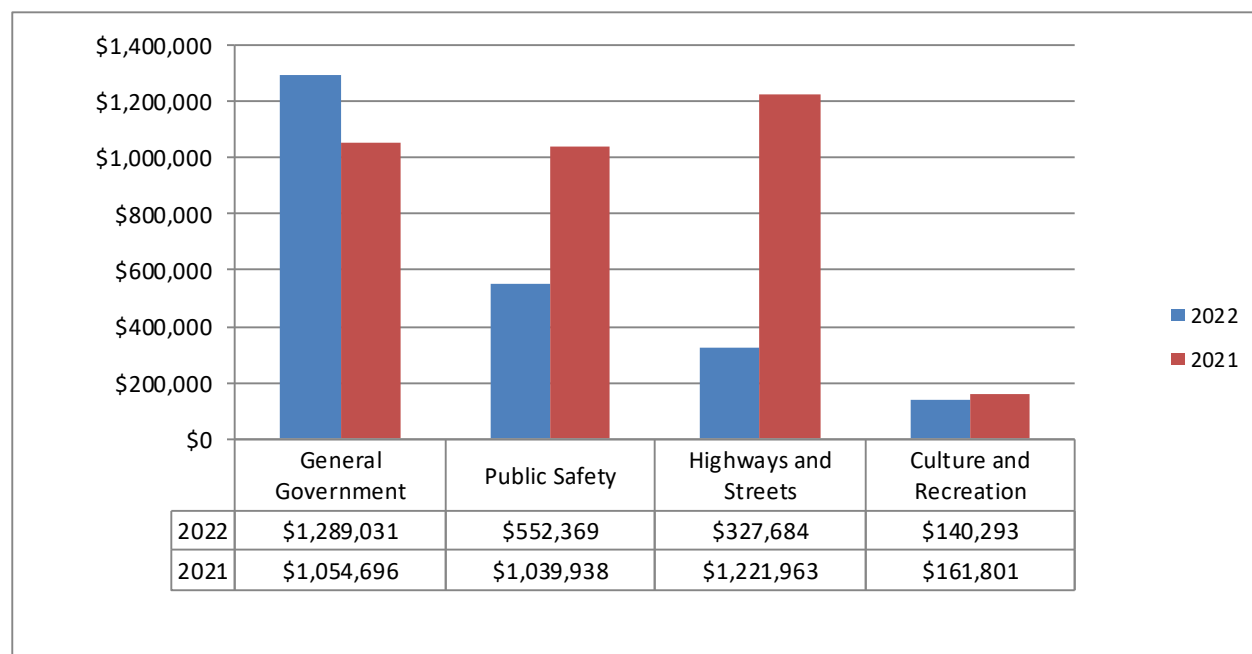
Governmental Activities

The following table presents the total cost of each of the Town's activities as well as their net cost. The net costs are the total costs less fees generated by the activities, direct intergovernmental aid, and capital grants and contributions. The actual net cost of services in 2022 was \$2,309,377 which is a 33.61% decrease in net costs compared to 2021. The increase in net cost is a result of reductions in public safety and highway and street expenditures in 2022.

Net Cost of Services – Governmental Activities

	Cost of Services		Direct Revenues		Net Cost of Services	
	2022	2021	2022	2021	2022	2021
General Government	\$ 1,708,721	\$ 1,433,470	\$ 444,790	\$ 378,774	\$ 1,263,931	\$ 1,054,696
Public Safety	1,450,764	1,711,616	873,295	671,678	577,469	1,039,938
Highways and Streets	967,230	1,726,120	639,546	504,157	327,684	1,221,963
Culture and Recreation	210,532	222,430	70,239	60,629	140,293	161,801
Total revenues	\$ 4,337,247	\$ 5,093,636	\$ 2,027,870	\$ 1,615,238	\$ 2,309,377	\$ 3,478,398

Net Cost of Services – Governmental Activities



TOWN OF CLARKDALE, ARIZONA
Management's Discussion and Analysis
June 30, 2022

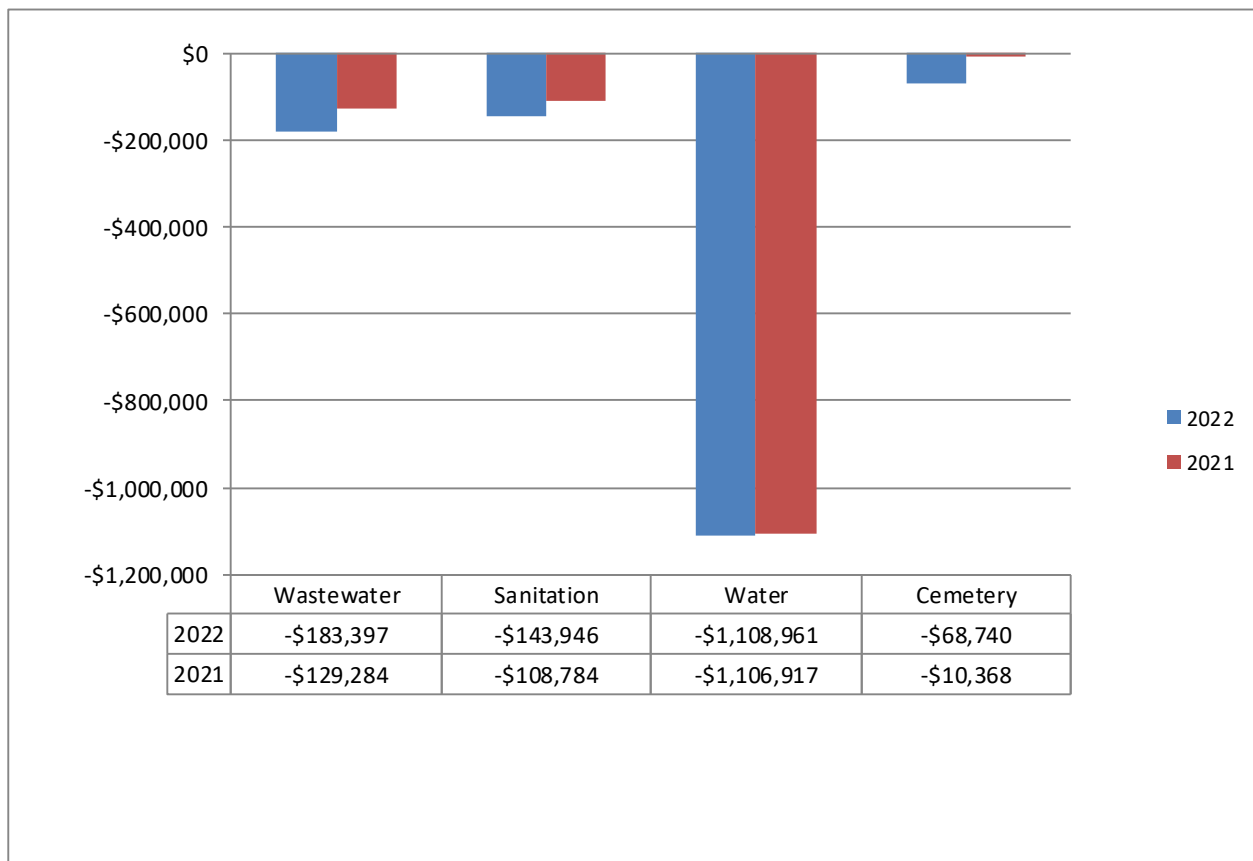
Net Cost of Service – Business-Type Activities

Business-type Activities

Business type activities net cost of services decreased from 2021 to 2022. The decrease in net cost is a result of capital grant contributions in the Wastewater and Water Fund and increases in Utility fees.

	Cost of Services		Direct Revenues		Net Cost of Services	
	2022	2021	2022	2021	2022	2021
Wastewater	\$ 849,134	\$ 860,449	\$ 1,032,531	\$ 989,733	\$ (183,397)	\$ (129,284)
Sanitation	294,661	299,209	438,607	407,993	(143,946)	(108,784)
Water	1,034,577	986,617	2,143,538	2,093,534	(1,108,961)	(1,106,917)
Cemetery	50,963	38,054	119,703	48,422	(68,740)	(10,368)
Total revenues	\$ 2,229,335	\$ 2,184,329	\$ 3,734,379	\$ 3,539,682	\$ (1,505,044)	\$ (1,355,353)

Net Cost of Service – Business-Type Activities



TOWN OF CLARKDALE, ARIZONA
Management's Discussion and Analysis
June 30, 2022

Town of Clarkdale's Capital Assets

In the governmental-wide financial statement capital assets are defined as assets with an initial cost of more than \$5,000 and a useful life greater than one-year.

The Town had net capital assets of \$4,456,325 in the Governmental Activities and \$15,225,278 in the Business-type Activities for a total of \$19,711,603 at the end of 2022. For government-wide financial statement presentation, all depreciable capital assets were depreciated from acquisition date to the end of the current fiscal year. Governmental fund financial statements record capital asset purchases as expenditures.

Capital Assets

	Governmental Activities		Business-type Activities		Total	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Capital Assets Not Depreciated/Amortized						
Land	\$ 670,001	\$ 670,001	\$ 933,929	\$ 933,929	\$ 1,603,930	\$ 1,603,930
Construction in Progress	69,560	-	129,406	-	198,966	-
Total Capital Assets Not Depreciated	<u>739,561</u>	<u>670,001</u>	<u>1,063,335</u>	<u>933,929</u>	<u>1,802,896</u>	<u>1,603,930</u>
Capital Assets Depreciated/Amortized						
Buildings and Improvements	3,060,412	2,991,046	169,025	139,040	3,229,437	3,130,086
Infrastructure	4,064,135	4,064,135	20,977,318	20,877,135	25,041,453	24,941,270
Machinery and Equipment	1,105,507	989,385	297,631	297,631	1,403,138	1,287,016
Vehicles	543,199	456,333	177,335	55,279	720,534	511,612
Right-to-use lease assets	192,587	-	-	-	192,587	-
Total Capital Assets Depreciated	<u>8,965,840</u>	<u>8,500,899</u>	<u>21,621,309</u>	<u>21,369,085</u>	<u>30,587,149</u>	<u>29,869,984</u>
Accumulated Depreciation/Amortization						
Buildings and Improvements	(2,010,363)	(1,891,277)	(70,689)	(60,251)	(2,081,052)	(1,951,528)
Infrastructure	(1,936,746)	(1,719,704)	(7,075,740)	(6,503,369)	(9,012,486)	(8,223,073)
Machinery and Equipment	(856,426)	(821,528)	(218,046)	(198,088)	(1,074,472)	(1,019,616)
Vehicles	(421,862)	(394,216)	(64,891)	(50,612)	(486,753)	(444,828)
Right-to-use lease assets	(23,679)	-	-	-	(23,679)	-
Total Accumulated Depreciation/Amortization	<u>(5,249,076)</u>	<u>(4,826,725)</u>	<u>(7,429,366)</u>	<u>(6,812,320)</u>	<u>(12,678,442)</u>	<u>(11,639,045)</u>
Net Total Capital Assets Depreciated/Amortized	<u>3,716,764</u>	<u>3,674,174</u>	<u>14,191,943</u>	<u>14,556,765</u>	<u>17,908,707</u>	<u>18,230,939</u>
Net Total Capital Assets	<u>\$ 4,456,325</u>	<u>\$ 4,344,175</u>	<u>\$ 15,255,278</u>	<u>\$ 15,490,694</u>	<u>\$ 19,711,603</u>	<u>\$ 19,834,869</u>

TOWN OF CLARKDALE, ARIZONA
Management's Discussion and Analysis
June 30, 2022

Long-Term Liabilities

The Town of Clarkdale had total long-term obligations outstanding of \$11,256,634 in 2022, a decrease of \$1,793,278 that was mostly due to changes in the net pension liability and principal payments made to the Town's Water Infrastructure Finance Authority (WIFA) loans. Business-type Activities accounted for 77.40% of the total long-term debt. The Business-type Notes Payable represents the WIFA loans for the construction of the wastewater treatment plant, the Twin 5s water main replacement, and the 2016 lower Clarkdale water main replacement project and refinancing the purchase of the water company. 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

	2022	2021	Change
Governmental Activities			
Compensated absences	\$ 142,075	\$ 167,297	\$ (25,222)
Financed purchases	-	3,316	(3,316)
Leases payable	167,930	-	167,930
Net pension liability	2,234,401	3,462,600	(1,228,199)
Total Long-Term Liabilities, Governmental Activities	<u>2,544,406</u>	<u>3,633,213</u>	<u>(1,088,807)</u>
Business-type Activities			
Compensated absences	20,546	10,357	10,189
Net pension liability	383,778	556,516	(172,738)
Notes payable	8,307,904	8,849,826	(541,922)
Total Long-Term Liabilities, Business-type Activities	<u>8,712,228</u>	<u>9,416,699</u>	<u>(704,471)</u>
Total Long-Term Liabilities	<u><u>\$ 11,256,634</u></u>	<u><u>\$ 13,049,912</u></u>	<u><u>\$ (1,793,278)</u></u>

TOWN OF CLARKDALE, ARIZONA
Management's Discussion and Analysis
June 30, 2022

Pension Liabilities

The Arizona State Retirement System (ASRS), which covers all employees other than public safety employees, had a net pension liability at the end of 2022 of \$1,688,420, a decrease of 31.04%. The Public Safety Personnel Retirement System (PSPRS), which covers only public safety employees (certified full-time police), had a net pension liability at the end of 2022 of \$929,759 a decrease of 40.81%. The total net pension liability for the Town at the end of 2022 was \$2,618,179, a decrease of 34.86%.

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Arizona State Retirement System (ASRS)						
Net Pension/OPEB Liabilities	\$1,304,642	\$1,891,862	\$ 383,778	\$ 556,516	\$1,688,420	\$2,448,378
Deferred Outflows of Resources	322,890	349,336	94,983	102,762	417,873	452,098
Deferred Inflows of Resources	593,142	111,181	174,480	32,706	767,622	143,887
Pension/OPEB Expense	10,858	154,204	3,194	45,361	14,052	199,565
Plan Fiduciary Net Position as Percentage Of the Total Pension/OPEB Liability					68.67%	73.05%
Public Safety Personnel Retirement (PSPRS)						
Net Pension/OPEB Liabilities	929,759	1,570,738	-	-	929,759	1,570,738
Deferred Outflows of Resources	328,343	384,506	-	-	328,343	384,506
Deferred Inflows of Resources	344,238	10,505	-	-	344,238	10,505
Pension/OPEB Expense	112,833	254,206			112,833	254,206
Plan Fiduciary Net Position as Percentage Of the Total Pension/OPEB Liability					77.43%	59.81%
Combined Pension/OPEB Liabilities						
Total Net Pension/OPEB Liabilities	2,234,401	3,462,600	383,778	556,516	2,618,179	4,019,116
Total Deferred Outflows of Resources	651,233	733,842	94,983	102,762	746,216	836,604
Total Deferred Inflows of Resources	937,380	121,686	174,480	32,706	1,111,860	154,392
Total Pension/OPEB Expense	123,691	408,410	3,194	45,361	126,885	453,771

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of resources that are available for spending. Such information is useful in assessing the Town's financing requirements. In particular, unassigned fund balance serves as a useful measure of a government's net resources available for spending at the end of the fiscal year. At the end of the current fiscal year, the Town's total governmental funds reported combined ending fund balances of \$7,140,649, an increase of \$2,298,261 in comparison with the prior year. The major change in fund balance was due to increased revenues in taxes, Highway User Revenue funds, grant funds, and recognition of lease income, in addition to reductions in contingency expenditures. The Business-type Activities' total net position was \$12,182,039, an increase of \$1,489,091 from 2021, primarily due to utility revenues.

TOWN OF CLARKDALE, ARIZONA
Management's Discussion and Analysis
June 30, 2022

Change in Fund Balances/Net Position

	2022	2021	Change
Governmental			
General Fund	\$ 5,946,069	\$ 4,557,623	\$ 1,388,446
Grants Fund	421,349	(29,348)	450,697
Other Governmental Funds	773,231	314,113	459,118
Total Governmental Fund Balances	<u>7,140,649</u>	<u>4,842,388</u>	<u>2,298,261</u>
Business-type			
Wastewater Fund	4,757,662	4,531,435	226,227
Sanitation Fund	204,510	104,317	100,193
Water Fund	7,018,088	5,845,401	1,172,687
Cemetery Fund	201,779	211,795	(10,016)
Total Business-type Net Position	<u>12,182,039</u>	<u>10,692,948</u>	<u>1,489,091</u>
Total Fund Balances/Net Position	<u><u>\$ 19,322,688</u></u>	<u><u>\$ 15,535,336</u></u>	<u><u>\$ 3,787,352</u></u>

BUDGETARY HIGHLIGHTS

The Town's annual budget is the legally adopted expenditure control document of the Town. Budgetary comparison statements are required for the General Fund and all major special revenue funds and may be found on pages 64 - 66. These statements compare the original adopted budget, the budget if amended throughout the fiscal year, and the actual expenditures.

General Fund revenues of \$5,836,654 were higher than budgeted revenues of \$4,335,285, or 34.63% while General Fund expenditures of \$4,698,864 were lower than budgeted expenditures of \$5,749,488 or 18.27%. General Fund expenditures during the year are monitored with actual revenues.

TOWN OF CLARKDALE, ARIZONA
Management's Discussion and Analysis
June 30, 2022

ECONOMIC FACTORS FOR NEXT YEAR

- ❖ New developments in Town are in progress and State and Local taxes remain strong. Building permit revenues have seen a decline.
- ❖ Continue to develop Water and Wastewater Infrastructure Expansion Plan along 89A for future residential and commercial growth.
- ❖ Continue to review existing fees to ensure we are recovering costs or to enhance service delivery to the community and its visitors.
- ❖ Continue leveraging partnerships with local communities, the County and State to promote rural broadband development.
- ❖ Continue to refine the multi-year Capital Improvement Plan to reflect goals of the Council's Strategic Plan and needs of the community.
- ❖ Continue seeking grant opportunities for projects represented on the multi-year Capital Plan.
- ❖ Continue with park renovations projects, grants have been received for Selna-Mongini Park, Caballero Park, and Lower TAPCO River Access Point.
- ❖ Continue enhancing transparency and encouraging tourism through the launch of a new website, a developed marketing campaign, including a new plan and committee, use of social media, and hosting community meetings and events.
- ❖ Completion of restoration of the Town's historic Gazebo.
- ❖ Development of a Town-wide Trails Master Plan.
- ❖ Improvements to Clark Memorial Clubhouse historic building and event center.

TOWN OF CLARKDALE, ARIZONA
Management's Discussion and Analysis
June 30, 2022

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

Vision Statement:

The Town of Clarkdale connects our unique history, proximity to the Verde River, and small-town charm to a future with a vibrant economy. We cultivate an environment where residents and businesses can thrive; providing services and jobs for our residents and capitalizing upon tourism. We sustainably enhance our infrastructure, support the arts and education, and develop recreational opportunities to create a bright future for our entire community.

Mission Statement:

The Town of Clarkdale serves the community by providing amenities, infrastructure, services and public safety to enhance quality of life. We are stewards of our history while we sustainably and resiliently plan for the future with an emphasis on community engagement and transparency.

Values:

Values are the guiding principles that provide an organization with purpose and direction. The Town of Clarkdale's organizational values are:

COPPER

Customer Focused

Open, transparent and equitable

Preserving our history, charm, and environment

Planning for a sustainable future

Economic and social resiliency

Resourceful and innovative

FINANCIAL SECTION

TOWN OF CLARKDALE, ARIZONA
Statement of Net Position
June 30, 2022

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
ASSETS			
Cash and cash equivalents	\$ 7,059,919	\$ 7,928,108	\$ 14,988,027
Cash and cash equivalents - restricted	-	516,090	516,090
Accounts receivable - net	-	297,160	297,160
Taxes receivable	452,788	-	452,788
Due from other governments	157,185	-	157,185
Other accounts receivable	83,770	2,187	85,957
Lease receivable	-	268,931	268,931
Prepaid expenses	300	-	300
Net OPEB asset	187,005	13,909	200,914
Capital assets, not being depreciated	739,561	1,063,335	1,802,896
Capital assets, being depreciated, net	3,716,764	14,191,943	17,908,707
Total assets	12,397,292	24,281,663	36,678,955
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions and other postemployment benefits	651,233	94,984	746,217
LIABILITIES			
Accounts payable	201,876	81,599	283,475
Accrued expenses	70,493	34,625	105,118
Interest payable	-	86,170	86,170
Unearned revenue	83,263	2,662,526	2,745,789
Refundable deposits	-	65,829	65,829
Funds held in trust	-	135,729	135,729
Noncurrent liabilities			
Due within 1 year	235,080	573,861	808,941
Due in more than 1 year	2,309,326	8,138,367	10,447,693
Total liabilities	2,900,038	11,778,706	14,678,744
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to leases	223,477	241,422	464,899
Deferred inflows related to pensions and other postemployment benefits	937,380	174,480	1,111,860
Total deferred inflows of resources	1,160,857	415,902	1,576,759
NET POSITION			
Net investment in capital assets	4,453,009	6,947,374	11,400,383
Restricted	946,560	1,540,431	2,486,991
Unrestricted (deficit)	3,588,061	3,694,234	7,282,295
Total net position	\$ 8,987,630	\$ 12,182,039	\$ 21,169,669

See accompanying notes to financial statements.

TOWN OF CLARKDALE, ARIZONA
Statement of Activities
Year Ended June 30, 2022

Functions / Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary government:							
Governmental activities							
General government	\$ 1,708,721	\$ 420,309	\$ 24,481	\$ -	\$ (1,263,931)	\$ -	\$ (1,263,931)
Public safety	1,450,764	69,682	798,784	4,829	(577,469)	-	(577,469)
Highways and streets	967,230	130,350	449,196	60,000	(327,684)	-	(327,684)
Culture and recreation	210,532	51,558	13,681	5,000	(140,293)	-	(140,293)
Interest on long-term debt	443	-	-	-	(443)	-	(443)
Total governmental activities	4,337,690	671,899	1,286,142	69,829	(2,309,820)	-	(2,309,820)
Business-type activities							
Wastewater	849,134	950,785	-	81,746	-	183,397	183,397
Sanitation	294,661	438,607	-	-	-	143,946	143,946
Water	1,034,577	1,870,758	-	272,780	-	1,108,961	1,108,961
Cemetery	50,963	119,675	28	-	-	68,740	68,740
Total business-type activities	2,229,335	3,379,825	28	354,526	-	1,505,044	1,505,044
Total primary government	\$ 6,567,025	\$ 4,051,724	\$ 1,286,170	\$ 424,355	(2,309,820)	1,505,044	(804,776)
General revenues:							
Taxes:							
Sales Taxes					2,796,921	-	2,796,921
Property taxes					591,344	-	591,344
Franchise tax					103,650	-	103,650
State sales tax revenue sharing					626,124	-	626,124
Auto lieu tax revenue sharing					360,713	-	360,713
State revenue sharing					581,697	-	581,697
Investment earnings					15,086	20,721	35,807
Miscellaneous					81,401	-	81,401
Transfers					58,992	(58,992)	-
Total general revenues and transfers					5,215,928	(38,271)	5,177,657
Change in net position					2,906,108	1,466,773	4,372,881
Net position, beginning of year - restated					6,081,522	10,715,266	16,796,788
Net position, end of year					\$ 8,987,630	\$ 12,182,039	\$ 21,169,669

See accompanying notes to financial statements.

TOWN OF CLARKDALE, ARIZONA
Balance Sheet
Governmental Funds
June 30, 2022

	General Fund	Grants Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 5,867,117	\$ 387,450	\$ 805,352	\$ 7,059,919
Taxes receivable	452,788	-	-	452,788
Due from other governments	39,930	72,203	45,052	157,185
Other receivable	83,770	-	-	83,770
Prepaid expenses	300	-	-	300
Total assets	<u>6,443,905</u>	<u>459,653</u>	<u>850,404</u>	<u>7,753,962</u>
LIABILITIES				
Accounts payable	189,929	11,947	-	201,876
Accrued expenses	69,294	1,199	-	70,493
Unearned revenue	6,090	-	77,173	83,263
Total liabilities	<u>265,313</u>	<u>13,146</u>	<u>77,173</u>	<u>355,632</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to leases	223,477	-	-	223,477
Unavailable revenue	9,046	25,158	-	34,204
Total deferred inflows of resources	<u>232,523</u>	<u>25,158</u>	<u>-</u>	<u>257,681</u>
FUND BALANCES				
Restricted	173,329	-	773,231	946,560
Assigned	1,720,620	421,349	-	2,141,969
Unassigned	4,052,120	-	-	4,052,120
Total fund balances	<u>5,946,069</u>	<u>421,349</u>	<u>773,231</u>	<u>7,140,649</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 6,443,905</u>	<u>\$ 459,653</u>	<u>\$ 850,404</u>	<u>\$ 7,753,962</u>

See accompanying notes to financial statements.

TOWN OF CLARKDALE, ARIZONA
Reconciliation of the Balance Sheet to the Statement of Net Position
Governmental Funds
June 30, 2022

Fund balances-total governmental funds	\$	7,140,649
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		4,456,325
---	--	-----------

Some receivables are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds.		34,204
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Net pension assets held in trust for future benefits are not available for Town operations and, therefore, are not reported in the funds		187,005
--	--	---------

Long-term liabilities, such as net pension/OPEB liabilities and bonds payable, are not due and payable in the current period and, therefore, are not reported as a liability in the funds.		(2,544,406)
--	--	-------------

Deferred outflows and inflows of resources related to pensions/OPEB and are applicable to future reporting periods and, therefore, are not reported in the funds.		(286,147)
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Net position of governmental activities	\$	<u>8,987,630</u>
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See accompanying notes to financial statements.

TOWN OF CLARKDALE, ARIZONA
Statement of Revenue, Expenditures, and Changes in Fund Balance
Governmental Funds
Year Ended June 30, 2022

	General Fund	Grants Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Intergovernmental	\$ 1,588,921	\$ 856,066	\$ 449,196	\$ 2,894,183
Taxes	3,491,916	-	-	3,491,916
Licenses and permits	342,361	-	-	342,361
Other revenue	81,401	-	-	81,401
Investment earnings	12,763	-	2,323	15,086
Fines and forfeitures	67,739	-	-	67,739
Charges for services	186,024	-	51,980	238,004
Contributions	38,967	-	-	38,967
Rental income	26,562	-	-	26,562
Total revenues	<u>5,836,654</u>	<u>856,066</u>	<u>503,499</u>	<u>7,196,219</u>
Expenditures				
Current				
General government	1,713,752	5,000	5,015	1,723,767
Public safety	1,543,619	148,236	-	1,691,855
Highways and streets	689,050	60,324	1,866	751,240
Culture and recreation	204,923	-	-	204,923
Debt service				
Principal	26,333	-	-	26,333
Interest	443	-	-	443
Capital outlay	520,744	-	-	520,744
Total expenditures	<u>4,698,864</u>	<u>213,560</u>	<u>6,881</u>	<u>4,919,305</u>
Excess (deficiency) of revenues over expenditures	<u>1,137,790</u>	<u>642,506</u>	<u>496,618</u>	<u>2,276,914</u>
Other financing sources (uses)				
Lease agreement	192,587	-	-	192,587
Transfers	288,301	(191,809)	(37,500)	58,992
Net change in fund balances	<u>1,618,678</u>	<u>450,697</u>	<u>459,118</u>	<u>2,528,493</u>
Fund balances, beginning of year - restated	<u>4,327,391</u>	<u>(29,348)</u>	<u>314,113</u>	<u>4,612,156</u>
Fund balances, end of year	<u>\$ 5,946,069</u>	<u>\$ 421,349</u>	<u>\$ 773,231</u>	<u>\$ 7,140,649</u>

See accompanying notes to 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, 2022

Net change in fund balances-total governmental funds \$2,528,493

Amounts reported for governmental activities in the statement of activities are 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	534,501	
Depreciation expense	<u>(422,350)</u>	112,151

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

Unavailable grant revenue		(11,411)
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Town pension/OPEB contributions are reported as expenditures in the governmental funds when made. However they are reported as deferred outflows of resources in the statement of net position because the reported net pension/OPEB liability is measured a year before the Town's report date. Pension/OPEB expense, which is the change in the net pension/OPEB liability adjusted for changed in deferred outflows and inflows of resources related to pensions/OPEB, is reported in the statement of activities.

Town pension/OPEB contributions	539,958	
Pension/OPEB expense	<u>(123,691)</u>	416,267

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of position.

Debt principal repaid	27,973	
Leases incurred	<u>(192,587)</u>	(164,614)

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available resources. In the statement of activities, however, which is presented on the accrual basis of accounting, expenses are reported regardless of when the financial resources are available.

Decrease in compensated absences payable		<u>25,222</u>
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Change in net position of governmental activities		<u><u>\$2,906,108</u></u>
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See accompanying notes to financial statements.

TOWN OF CLARKDALE, ARIZONA
Statement of Net Position
Proprietary Funds
June 30, 2022

	Business-type Activities--Enterprise Funds				
	Wastewater Fund	Sanitation Fund	Water Fund	Cemetery Fund	Total
ASSETS					
Current assets					
Cash and cash equivalents	\$ 1,251,286	\$ 236,899	\$ 6,142,724	\$ 297,199	\$ 7,928,108
Accounts receivable - net	75,577	33,261	185,522	2,800	297,160
Lease receivable	268,931	-	-	-	268,931
Other accounts receivable	-	-	2,187	-	2,187
Total current assets	<u>1,595,794</u>	<u>270,160</u>	<u>6,330,433</u>	<u>299,999</u>	<u>8,496,386</u>
Noncurrent assets					
Cash and cash equivalents, restricted	450,261	-	65,829	-	516,090
Net OPEB asset	5,091	1,279	6,866	673	13,909
Capital assets, not being depreciated	724,794	-	338,541	-	1,063,335
Capital assets, being depreciated, net	7,353,401	-	6,810,699	27,843	14,191,943
Total noncurrent assets	<u>8,533,547</u>	<u>1,279</u>	<u>7,221,935</u>	<u>28,516</u>	<u>15,785,277</u>
Total assets	<u>10,129,341</u>	<u>271,439</u>	<u>13,552,368</u>	<u>328,515</u>	<u>24,281,663</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows related to pensions and other postemployment benefits	34,767	8,734	46,886	4,597	94,984
LIABILITIES					
Current liabilities					
Accounts payable	19,843	21,796	39,683	277	81,599
Accrued expenses	6,210	1,169	24,524	2,722	34,625
Interest payable	32,178	-	53,992	-	86,170
Unearned revenue	2,550,502	-	12,305	99,719	2,662,526
Funds held in trust	135,729	-	-	-	135,729
Refundable deposits	-	-	65,829	-	65,829
Compensated absences, current portion	6,159	1,367	11,422	1,598	20,546
Notes payable, current portion	156,506	-	396,809	-	553,315
Total current liabilities	<u>2,907,127</u>	<u>24,332</u>	<u>604,564</u>	<u>104,316</u>	<u>3,640,339</u>
Noncurrent liabilities					
Notes payable, net of current portion	2,053,555	-	5,701,034	-	7,754,589
Net pension and other postemployment benefits liability	140,476	35,288	189,441	18,573	383,778
Total noncurrent liabilities	<u>2,194,031</u>	<u>35,288</u>	<u>5,890,475</u>	<u>18,573</u>	<u>8,138,367</u>
Total liabilities	<u>5,101,158</u>	<u>59,620</u>	<u>6,495,039</u>	<u>122,889</u>	<u>11,778,706</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows related to pensions and other postemployment benefits	63,866	16,043	86,127	8,444	174,480
Deferred inflows related to leases	241,422	-	-	-	241,422
Total deferred inflows of resources	<u>305,288</u>	<u>16,043</u>	<u>86,127</u>	<u>8,444</u>	<u>415,902</u>
NET POSITION					
Net investment in capital assets	5,868,134	-	1,051,397	27,843	6,947,374
Restricted	229,014	-	1,111,417	200,000	1,540,431
Unrestricted (deficit)	(1,339,486)	204,510	4,855,274	(26,064)	3,694,234
Total net position	<u>\$ 4,757,662</u>	<u>\$ 204,510</u>	<u>\$ 7,018,088</u>	<u>\$ 201,779</u>	<u>\$ 12,182,039</u>

See accompanying notes to financial statements.

TOWN OF CLARKDALE, ARIZONA
Statement of Revenue, Expenses, and Changes in Fund Net Position
Proprietary Funds
Year Ended June 30, 2022

	Business-type Activities--Enterprise Funds				
	Wastewater Fund	Sanitation Fund	Water Fund	Cemetery Fund	Total
Operating revenues					
Charges for services	\$ 939,357	\$ 438,607	\$ 1,870,758	\$ 119,675	\$ 3,368,397
Lease revenue	11,428	-	-	-	11,428
Total operating revenue	<u>950,785</u>	<u>438,607</u>	<u>1,870,758</u>	<u>119,675</u>	<u>3,379,825</u>
Operating expenses					
Personnel	172,239	29,431	231,284	27,921	460,875
Depreciation	275,837	-	339,067	2,142	617,046
Professional services	104,904	243,377	26,964	-	375,245
Utilities	83,485	233	60,786	702	145,206
Materials and supplies	35,000	2,004	84,818	7,810	129,632
Other	47,996	11,719	101,846	4,831	166,392
Repairs and maintenance	24,860	7,897	68,824	4,816	106,397
Chemical tests	24,146	-	-	-	24,146
Insurance	16,310	-	13,005	2,741	32,056
Total operating expenses	<u>784,777</u>	<u>294,661</u>	<u>926,594</u>	<u>50,963</u>	<u>2,056,995</u>
Operating income (loss)	<u>166,008</u>	<u>143,946</u>	<u>944,164</u>	<u>68,712</u>	<u>1,322,830</u>
Nonoperating revenue (expenses)					
Investment income	16,202	31	4,179	309	20,721
Noncapital contribution	-	-	-	28	28
Interest expense	(64,357)	-	(107,983)	-	(172,340)
Total nonoperating revenues (expenses)	<u>(48,155)</u>	<u>31</u>	<u>(103,804)</u>	<u>337</u>	<u>(151,591)</u>
Income (loss) before contributions and transfers	<u>117,853</u>	<u>143,977</u>	<u>840,360</u>	<u>69,049</u>	<u>1,171,239</u>
Capital contribution	81,746	-	272,780	-	354,526
Transfers in (out)	4,310	(43,784)	59,547	(79,065)	(58,992)
Increase (decrease) in net position	<u>203,909</u>	<u>100,193</u>	<u>1,172,687</u>	<u>(10,016)</u>	<u>1,466,773</u>
Total net position, beginning of year - restated	<u>4,553,753</u>	<u>104,317</u>	<u>5,845,401</u>	<u>211,795</u>	<u>10,715,266</u>
Total net position, end of year	<u><u>\$4,757,662</u></u>	<u><u>\$ 204,510</u></u>	<u><u>\$7,018,088</u></u>	<u><u>\$ 201,779</u></u>	<u><u>\$ 12,182,039</u></u>

See accompanying notes to financial statements.

TOWN OF CLARKDALE, ARIZONA
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2022

	Business-type Activities--Enterprise Funds				
	Wastewater Fund	Sanitation Fund	Water Fund	Cemetery Fund	Total
Cash flows from operating activities					
Receipts from customers	\$ 889,993	\$ 438,518	\$ 1,878,352	\$ 115,900	\$3,322,763
Payments to suppliers and providers of goods and services	(362,922)	(263,866)	(367,474)	(21,226)	(1,015,488)
Payments to employees	(180,536)	(31,882)	(219,311)	(26,137)	(457,866)
Net cash provided (used) by operating activities	<u>346,535</u>	<u>142,770</u>	<u>1,291,567</u>	<u>68,537</u>	<u>1,849,409</u>
Cash flows from noncapital financing activities					
Funds held in trust	55,297	-	-	-	55,297
Proceeds from noncapital contribution	81,746	-	272,780	28	354,554
Transfers (to) from other funds	4,310	(43,784)	59,547	(79,065)	(58,992)
Net cash provided (used) by noncapital financing activities	<u>141,353</u>	<u>(43,784)</u>	<u>332,327</u>	<u>(79,037)</u>	<u>350,859</u>
Cash flows from capital and related financing activities					
Purchase of capital assets	(66,033)	-	(285,612)	(29,985)	(381,630)
Interest paid	(66,572)	-	(111,464)	-	(178,036)
Principal paid on long-term debt	(152,077)	-	(389,845)	-	(541,922)
Net cash provided (used) by capital and related financing activities	<u>(284,682)</u>	<u>-</u>	<u>(786,921)</u>	<u>(29,985)</u>	<u>(1,101,588)</u>
Cash flows from investing activities					
Interest received on investments	16,202	31	4,179	309	20,721
Net increase (decrease) in cash and cash equivalents	219,408	99,017	841,152	(40,176)	1,119,401
Cash and cash equivalents, beginning of year	1,482,139	137,882	5,367,401	337,375	7,324,797
Cash and cash equivalents, end of year	<u>\$ 1,701,547</u>	<u>\$ 236,899</u>	<u>\$ 6,208,553</u>	<u>\$ 297,199</u>	<u>\$8,444,198</u>
Cash and cash equivalents	\$ 1,251,286	\$ 236,899	\$ 6,142,724	\$ 297,199	\$7,928,108
Cash and cash equivalents, restricted	450,261	-	65,829	-	516,090
Cash and cash equivalents, end of year	<u>\$ 1,701,547</u>	<u>\$ 236,899</u>	<u>\$ 6,208,553</u>	<u>\$ 297,199</u>	<u>\$8,444,198</u>

See accompanying notes to financial statements.

TOWN OF CLARKDALE, ARIZONA
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2022
(Continued)

	Business-type Activities--Enterprise Funds				Total
	Wastewater Fund	Sanitation Fund	Water Fund	Cemetery Fund	
Reconciliation of operating income (loss) to net cash provided (used) by operating activities					
Operating income (loss)	\$ 166,008	\$ 143,946	\$ 944,164	\$ 68,712	\$1,322,830
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	275,837	-	339,067	2,142	617,046
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources					
Accounts receivable	(304)	(89)	207	-	(186)
Lease receivable	4,433	-	-	-	4,433
Net OPEB asset	(4,278)	(1,075)	(5,769)	(565)	(11,687)
Deferred outflows of resources related to pensions and other postemployment benefits	2,848	715	3,839	376	7,778
Accounts payable	(26,221)	1,364	(11,231)	(326)	(36,414)
Accrued expenses	3,327	518	21,499	2,349	27,693
Unearned revenue	(55,297)	-	(663)	(3,775)	(59,735)
Refundable deposits	-	-	8,050	-	8,050
Compensated absences	1,141	238	7,688	1,122	10,189
Net pension and other postemployment benefits liability	(63,229)	(15,883)	(85,267)	(8,359)	(172,738)
Deferred inflows related to leases	(9,624)	-	-	-	(9,624)
Deferred inflows of resources related to pensions and other postemployment benefits	51,894	13,036	69,983	6,861	141,774
Net cash provided (used) by operating activities	<u>\$ 346,535</u>	<u>\$ 142,770</u>	<u>\$1,291,567</u>	<u>\$ 68,537</u>	<u>\$1,849,409</u>

See accompanying notes to financial statements.

TOWN OF CLARKDALE, ARIZONA
Notes to Financial Statements
June 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Clarkdale, Arizona’s accounting policies conform to generally accepted accounting principles applicable to governmental units adopted by the Governmental Accounting Standards Board (GASB).

For the year ended June 30, 2022, the Town implemented the provisions of GASB Statement No. 87, *Leases*, as amended, which establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. As a result, the Town’s financial statements have been modified to reflect the recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows or outflows of resources based on the contract payment provisions.

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; however, it does have a blended component unit. The blended component unit discussed below has a June 30 year-end.

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 statements focus on major funds. Each presentation provides valuable information that can be analyzed and compared between years and between governments to enhance the information’s usefulness.

TOWN OF CLARKDALE, ARIZONA
Notes to Financial Statements
June 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Government-wide statements—provide information about the primary government (the Town). The statements include a statement of net position and a statement of activities. These statements report the overall government's financial activities. They also distinguish between the Town's governmental and business-type activities. 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.

A statement of activities presents a comparison between direct expenses and program revenues for each function of the Town's governmental activities and 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, including special assessments.

Revenues that are not classified as program revenues, including internally dedicated resources and all taxes the Town levies or imposes, are reported as general revenues.

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

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

Proprietary fund revenues and expenses are classified as either operating or nonoperating. Operating revenues and expenses generally result from transactions associated with the fund's principal activity. Accordingly, revenues, such as user charges and insurance premiums, in which each party receives and gives up essentially equal values are operating revenues. Other revenues, such as subsidies, result from transactions in which the parties do not exchange equal values and are considered nonoperating revenues along with investment earnings and revenues ancillary activities generate. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. Other expenses, such as interest expense, are considered nonoperating expenses.

TOWN OF CLARKDALE, ARIZONA
Notes to Financial Statements
June 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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 ***Grants Fund*** accounts for specific revenues sources that are restricted to expenditures for specified purposes as defined by the grantor.

The Town reports the following major enterprise funds:

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

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

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

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

C. Basis of Accounting

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

Under the terms of grant agreements, the Town funds certain programs by a combination of grants and general revenues. Therefore, when program expenses are incurred, there are both restricted and unrestricted resources available to finance the program. The Town applies grant resources to such programs before using general revenues.

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 they become both 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. The Town's major revenue sources that are susceptible to accrual are property taxes, special assessments, intergovernmental, charges for services, and investment earnings. Expenditures are recorded when the related fund liability is incurred, except for principal

TOWN OF CLARKDALE, ARIZONA
Notes to Financial Statements
June 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

and interest on general long-term debt, claims and judgments, compensated absences, landfill closure and postclosure care costs, and pollution remediation obligations, which are recognized as expenditures to the extent they are due and payable. General capital asset acquisitions are reported as expenditures in governmental funds. Issuances of general long-term debt and acquisitions under capital lease agreements are reported as other financing sources.

D. Cash and Investments

For the statement of cash flows, the Town's cash and cash equivalents are considered to be cash on hand, demand deposits, investments in the State Treasurer's local government investment pool, and only those highly liquid investments with a maturity of three months or less when purchased.

Cash and investments are pooled, except for investments that are restricted under provisions of bond indentures or other restrictions that are required to be reported in the individual funds.

Arizona Revised Statutes authorize the Town to invest public monies in the State Treasurer's local government investment pools, the County Treasurer's investment pool, obligations of the U.S. Government and its agencies, obligations of the state and certain local government subdivisions, interest-bearing savings accounts and certificates of deposit, collateralized repurchase agreements, certain obligations of U.S. corporations, and certain other securities. Investments are stated at fair value.

Arizona statute requires a pooled collateral program for public deposits and a Statewide Collateral Pool Administrator (Administrator) in the State Treasurer's Office. The purpose of the pooled collateral program is to ensure that governmental entities' public deposits placed in participating depositories are secured with collateral of 102 percent of the public deposits, less any applicable deposit insurance. An eligible depository may not retain or accept any public deposit unless it has deposited the required collateral with a qualified escrow agent or the Administrator. The Administrator manages the pooled collateral program, including reporting on each depository's compliance with the program.

E. Allowance for Uncollectible Accounts

Allowances for uncollectible accounts receivable are estimated by the Town. The amount recorded as uncollectible at June 30, 2022 in the Wastewater, Sanitation, Water, and Cemetery Funds were \$8,011, \$3,526, \$19,666, and \$0, respectively.

F. Property Tax Calendar

Property taxes are recognized as revenue in the fiscal year they are levied and collected or if they are collected within 60 days subsequent to fiscal year-end. Property taxes not collected within 60

TOWN OF CLARKDALE, ARIZONA
Notes to Financial Statements
June 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

days subsequent to fiscal year-end are reported as unavailable revenue. Property taxes collected in advance of the fiscal year for which they are levied are reported as deferred revenue.

The Town levies real property taxes on or before the third Monday in August that become due and payable in two equal installments. The first installment is due on the first day of October and becomes delinquent after the first business day of November. The second installment is due on the first day of March of the next year and becomes delinquent after the first business day of May.

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

G. Capital Assets

Capital assets are reported at actual cost (or estimated historical cost if historical records are not available). Donated assets are reported at acquisition value.

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 are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land	\$5,000	N/A	-
Construction in progress	5,000	N/A	-
Buildings	5,000	Straight-line	25 - 30
Building improvements	5,000	Straight-line	18 - 75
Machinery and equipment	5,000	Straight-line	5 - 10
Vehicles	5,000	Straight-line	5 - 10
Infrastructure	5,000	Straight-line	5 - 30

H. Deferred Outflows and Inflows of Resources

The statement of net position and balance sheet include separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future periods that will be recognized as an expense or expenditure in future periods. Deferred inflows of resources represent an acquisition of net position or fund balance that applies to future periods and will be recognized as a revenue in future periods.

TOWN OF CLARKDALE, ARIZONA
Notes to Financial Statements
June 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

I. Postemployment Benefits

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

J. 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.

K. Investment Earnings

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

L. Fund Balance Reporting

The governmental funds' fund balances are reported separately within classifications based on a hierarchy of the constraints placed on those resources' use. The classifications are based on the relative strength of the constraints that control how the specific amounts can be spent. The classifications are nonspendable, restricted, and unrestricted, which includes committed, assigned, and unassigned fund balance classifications.

The nonspendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form, such as inventories, or are legally or contractually required to be maintained intact. Restricted fund balances are those that have externally imposed restrictions on their usage by creditors (such as through debt covenants), grantors, contributors, or laws and regulations.

The unrestricted fund balance category is composed of committed, assigned, and unassigned resources. Committed fund balances are self-imposed limitations that the Town Council has approved, which is the highest level of decision-making authority within the Town. Only the Town Council can remove or change the constraints placed on committed fund balances.

TOWN OF CLARKDALE, ARIZONA
Notes to Financial Statements
June 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Assigned fund balances are resources constrained by the Town's intent to be used for specific purposes, but that are neither restricted nor committed. The Town Council has authorized the Town manager to assign resources for a specific purpose.

The unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not reported in the other classifications. Also, deficits in fund balances of the other governmental funds are reported as unassigned.

When an expenditure is incurred that can be paid from either restricted or unrestricted fund balances, it is the Town's policy to use (the Town will use) restricted fund balance first. It is the Town's policy to use (the Town will use) committed amounts first when disbursing unrestricted fund balances, followed by assigned amounts, and lastly unassigned amounts.

M. Leases

As lessee, the Town recognizes lease liabilities with an initial, individual value of \$20,000 or more. The Town uses its estimated incremental borrowing rate to measure lease liabilities unless it can readily determine the interest rate implicit in the lease. The Town's estimated incremental borrowing rate is based on the Town's borrowing rate for unsecured debt for a comparable amount and time period.

As lessor, the Town recognizes lease receivables with an initial, individual value of \$20,000 or more. If there is no stated rate in the lease contract (or if the stated rate is not the rate the Town charges the lessee) and the implicit rate cannot be determined, the Town uses its own estimated incremental borrowing rate as the discount rate to measure lease receivables. The Town's estimated incremental borrowing rate is calculated as described above.

NOTE 2 – DEPOSITS AND INVESTMENTS

Arizona Revised Statutes (A.R.S.) authorize the Town to invest public monies in the State Treasurer's investment pool; obligations issued or guaranteed by the United States or any of the senior debt of its agencies, sponsored agencies, corporations, sponsored corporations, or instrumentalities; specified state and local government bonds, notes, and other evidences of indebtedness; interest-earning investments such as savings accounts, certificates of deposit, and repurchase agreements in eligible depositories; specified commercial paper issued by corporations organized and doing business in the United States; specified bonds, debentures, notes, and other evidences of indebtedness that are denominated in United States dollars; and certain open-end and closed-end mutual funds, including exchange traded funds. In addition, the Town Treasurer may invest trust funds in certain fixed income securities of corporations doing business in the United States or District of Columbia.

TOWN OF CLARKDALE, ARIZONA
Notes to Financial Statements
June 30, 2022

NOTE 2 – DEPOSITS AND INVESTMENTS

Credit risk

Statutes have the following requirements for credit risk:

1. Commercial paper must be of prime quality and be rated within the top two ratings by a nationally recognized rating agency.
2. Bonds, debentures, notes, and other evidences of indebtedness that are denominated in United States dollars must be rated “A” or better at the time of purchase by at least two nationally recognized rating agencies.
3. Fixed income securities must carry one of the two highest ratings by Moody’s investor’s service and Standard and Poor’s rating service. If only one of the above-mentioned services rates the security, it must carry the highest rating of that service.

Custodial credit risk

Statutes require collateral for deposits at 102 percent of all deposits federal depository insurance does not cover.

Concentration of credit risk

Statutes do not include any requirements for concentration of credit risk.

Interest rate risk

Statutes require that public monies invested in securities and deposits have a maximum maturity of 5 years. The maximum maturity for investments in repurchase agreements is 180 days.

Foreign currency risk

Statutes do not allow foreign investments unless the investment is denominated in United States dollars.

The Town’s investment policy states that the Town will conform with Arizona Revised Statutes. The Town does not have a formal investment policy with respect to custodial credit risk, concentration of credit risk, or foreign currency risk.

Deposits— At June 30, 2022, the carrying amount of the Town’s total cash in bank was \$1,547,164 and the bank balances were \$1,620,649. Of the bank balances, \$500,000 was covered by federal depository insurance or similar insurance. The remainder was covered by collateral held by the pledging financial institution in the Town’s name.

TOWN OF CLARKDALE, ARIZONA
Notes to Financial Statements
June 30, 2022

NOTE 2 – DEPOSITS AND INVESTMENTS – Continued

Restricted cash – Restricted cash in the Wastewater and Water Funds consists of monies restricted for the following:

	Wastewater Fund	Water Fund	Total
Debt service reserves	\$ 321,615	\$ -	\$ 321,615
Replacement reserves	128,646	-	128,646
Refundable customer deposits	-	65,829	65,829
	<u>\$ 450,261</u>	<u>\$ 65,829</u>	<u>\$ 516,090</u>

Investments— The Town reported investments in the State Treasurer’s Investment Pool 7 with a reported amount of \$10,166,517. The State Treasurer’s Pool 7 is unrated. The State Board of Investment provides oversight for the State Treasurer’s pools. The fair value of a participant’s position in the pool approximates the value of that participant’s pool shares and the participant’s shares are not identified with specific investments.

A reconciliation of cash, deposits, and investments to amounts shown on the statements of net position follows:

	Governmental activities	Business-type activities	Total
Cash and cash equivalents:			
Cash on hand	\$ 898	\$ -	\$ 898
Amount of deposits	-	1,547,164	1,547,164
State Treasurer's investment pool 7	7,059,021	6,897,034	13,956,055
Total	<u>\$ 7,059,919</u>	<u>\$ 8,444,198</u>	<u>\$ 15,504,117</u>

NOTE 3 – DUE FROM OTHER GOVERNMENTS

Amounts due from other governments in the General Fund at June 30, 2022 consisted of \$24,173 in state-shared revenue from sales taxes, \$2,539 of excise tax, and \$13,218 in state-shared revenue from auto lieu taxes collected by the State of Arizona.

Amounts due from other governments in the HURF Fund at June 30, 2022 consisted of \$45,052 in state-shared revenue from highway user revenue fund (HURF) taxes.

Amounts due from other governments in the Grants Fund at June 30, 2022 consisted of \$12,203 in grants revenues from the State of Arizona and \$60,000 from Yavapai County.

TOWN OF CLARKDALE, ARIZONA
Notes to Financial Statements
June 30, 2022

NOTE 4 – LEASE RECEIVABLES

The Town leases land to a third party under the provisions of a lease agreement. The lease agreement began in 2017 and was most recently amended in October 2018. Per the lease agreement, the lessee will pay the Town \$1,500 per month through July 2027 with an option to renew for four addition terms of five years each. Rent will increase by 3% at the end of each renewal term.

During the fiscal year ended June 30, 2022, the Town recognized total lease-related revenues of \$18,000 which includes \$4,432 of rental income and \$13,568 of interest income.

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2022, was as follows:

	Balance July 1, 2021	Increase	Decreases	Balance June 30, 2022
Governmental activities:				
Capital assets not being depreciated/amortized:				
Land	\$ 670,001	\$ -	\$ -	\$ 670,001
Construction in progress	-	69,560	-	69,560
Total capital assets not being depreciated/amortized	670,001	69,560	-	739,561
Capital assets being depreciated/amortized:				
Buildings and improvements	2,991,046	69,366	-	3,060,412
Infrastructure	4,064,135	-	-	4,064,135
Machinery and equipment	989,385	116,122	-	1,105,507
Vehicles	456,333	86,866	-	543,199
Intangibles:				
Right-to-use lease assets- Building	-	192,587	-	192,587
Total	8,500,899	464,941	-	8,965,840
Less accumulated depreciation/amortization for:				
Buildings and improvements	(1,891,277)	(119,086)	-	(2,010,363)
Infrastructure	(1,719,705)	(217,041)	-	(1,936,746)
Machinery and equipment	(821,528)	(34,898)	-	(856,426)
Vehicles	(394,216)	(27,646)	-	(421,862)
Intangibles:				
Right-to-use lease assets-Building	-	(23,679)	-	(23,679)
Total	(4,826,726)	(422,350)	-	(5,249,076)
Total capital assets being depreciated/amortized, net	3,674,173	42,591	-	3,716,764
Governmental activities capital assets, net	\$ 4,344,174	\$ 112,151	\$ -	\$ 4,456,325

TOWN OF CLARKDALE, ARIZONA
Notes to Financial Statements
June 30, 2022

NOTE 5 – CAPITAL ASSETS – Continued

	Balance July 1, 2021	Increase	Decreases	Balance June 30, 2022
Business-type activities:				
Capital assets not being depreciated/amortized:				
Land	\$ 933,929	\$ -	\$ -	\$ 933,929
Construction in progress	-	129,406	-	129,406
Total capital assets not being depreciated/amortized	933,929	129,406	-	1,063,335
Capital assets being depreciated:				
Buildings and improvements	139,040	29,985	-	169,025
Infrastructure	20,877,135	100,183	-	20,977,318
Machinery and equipment	297,631	-	-	297,631
Vehicles	55,279	122,056	-	177,335
Total	21,369,085	252,224	-	21,621,309
Less accumulated depreciation/amortization for:				
Buildings and improvements	(60,251)	(10,438)	-	(70,689)
Infrastructure	(6,503,369)	(572,371)	-	(7,075,740)
Machinery and equipment	(198,088)	(19,958)	-	(218,046)
Vehicles	(50,612)	(14,279)	-	(64,891)
Total	(6,812,320)	(617,046)	-	(7,429,366)
Total capital assets being depreciated/amortized, net	14,556,765	(364,822)	-	14,191,943
Business-type activities capital assets, net	<u>\$ 15,490,694</u>	<u>\$ (235,416)</u>	<u>\$ -</u>	<u>\$ 15,255,278</u>

Depreciation/amortization expense was charged to each function as follows:

Governmental activities:	
General government	\$ 90,681
Public safety	56,871
Highways and streets	251,434
Culture and recreation	23,364
Total governmental activities depreciation/amortization expense	<u>\$ 422,350</u>
Business-type activities:	
Wastewater	\$ 275,837
Water	339,067
Cemetery	2,142
Total business-type activities depreciation/amortization expense	<u>\$ 617,046</u>

TOWN OF CLARKDALE, ARIZONA
Notes to Financial Statements
June 30, 2022

NOTE 6 – UNEARNED REVENUE

Government-wide, proprietary, and fund financial statements defer revenue on the receipt of funds that are unearned. Unearned revenue will be recognized as revenue in the period in which it is earned. The following schedules detail the Town's unearned revenues for the year ended June 30, 2022.

	Governmental Activities	Business-type Activities			Total
		Wastewater Fund	Water Fund	Cemetery Fund	
Builder advanced construction and planning costs	\$ -	\$ 1,484,165	\$ -	\$ -	\$ 1,484,165
Phelps Dodge effluent water credit	-	1,066,337	-	-	1,066,337
Unapplied credits	-	-	12,305	99,719	112,024
Developer reimbursable	83,263	-	-	-	83,263
	<u>\$ 83,263</u>	<u>\$ 2,550,502</u>	<u>\$ 12,305</u>	<u>\$ 99,719</u>	<u>\$ 2,745,789</u>

NOTE 7 – LONG-TERM LIABILITIES

The following schedule details the Town's long-term liability and obligation activity for the year ended June 30, 2022.

	Balance July 1, 2021	Additions	Reductions	Balance June 30, 2022	Due within 1 year
Governmental activities:					
Compensated absences	\$ 167,297	\$ -	\$ 25,222	\$ 142,075	\$ 142,075
Net pension and other postemployment benefits liability	3,462,600	-	1,228,199	2,234,401	-
Finance purchases	3,316	-	3,316	-	-
Leases payable	-	192,587	24,657	167,930	93,005
	<u>3,633,213</u>	<u>192,587</u>	<u>1,281,394</u>	<u>2,544,406</u>	<u>235,080</u>
Business-type activities:					
Compensated absences	\$ 10,357	\$ 10,189	\$ -	\$ 20,546	\$ 20,546
Net pension and other postemployment benefits liability	556,516	-	172,738	383,778	-
Notes payable from direct borrowings and direct payments	8,849,826	-	541,922	8,307,904	553,315
	<u>\$ 9,416,699</u>	<u>\$ 10,189</u>	<u>\$ 714,660</u>	<u>\$ 8,712,228</u>	<u>\$ 573,861</u>

TOWN OF CLARKDALE, ARIZONA
Notes to Financial Statements
June 30, 2022

NOTE 7 – LONG-TERM LIABILITIES – Continued

Notes payable from direct borrowings and direct placements—Business-type activities notes payable consists of three loans from the Water Infrastructure Finance Authority (WIFA), the proceeds of which were used to acquire and construct various water and wastewater related infrastructure. The loans are to be repaid in annual principal payments, plus semiannual interest payments, and a semiannual servicing fee.

The terms of all notes payable are as follows:

Description	Original Amount	Maturity Ranges	Interest Rates	Outstanding Principal
WIFA Note	\$ 4,481,256	2013-2033	2.912%	\$ 2,210,061
WIFA Note (Twin 5)	954,944	2013-2033	2.912%	442,570
WIFA Note (Cottonwood refinance)	7,372,000	2017-2035	1.704%	5,655,273
	<u>\$12,808,200</u>			<u>\$ 8,307,904</u>

The following schedule details debt service requirements to maturity for the Town's notes payable from direct borrowings and direct placements at June 30, 2022.

Year Ending June 30	Business-type Activities	
	Notes payable from direct borrowings and direct placements	
	Principal	Interest
2023	\$ 553,315	\$ 163,769
2024	564,963	151,911
2025	576,873	139,786
2026	589,051	127,386
2027	601,505	114,706
2028-2032	3,204,426	373,028
2033-2036	2,217,771	66,674
Total	<u>\$ 8,307,904</u>	<u>\$ 1,137,260</u>

TOWN OF CLARKDALE, ARIZONA
Notes to Financial Statements
June 30, 2022

NOTE 7 – LONG-TERM LIABILITIES – Continued

Leases- The Town has acquired the right-to-use of building space under the provisions of a lease agreement. The total amount of the leased right-to-use asset totaled \$192,587. Accumulated amortization as of June 30, 2022 totaled \$23,679. The carrying value as of June 30, 2022 totaled \$168,908.

The following schedule details debt service requirements to maturity for the Town's leases payable at June 30, 2022:

Year Ending June 30	Leases Payable	
	Governmental Activities	
	Principal	Interest
2023	\$ 93,005	\$ 8,023
2024	74,925	2,259
Total	<u>\$ 167,930</u>	<u>\$ 10,282</u>

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.

TOWN OF CLARKDALE, ARIZONA
Notes to Financial Statements
June 30, 2022

NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

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

At June 30, 2022, the Town reported the following aggregate amounts related to pensions and other postemployment benefits (OPEB) for all plans to which it contributes:

Statement of Net Position and Statement of Activities	Governmental Activities	Business-type Activities	Total
Net OPEB assets	\$ 187,005	\$ 13,909	\$ 200,914
Net pension and OPEB liabilities	2,234,401	383,778	2,618,179
Deferred outflows of resources related to pension and OPEB	651,233	94,983	746,216
Deferred inflows of resources related to pension and OPEB	937,380	174,480	1,111,860
Pension and OPEB expense	123,691	3,194	126,885

The Town reported \$420,411 of pension and OPEB contributions as expenditures in the governmental funds related to all plans to which it contributes.

A. Arizona State Retirement System

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

TOWN OF CLARKDALE, ARIZONA
Notes to Financial Statements
June 30, 2022

NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

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

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

*With actuarially reduced benefits.

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

Health insurance premium benefits are available to retired or disabled members with 5 years of credited service. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible. For members with 10 or more years of service, benefits range from \$100 per month to \$260 per month depending on the age of the member and dependents. For members with 5 to 9 years of service, the benefits are the same dollar amounts as above multiplied by a vesting fraction based on completed years of service.

Active members are eligible for a monthly long-term disability benefit equal to two-thirds of monthly earnings. Members receiving benefits continue to earn service credit up to their normal retirement dates. Members with long-term disability commencement dates after June 30, 1999, are limited to 30 years of service or the service on record as of the effective disability date if their service is greater than 30 years.

TOWN OF CLARKDALE, ARIZONA
Notes to Financial Statements
June 30, 2022

NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Contributions – In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2022, statute required active ASRS members to contribute at the actuarially determined rate of 12.41 percent (12.22 percent for retirement and 0.19 percent for long-term disability) of the members' annual covered payroll, and statute required the Town to contribute at the actuarially determined rate of 12.41 percent (12.01 percent for retirement, 0.21 percent for health insurance premium benefit, and 0.19 percent for long-term disability) of the active members' annual covered payroll. In addition, the Town was required by statute to contribute at the actuarially determined rate of 10.22 percent (10.13 percent for retirement and 0.09 percent for long-term disability) of annual covered payroll of retired members who worked for the Town in positions that an employee who contributes to the ASRS would typically fill. The Town's contributions to the pension, health insurance premium benefit, and long-term disability plans for the year ended June 30, 2022, were \$162,293, \$2,671, and \$2,502, respectively.

During fiscal year 2022, the Town paid for ASRS pension and OPEB contributions as follows: 76.9 percent from the General Fund, 9.0 percent from the Wastewater Fund, 1.6 percent from the Sanitation Fund, 11.2 percent from the Water Fund, and 1.3 percent from the Cemetery Fund.

Liability - At June 30, 2022, the Town reported the following asset and liabilities for its proportionate share of the ASRS' net pension/OPEB asset or liability.

	Net Pension/OPEB (Asset) Liability
Pension	\$ 1,685,805
Health insurance premium benefit	(61,193)
Long-term disability	2,615

The net asset and net liabilities were measured as of June 30, 2021. The total liability used to calculate the net asset or net liability was determined using update procedures to roll forward the total liability from an actuarial valuation as of June 30, 2020, to the measurement date of June 30, 2021. The total liabilities as of June 30, 2021, reflect changes in actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2020, including decreasing the discount rate from 7.5 percent to 7.0 percent and changing the projected salary increases from 2.7–7.2 percent to 2.9–8.4 percent.

TOWN OF CLARKDALE, ARIZONA
Notes to Financial Statements
June 30, 2022

NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

The Town's proportion of the net asset or net liability was based on the Town's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2021. The Town's proportions measured as of June 30, 2021, and the change from its proportions measured as of June 30, 2020, were:

	Proportion June 30, 2021	Increase (decrease) from June 30, 2020
Pension	0.01283%	-0.00116%
Health insurance premium benefit	0.01256%	-0.00111%
Long-term disability	0.01267%	-0.00112%

Expense – For the year ended June 30, 2022, the Town recognized the following pension and OPEB expense.

	Pension/OPEB Expense
Pension	\$ 19,169
Health insurance premium benefit	(6,927)
Long-term disability	1,810

Deferred Outflows/Inflows of Resources—At June 30, 2022, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

	Deferred Outflows of Resources		
	Pension	Health Insurance Premium	Long-Term Disability
Differences between expected and actual experience	\$ 25,699	\$ -	\$ 755
Changes of assumptions or other inputs	219,421	3,034	836
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	524	138
Town contributions subsequent to the measurement date	162,293	2,671	2,502
Total	<u>\$ 407,413</u>	<u>\$ 6,229</u>	<u>\$ 4,231</u>

	Deferred Inflows of Resources		
	Pension	Health Insurance Premium	Long-Term Disability
Differences between expected and actual experience	\$ -	\$ 21,222	\$ 213
Changes of assumptions or other inputs	-	2,474	3,295
Net difference between projected and actual earnings on plan investments	534,122	22,700	1,811
Changes in proportion and differences between Town contributions and proportionate share of contributions	180,656	1	1,128
Total	<u>\$ 714,778</u>	<u>\$ 46,397</u>	<u>\$ 6,447</u>

TOWN OF CLARKDALE, ARIZONA
Notes to Financial Statements
June 30, 2022

NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

The amounts reported as deferred outflows of resources related to ASRS pensions and OPEB resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net asset or a reduction of the net liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be recognized as expenses as follows:

Year ended June 30,	Pension	Health Insurance Premium Benefit	Long-Term Disability
2023	\$ (114,205)	\$ (1,036)	\$ (643)
2024	(53,643)	(9,619)	(611)
2025	(117,747)	(10,563)	(676)
2026	(184,063)	(11,702)	(951)
2027	-	(919)	(469)
Thereafter	-	-	(1,368)

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

Actuarial valuation date	June 30, 2020
Actuarial roll forward date	June 30, 2021
Actuarial cost method	Entry age normal
Investment rate of return	7.0%
Projected salary increases	2.9 - 8.4% for pensions/not applicable for OPEB
Inflation	2.3%
Permanent benefit increase	Included for pensions/not applicable for OPEB
Mortality rates	2017 SRA Scale U-MP for pensions and health insurance premium benefit
Recovery rates	2012 GLDT for long-term disability
Healthcare cost trend rate	Not applicable

Actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2020.

TOWN OF CLARKDALE, ARIZONA
Notes to Financial Statements
June 30, 2022

NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

The long-term expected rate of return on ASRS plan investments was determined to be 7.0 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Geometric Real Rate of Return
Equity	50%	4.90%
Fixed income - credit	20%	5.20%
Fixed income - interest rate sensitive	10%	0.70%
Real Estate	20%	5.70%
Total	100%	

Discount Rate – At June 30, 2021, the discount rate used to measure the ASRS total pension/OPEB liability was 7.0 percent, which was a decrease of 0.5 from the discount rate used as of June 30, 2020. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board’s funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the plans’ fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB liability.

Sensitivity of the Town’s Proportionate Share of the ASRS Net Pension/OPEB (Asset) Liability to Changes in the Discount Rate – The following table presents the Town’s proportionate share of the net pension/OPEB liability calculated using the discount rate of 7.0 percent, as well as what the Town’s proportionate share of the net pension/OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.0 percent) or 1 percentage point higher (8.0 percent) than the current rate:

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
Town's proportionate share of the			
Net pension liability	\$ 2,651,630	\$ 1,685,805	\$ 880,574
Net insurance premium benefit liability (asset)	(40,516)	(61,193)	(78,776)
Net long-term disability liability	3,406	2,615	1,851

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

TOWN OF CLARKDALE, ARIZONA
Notes to Financial Statements
June 30, 2022

NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

B. Public Safety Personnel Retirement System

Plan Descriptions – Town police employees participate in the Public Safety Personnel Retirement System (PSPRS) or employees who became members on or after July 1, 2017, may participate in the Public Safety Personnel Defined Contribution Retirement Plan (PSPDCRP). The PSPRS administers agent and cost-sharing multiple-employer defined benefit pension plans and agent and cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plans. A nine-member board known as the Board of Trustees and the participating local boards govern the PSPRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 4. Employees who were PSPRS members before July 1, 2017, participate in the agent plans, and those who became PSPRS members on or after July 1, 2017, participate in the cost-sharing plans (PSPRS Tier 3 Risk Pool) which are not further disclosed because of their relative insignificance to the Town's financial statements.

The PSPRS issues publicly available financial report that includes financial statements and required supplementary information. The report is available on the PSPRS website at www.psprs.com.

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

TOWN OF CLARKDALE, ARIZONA
Notes to Financial Statements
June 30, 2022

NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

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

	Initial Membership Date:	
	Before January 1, 2012	On or after January 1, 2012 and before July 1, 2017
Retirement and Disability		
Years of service and age required to receive benefit	20 years of service, any age 15 years of service, age 62	25 years of service or 15 years of credited service, age 52.5
Final average salary is based on	Highest 36 consecutive months of last 20 years	Highest 36 consecutive months of last 20 years
Benefit percentage		
Normal Retirement	50% less 2.0% for each year of credited service less than 20 years OR plus 2.0% to 2.5% for each year of credited services over 20 years, not to exceed 80%	1.5% to 2.5% per year of credited service, not to exceed 80%
Accidental Disability Retirement	50% or normal retirement, whichever is greater	
Catastrophic Disability Retirement	90% for the first 60 months then reduced to either 62.5% or normal retirement, whichever is greater	
Ordinary Disability Retirement	Normal retirement calculated with actual years of credited service or 20 years of credited service, whichever is greater, multiplied by years of credited service (not to exceed 20 years) divided by 20	
Survivor Benefit		
Retired Members	80% to 100% of retired member's pension benefit	
Active Members	80% to 100% of accidental disability retirement benefit or 100% of average monthly compensation if death was result of injuries received on the job	

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

Health insurance premium benefits are available to retired or disabled members with 5 years of credited service. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible. Benefits range from \$100 per month to \$260 per month depending on the age of the member and dependents.

TOWN OF CLARKDALE, ARIZONA
Notes to Financial Statements
June 30, 2022

NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Employees Covered by Benefit Terms – At June 30, 2022, the following employees were covered by the agent pension plans' benefit terms:

	PSPRS Police	
	Pension	Health
Inactive employees or beneficiaries currently receiving benefits	7	7
Inactive employees entitled to but not yet receiving benefits	2	1
Active employees	5	5
Total	14	13

Contributions – State statutes establish the pension contribution requirements for active PSPRS employees. In accordance with state statutes, annual actuarial valuations determine employer contribution requirements for PSPRS pension and health insurance premium benefits. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. Contributions rates for the year ended June 30, 2022, are indicated below. Rates are a percentage of active members' annual covered payroll.

	Active Member- Pension	Town-Pension	Town-Health Insurance Premium Benefit
PSPRS Police			
Tier 1	7.65%	31.12%	0.00%
Tier 2	7.65%	31.12%	0.00%
Tier 3	9.05%	27.39%	0.13%

The Town's contributions to the plans for the year ended June 30, 2022, were:

	Pension	Health Insurance Premium Benefit
PSPRS Police	\$ 290,428	\$ 582

During fiscal year 2022, the Town paid for 100 percent of PSPRS pension and OPEB contributions from the General Fund.

Liability – At June 30, 2022, the Town reported the following assets and liabilities:

	Net Pension (Asset) Liability	Net OPEB (Asset) Liability
PSPRS Police	\$ 929,759	\$ (139,721)

TOWN OF CLARKDALE, ARIZONA
Notes to Financial Statements
June 30, 2022

NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

The net assets and net liabilities were measured as of June 30, 2021, and the total liability used to calculate the net asset or liability was determined by an actuarial valuation as of that date.

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

Actuarial valuation date	June 30, 2021
Actuarial cost method	Entry age normal
Investment rate of return	7.3%
Wage inflation	3.5% for pensions/not applicable for OPEB
Price inflation	2.5% for pensions/not applicable for OPEB
Cost-of-living adjustment	1.75% for pensions/not applicable for OPEB
Mortality rates	PubS-2010 tables
Healthcare cost trend rate	Not applicable

Actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2017.

The long-term expected rate of return on PSPRS plan investments was determined to be 7.3 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Geometric Real Rate of Return
U.S public equity	24%	4.08%
International public equity	16%	5.20%
Global private equity	20%	7.76%
Other asset (capital appreciation)	7%	5.43%
Core bonds	2%	0.42%
Private credit	20%	5.74%
Diversifying strategies	10%	3.99%
Cash-Mellon	1%	-0.31%
Total	100%	

TOWN OF CLARKDALE, ARIZONA
Notes to Financial Statements
June 30, 2022

NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Discount Rates – At June 30, 2021, the discount rate used to measure the PSPRS total pension/OPEB liabilities was 7.3 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the actuarially determined contribution rate and the member rate. Based on those assumptions, the plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB liability.

Changes in the Net Pension/OPEB Liability (Asset)

	Pension Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balances at June 30, 2021	\$ 3,981,964	\$ 2,411,226	\$ 1,570,738
Adjustments to beginning of year	-	-	-
Changes for the year			
Service cost	72,907	-	72,907
Interest on the total liability	288,572	-	288,572
Differences between expected and actual experience in the measurement of the liability	(21,141)	-	(21,141)
Changes of assumptions or other inputs	-	-	-
Contributions-employer	-	272,846	(272,846)
Contributions-employee	-	33,824	(33,824)
Net investment income	-	677,862	(677,862)
Benefit payments, including refunds of employee contributions	(203,660)	(203,660)	-
Administrative expense	-	(3,215)	3,215
Net changes	136,678	777,657	(640,979)
Balances at June 30, 2022	\$ 4,118,642	\$ 3,188,883	\$ 929,759

TOWN OF CLARKDALE, ARIZONA
Notes to Financial Statements
June 30, 2022

NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

	Health Insurance Premium Benefit Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB (Asset) Liability (a) - (b)
Balances at June 30, 2021	\$ 57,945	\$ 151,023	\$ (93,078)
Adjustments to beginning of year	-	-	-
Changes for the year			
Service cost	1,531	-	1,531
Interest on the total liability	4,268	-	4,268
Differences between expected and actual experience in the measurement of the liability	(11,122)	-	(11,122)
Changes of assumptions or other inputs	-	-	-
Net investment income	-	41,491	(41,491)
Benefit payments, including refunds of employee contributions	(2,027)	(2,027)	-
Administrative expense	-	(171)	171
Net changes	(7,350)	39,293	(46,643)
Balances at June 30, 2022	\$ 50,595	\$ 190,316	\$ (139,721)

Sensitivity of the Town's Net Pension/OPEB (Asset) Liability to Changes in the Discount Rate – The following table presents the Town's net pension/OPEB (assets) liabilities calculated using the discount rate of 7.3 percent, as well as what the Town's net pension/OPEB (asset) liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.3 percent) or 1 percentage point higher (8.3 percent) than the current rate:

	1% Decrease (6.3%)	Current Discount Rate (7.3%)	1% Increase (8.3%)
PSPRS Police			
Net pension (asset) liability	\$ 1,424,806	\$ 929,759	\$ 523,824
Net OPEB (asset) liability	(133,688)	(139,721)	(144,759)

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

Expense – For the year ended June 30, 2022, the Town recognized the following pension and OPEB expense:

	Pension Expense	OPEB Expense
PSPRS Police	\$ 128,303	\$ (15,470)

TOWN OF CLARKDALE, ARIZONA
Notes to Financial Statements
Year Ended June 30, 2022

NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Deferred Outflows/Inflows of Resources – At June 30, 2022, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

	Pension		Health Insurance Premium Benefit	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 18,683	\$ 15,855	\$ -	\$ 15,578
Changes of assumptions or other inputs	18,488	-	162	164
Net difference between projected and actual earnings on plan investments	-	294,903	-	17,738
Town contributions subsequent to the measurement date	290,428	-	582	-
Total	<u>\$ 327,599</u>	<u>\$ 310,758</u>	<u>\$ 744</u>	<u>\$ 33,480</u>

The amounts reported as deferred outflows of resources related to pensions and OPEB resulting from Town contributions subsequent to the measurement date will be recognized as an increase in the net asset or a reduction of the net liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be recognized as expenses as follows:

	PSPRS Police	
	Pension	Health
Year ended June 30,		
2023	\$ (30,693)	\$ (9,242)
2024	(66,093)	(8,383)
2025	(77,161)	(7,360)
2026	(99,640)	(8,333)
2027	-	-
Thereafter	-	-

NOTE 10 – CHANGE IN ACCOUNTING PRINCIPLE

Due to the implementation of GASB 87, *Accounting for Leases*, the Town restated net position of the Governmental Activities and the fund balances of the General Fund and Wastewater Fund. For the Governmental Activities, the Town decreased beginning net position by \$230,232, and increased deferred inflows of resources by \$230,232. For the General Fund, the Town decreased beginning fund balance by \$230,232 and increased deferred inflows of resources by \$230,232. For the Wastewater Fund, the Town increased beginning net position by \$22,318, increased lease receivables by \$273,364 and increased deferred inflows of resources by \$251,046.

TOWN OF CLARKDALE, ARIZONA
Notes to Financial Statements
Year Ended June 30, 2022

NOTE 11 – INTERFUND BALANCES AND ACTIVITY

Interfund transfers – During the year ended June 30, 2022, the Town transferred funds to cover shared expenses and interfund borrowings. Transfers made between funds during the year are as follows:

Transfer from	Transfer to			Total
	General Fund	Water Fund	Wastewater Fund	
Sanitation Fund	\$ 43,784	\$ -	\$ -	\$ 43,784
Water Fund	75,028	-	-	75,028
Wastewater Fund	52,924	-	-	52,924
HURF Fund	37,500	-	-	37,500
Grants Fund	-	134,575	57,234	191,809
Cemetery Fund	79,065	-	-	79,065
Total	<u>\$ 288,301</u>	<u>\$ 134,575</u>	<u>\$ 57,234</u>	<u>\$ 480,110</u>

NOTE 12 – COMPONENTS OF FUND BALANCE AND NET POSITION

The Town's restrictions on net position in the government-wide statement of net position as of June 30, 2022, are as follows:

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Restricted:			
Water Resource Development	\$ -	\$ 1,038,931	\$ 1,038,931
Highway User Revenues	608,427	-	608,427
Capital improvements	-	200,000	200,000
Perpetual care	148,962	-	148,962
Regional Water Committees	-	50,574	50,574
Court enhancement	42,578	-	42,578
Water Conservation	-	11,205	11,205
School resources officer	568	-	568
Yavapai-Apache Gaming Compact:			
TapcoRAP	72,972	-	72,972
Impact fees	15,274	239,721	254,995
Donations:			
Parks and recreation	45,655	-	45,655
General government	1,079	-	1,079
Public safety	4,987	-	4,987
HCB	5,480	-	5,480
Memorials	578	-	578
Total restricted	<u>\$ 946,560</u>	<u>\$ 1,540,431</u>	<u>\$ 2,486,991</u>

TOWN OF CLARKDALE, ARIZONA
Notes to Financial Statements
Year Ended June 30, 2022

NOTE 12 – COMPONENTS OF FUND BALANCE AND NET POSITION – Continued

The components of proprietary fund net position as of June 30, 2022 are as follows:

	Business-type Activities--Enterprise Funds			
	Wastewater Fund	Water Fund	Cemetery Fund	Total
Restricted:				
Water Resource Development	\$ -	\$ 1,038,931	\$ -	\$ 1,038,931
Capital improvements	-	-	200,000	200,000
Impact fees	229,014	10,707	-	239,721
Regional Water Committees	-	50,574	-	50,574
Water Conservation	-	11,205	-	11,205
Total restricted	\$ 229,014	\$ 1,111,417	\$ 200,000	\$ 1,540,431

The components of governmental fund balances as of June 30, 2022 are as follows:

	General Fund	Grants Fund	Other Governmental Funds	Total Governmental Funds
Restricted:				
Highways and streets	\$ -	\$ -	\$ 608,427	\$ 608,427
Perpetual care	-	-	148,962	148,962
Court enhancement	42,578	-	-	42,578
School resources officer	-	-	568	568
Yavapai-Apache Gaming Compact				
TapcoRAP	72,972	-	-	72,972
Impact fees	-	-	15,274	15,274
Donations:				
Parks and recreation	45,655	-	-	45,655
General government	1,079	-	-	1,079
Public safety	4,987	-	-	4,987
HCB	5,480	-	-	5,480
Memorials	578	-	-	578
Total restricted	173,329	-	773,231	946,560
Assigned:				
Capital improvements- ARPA	-	421,349	-	421,349
Parks and recreation capital improvements	568,003	-	-	568,003
Streets projects	667,425	-	-	667,425
General designated funds	184,895	-	-	184,895
Public works capital improvements	295,572	-	-	295,572
Police equipment	4,725	-	-	4,725
Total assigned	1,720,620	421,349	-	2,141,969
Unassigned:	4,052,120	-	-	4,052,120
Total fund balances	\$ 5,946,069	\$ 421,349	\$ 773,231	\$ 7,140,649

OTHER REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF CLARKDALE, ARIZONA
Required Supplementary Information
Budgetary Comparison Schedules
General Fund
Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 2,513,064	\$ 2,513,064	\$ 3,491,916	\$ 978,852
Intergovernmental	1,385,000	1,385,000	1,588,921	203,921
Licenses and permits	197,550	197,550	342,361	144,811
Other revenue	66,721	66,721	81,401	14,680
Fines and forfeitures	53,500	53,500	67,739	14,239
Investment earnings	7,515	7,515	12,763	5,248
Contributions	64,050	64,050	38,967	(25,083)
Charges for services	37,885	37,885	186,024	148,139
Rental income	10,000	10,000	26,562	16,562
Total revenues	4,335,285	4,335,285	5,836,654	1,501,369
Expenditures				
Contingency	500,000	263,000	147,737	115,263
Administration	197,552	262,552	249,108	13,444
Town clerk	137,002	142,002	137,143	4,859
Human resources	110,713	171,713	144,893	26,820
Town wide	572,763	597,763	410,342	187,421
Finance	256,560	256,560	222,308	34,252
Community development	502,900	502,900	387,030	115,870
Community services	155,096	155,096	149,225	5,871
Court	237,232	237,232	204,634	32,598
Police	1,392,214	1,392,214	1,361,965	30,249
Verde river raps	51,564	51,564	45,073	6,491
Public works	1,500,002	1,581,002	1,211,470	369,532
Yavapai Apache donations	35,000	35,000	-	35,000
Town wide donations	86,340	50,000	15,894	34,106
Community development donations	300	300	237	63
Parks and rec donations	11,500	11,500	11,805	(305)
Police donations	2,750	39,090	-	39,090
Total expenditures	5,749,488	5,749,488	4,698,864	1,050,624
Excess (deficiency) of revenues over expenditures	(1,414,203)	(1,414,203)	1,137,790	2,551,993
Other financing sources (uses)				
Lease acquisition	-	-	192,587	192,587
Transfers	267,546	267,546	288,301	20,755
Total other financing sources (uses)	267,546	267,546	480,888	213,342
Net change in fund balances	(1,146,657)	(1,146,657)	1,618,678	2,765,335
Fund balances, beginning of year- restated	4,327,391	4,327,391	4,327,391	-
Fund balances, end of year	\$ 3,180,734	\$ 3,180,734	\$ 5,946,069	\$ 2,765,335

See accompanying notes to budgetary comparison schedule.

TOWN OF CLARKDALE, ARIZONA
Required Supplementary Information
Budgetary Comparison Schedules
Grants Fund
Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenue				
Intergovernmental	\$ 4,658,007	\$ 4,658,007	\$ 856,066	\$ (3,801,941)
Expenditures				
General government	3,000,000	3,000,000	5,000	2,995,000
Public safety	1,879,628	1,879,628	148,236	1,731,392
Highways and streets	60,000	60,000	60,324	(324)
Total expenditures	<u>4,939,628</u>	<u>4,939,628</u>	<u>213,560</u>	<u>4,726,068</u>
Excess (deficiency) of revenue over expenditures	<u>(281,621)</u>	<u>(281,621)</u>	<u>642,506</u>	<u>924,127</u>
Other financing sources (uses)				
Transfers	<u>5,000</u>	<u>5,000</u>	<u>(191,809)</u>	<u>(196,809)</u>
Net change in fund balances	<u>(276,621)</u>	<u>(276,621)</u>	<u>450,697</u>	<u>727,318</u>
Fund balances, beginning of year	<u>(29,348)</u>	<u>(29,348)</u>	<u>(29,348)</u>	<u>-</u>
Fund balances, end of year	<u>\$ (305,969)</u>	<u>\$ (305,969)</u>	<u>\$ 421,349</u>	<u>\$ 727,318</u>

See accompanying notes to budgetary comparison schedule.

TOWN OF CLARKDALE, ARIZONA
Required Supplementary Information
Notes to Budgetary Comparison Schedules
June 30, 2022

NOTE 1 – BUDGETING AND BUDGETARY CONTROL

A.R.S. requires 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. prohibits 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 Council's approval. With the exception of the General Fund, each fund includes only one department.

NOTE 2 – BUDGETARY BASIS OF ACCOUNTING

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

TOWN OF CLARKDALE, ARIZONA
Required Supplementary Information
Schedule of the Town's Proportionate Share of the Net Pension/OPEB Liability
Cost-Sharing Plans
June 30, 2022

ASRS-Pension

	Reporting Fiscal Year (Measurement Date)								
	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	2014 through 2013
Town's proportion of the net pension liability	0.012830%	0.014070%	0.015230%	0.015410%	0.014790%	0.014470%	0.014610%	0.014694%	Information
Town's proportionate share of the net pension liability	\$ 1,685,805	\$ 2,437,841	\$ 2,216,142	\$ 2,149,153	\$ 2,303,994	\$ 2,335,603	\$ 2,275,038	\$ 2,174,198	not available
Town's covered payroll	\$ 1,350,998	\$ 1,545,356	\$ 1,605,993	\$ 1,548,905	\$ 1,442,458	\$ 1,355,088	\$ 1,345,262	\$ 1,324,551	
Town's proportionate share of the net pension liability as a percentage of its covered payroll	124.78%	157.75%	137.99%	138.75%	159.73%	172.36%	169.11%	164.15%	
Plan fiduciary net position as a percentage of the total pension liability	78.58%	69.33%	73.24%	73.40%	69.92%	67.06%	68.35%	69.49%	

ASRS-Health Insurance Premium Benefit

	Reporting Fiscal Year (Measurement Date)					
	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 through 2013
Town's proportion of the net OPEB (asset)	0.012560%	0.013810%	0.014920%	0.015530%	0.014830%	Information
Town's proportionate share of the net OPEB (asset)	\$ (61,193)	\$ (9,777)	\$ (4,123)	\$ (5,592)	\$ (8,073)	not available
Town's covered payroll	\$ 1,350,998	\$ 1,545,356	\$ 1,605,993	\$ 1,548,905	\$ 1,442,458	
Town's proportionate share of the net OPEB (asset) as a percentage of its covered payroll	-4.53%	-0.63%	-0.26%	-0.36%	-0.56%	
Plan fiduciary net position as a percentage of the total OPEB liability	130.24%	104.33%	101.62%	102.20%	103.57%	

ASRS-Long-Term Disability

	Reporting Fiscal Year (Measurement Date)					
	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 through 2013
Town's proportion of the net OPEB liability	0.012670%	0.013890%	0.015010%	0.015430%	0.014770%	Information
Town's proportionate share of the net OPEB liability	\$ 2,615	\$ 10,537	\$ 9,778	\$ 8,062	\$ 5,354	not available
Town's covered payroll	\$ 1,350,998	\$ 1,545,356	\$ 1,605,993	\$ 1,548,905	\$ 1,442,458	
Town's proportionate share of the net OPEB liability as a percentage of its covered payroll	0.19%	0.68%	0.61%	0.52%	0.37%	
Plan fiduciary net position as a percentage of the total OPEB liability	90.38%	68.01%	72.85%	77.83%	84.44%	

See accompanying notes to pension plan schedules.

TOWN OF CLARKDALE, ARIZONA
Required Supplementary Information
Schedule of Changes in the Town's Net Pension/OPEB Liability and Related Ratios
Agent Plans
June 30, 2022

PSPRS - Pension

	Reporting Fiscal Year (Measurement Date)								
	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	2014 through 2013
Total pension liability									Information not available
Service cost	\$ 72,907	\$ 81,171	\$ 81,278	\$ 69,609	\$ 82,276	\$ 87,404	\$ 78,585	\$ 72,693	
Interest on the total pension liability	288,572	278,748	265,081	251,834	235,492	226,878	235,215	180,915	
Changes of benefit terms	-	-	-	-	19,893	(152,314)	-	106,791	
Differences between expected and actual experience in the measurement of the pension liability	(21,141)	8,995	51,261	9,925	20,592	150,067	(220,140)	(42,678)	
Changes of assumptions or other inputs	-	-	61,114	-	110,374	125,006	-	558,727	
Benefit payments, including refunds of employee contributions	(203,660)	(248,487)	(196,184)	(201,466)	(196,591)	(172,901)	(235,655)	(139,695)	
Net change in total pension liability	136,678	120,427	262,550	129,902	272,036	264,140	(141,995)	736,753	
Total pension liability - beginning	3,981,964	3,861,537	3,598,987	3,469,085	3,197,049	2,932,909	3,074,904	2,338,151	
Total pension liability - ending (a)	<u>\$4,118,642</u>	<u>\$ 3,981,964</u>	<u>\$3,861,537</u>	<u>\$3,598,987</u>	<u>\$3,469,085</u>	<u>\$3,197,049</u>	<u>\$2,932,909</u>	<u>\$3,074,904</u>	
Plan fiduciary net position									
Contributions - employer	\$ 272,846	\$ 315,482	\$ 195,982	\$ 261,612	\$ 128,221	\$ 111,130	\$ 92,061	\$ 88,260	
Contributions - employee	33,824	38,811	38,469	38,677	48,223	92,595	39,903	40,659	
Net investment income	677,862	31,158	116,850	133,664	208,759	10,150	63,547	213,297	
Benefit payments, including refunds of employee contributions	(203,660)	(248,487)	(196,184)	(201,466)	(196,591)	(172,901)	(235,655)	(139,695)	
Hall/Parker Settlement	-	-	-	(34,017)	-	-	-	-	
Administrative expense	(3,215)	(2,541)	(3,024)	(2,734)	(2,247)	(1,860)	(1,924)	-	
Other changes	-	-	-	4,104	28	14,187	(1,527)	(87,415)	
Net change in plan fiduciary net position	777,657	134,423	152,093	199,840	186,393	53,301	(43,595)	115,106	
Plan fiduciary net position - beginning	2,411,226	2,309,402	2,157,339	1,957,499	1,771,106	1,717,805	1,761,400	1,646,294	
Adjustment to beginning of year	-	(32,599)	(30)	-	-	-	-	-	
Plan fiduciary net position - ending (b)	<u>\$3,188,883</u>	<u>\$ 2,411,226</u>	<u>\$2,309,402</u>	<u>\$2,157,339</u>	<u>\$1,957,499</u>	<u>\$1,771,106</u>	<u>\$1,717,805</u>	<u>\$1,761,400</u>	
Town's net pension (asset) liability - ending (a) - (b)	<u>\$ 929,759</u>	<u>\$ 1,570,738</u>	<u>\$1,552,135</u>	<u>\$1,441,648</u>	<u>\$1,511,586</u>	<u>\$1,425,943</u>	<u>\$1,215,104</u>	<u>\$1,313,504</u>	
Plan fiduciary net position as a percentage of the total pension liability	77.43%	60.55%	59.81%	59.94%	56.43%	55.40%	58.57%	57.28%	
Covered payroll	\$ 333,285	\$ 330,064	\$ 373,805	\$ 350,322	\$ 374,152	\$ 422,240	\$ 371,383	\$ 402,194	
Town's net pension (asset) liability as a percentage of covered payroll	278.97%	475.89%	415.23%	411.52%	404.00%	337.71%	327.18%	326.58%	

See accompanying notes to pension plan schedules.

TOWN OF CLARKDALE, ARIZONA
Required Supplementary Information
Schedule of Changes in the Town's Net Pension/OPEB Liability and Related Ratios
Agent Plans
June 30, 2022

PSPRS - Health Insurance Premium Benefit

	Reporting Fiscal Year (Measurement Date)					
	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 through 2013
Total OPEB liability						Information not available
Service cost	\$ 1,531	\$ 1,855	\$ 1,401	\$ 1,471	\$ 1,609	
Interest on the total OPEB liability	4,268	4,365	4,653	4,398	4,504	
Changes of benefit terms	-	-	-	-	1,564	
Differences between expected and actual experience in the measurement of the OPEB liability	(11,122)	(4,204)	(8,385)	(695)	(4,699)	
Changes of assumptions or other inputs	-	-	407	-	(1,139)	
Benefit payments	(2,027)	(2,414)	(2,414)	(2,391)	(2,367)	
Net change in total OPEB liability	(7,350)	(398)	(4,338)	2,783	(528)	
Total OPEB liability - beginning	57,945	58,343	62,681	59,898	60,426	
Total OPEB liability - ending (a)	<u>\$ 50,595</u>	<u>\$ 57,945</u>	<u>\$ 58,343</u>	<u>\$ 62,681</u>	<u>\$ 59,898</u>	
Plan fiduciary net position						
Contributions - employer	\$ -	\$ -	\$ -	\$ (31)	\$ -	
Net investment income	41,491	1,910	7,867	9,655	14,824	
Benefit payments	(2,027)	(2,414)	(2,414)	(2,391)	(2,367)	
Administrative expense	(171)	(155)	(136)	(147)	(131)	
Other changes	-	-	-	1	-	
Net change in plan fiduciary net position	39,293	(659)	5,317	7,087	12,326	
Plan fiduciary net position - beginning	151,023	151,682	146,335	139,248	126,922	
Adjustment to beginning of year	-	-	30	-	-	
Plan fiduciary net position - ending (b)	<u>\$ 190,316</u>	<u>\$ 151,023</u>	<u>\$ 151,682</u>	<u>\$ 146,335</u>	<u>\$ 139,248</u>	
Town's net OPEB (asset) liability - ending (a) - (b)	<u>\$ (139,721)</u>	<u>\$ (93,078)</u>	<u>\$ (93,339)</u>	<u>\$ (83,654)</u>	<u>\$ (79,350)</u>	
Plan fiduciary net position as a percentage of the total OPEB liability	376.16%	260.63%	259.98%	233.46%	232.48%	
Covered payroll	\$ 333,285	\$ 330,064	\$ 373,805	\$ 350,322	\$ 374,152	
Town's net OPEB (asset) liability as a percentage of covered payroll	-41.92%	-28.20%	-24.97%	-23.88%	-21.21%	

See accompanying notes to pension plan schedules.

TOWN OF CLARKDALE, ARIZONA
Required Supplementary Information
Schedule of Town Pension/OPEB Contributions
June 30, 2022

ASRS-Pension

	Reporting Fiscal Year									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Statutorily required contribution	\$ 162,293	\$ 168,075	\$ 176,009	\$ 179,550	\$ 166,972	\$ 155,497	\$ 147,027	\$ 146,499	\$ 141,727	Information not available
Town's contributions in relation to the statutorily required contribution	(162,293)	(168,075)	(176,009)	(179,550)	(166,972)	(155,497)	(147,027)	(146,499)	(141,727)	
Town's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Town's covered payroll	<u>\$ 1,350,998</u>	<u>\$ 1,377,718</u>	<u>\$ 1,545,356</u>	<u>\$ 1,605,993</u>	<u>\$ 1,548,905</u>	<u>\$ 1,442,458</u>	<u>\$ 1,355,088</u>	<u>\$ 1,345,262</u>	<u>\$ 1,324,551</u>	
Town's contributions as a percentage of covered payroll	12.01%	12.20%	11.39%	11.18%	10.78%	10.78%	10.85%	10.89%	10.70%	

ASRS-Health Insurance Premium Benefit

	Reporting Fiscal Year						2016 through 2013
	2022	2021	2020	2019	2018	2017	
Statutorily required contribution	\$ 2,671	\$ 5,370	\$ 7,218	\$ 7,063	\$ 6,665	\$ 7,981	Information not available
Town's contributions in relation to the statutorily required contribution	(2,671)	(5,370)	(7,218)	(7,063)	(6,665)	(7,981)	
Town's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Town's covered payroll	<u>\$ 1,350,998</u>	<u>\$ 1,377,718</u>	<u>\$ 1,545,356</u>	<u>\$ 1,605,993</u>	<u>\$ 1,548,905</u>	<u>\$ 1,442,458</u>	
Town's contributions as a percentage of covered payroll	0.20%	0.39%	0.47%	0.46%	0.43%	0.55%	

ASRS-Long-Term Disability

	Reporting Fiscal Year						2016 through 2013
	2022	2021	2020	2019	2018	2017	
Statutorily required contribution	\$ 2,502	\$ 2,532	\$ 2,547	\$ 2,495	\$ 2,449	\$ 2,009	Information not available
Town's contributions in relation to the statutorily required contribution	(2,502)	(2,532)	(2,547)	(2,495)	(2,449)	(2,009)	
Town's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Town's covered payroll	<u>\$ 1,350,998</u>	<u>\$ 1,377,718</u>	<u>\$ 1,545,356</u>	<u>\$ 1,605,993</u>	<u>\$ 1,548,905</u>	<u>\$ 1,442,458</u>	
Town's contributions as a percentage of covered payroll	0.19%	0.18%	0.16%	0.46%	0.16%	0.14%	

See accompanying notes to pension plan schedules.

TOWN OF CLARKDALE, ARIZONA
Required Supplementary Information
Schedule of Town Pension/OPEB Contributions
June 30, 2022

PSPRS - Pension

	Reporting Fiscal Year									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Actuarially determined contribution	\$ 290,428	\$ 152,998	\$ 163,763	\$ 195,982	\$ 261,612	\$ 128,221	\$ 111,130	\$ 92,061	\$ 88,260	Information not available
Town's contributions in relation to the actuarially determined contribution	(290,428)	(152,998)	(163,763)	(195,982)	(261,612)	(128,221)	(111,130)	(92,061)	(88,260)	
Town's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Town's covered payroll	<u>\$ 539,874</u>	<u>\$ 483,800</u>	<u>\$ 532,628</u>	<u>\$ 373,805</u>	<u>\$ 350,322</u>	<u>\$ 374,152</u>	<u>\$ 422,240</u>	<u>\$ 371,383</u>	<u>\$ 402,194</u>	
Town's contributions as a percentage of covered payroll	53.80%	31.62%	30.75%	52.43%	74.68%	34.27%	26.32%	24.79%	21.94%	

PSPRS - Health Insurance Premium Benefit

	Reporting Fiscal Year						
	2022	2021	2020	2019	2018	2017	2016 through 2013
Actuarially determined contribution	\$ 582	\$ 299	\$ 200	\$ -	\$ (31)	\$ -	Information not available
Town's contributions in relation to the actuarially determined contribution	(582)	(299)	(200)	-	31	-	
Town's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Town's covered payroll	<u>\$ 539,874</u>	<u>\$ 483,800</u>	<u>\$ 532,628</u>	<u>\$ 373,805</u>	<u>\$ 350,322</u>	<u>\$ 374,152</u>	
Town's contributions as a percentage of covered payroll	0.11%	0.06%	0.04%	0.00%	-0.01%	0.00%	

See accompanying notes to pension plan schedules.

TOWN OF CLARKDALE, ARIZONA
Required Supplementary Information
Notes to Pension/OPEB Plan Schedules
June 30, 2022

NOTE 1 – ACTUARIALLY DETERMINED CONTRIBUTION RATES

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

Actuarial cost method	Entry age normal
Amortization method	Level percent-of-pay, closed
Remaining amortization period as of the 2018 actuarial	16 years
Asset valuation method	7-year smoothed market value; 80%/120% market corridor
Actuarial assumptions:	
Investment rate of return	In the 2019 actuarial valuation, the investment rate of return was decreased from 7.4% to 7.3%. In the 2017 actuarial valuation, the investment rate of return was decreased from 7.5% to 7.4%. In the 2016 actuarial valuation, the investment rate of return was decreased from 7.85% to 7.5%. In the 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%.
Projected salary increases	In the 2017 actuarial valuation, projected salary increases were decreased from 4.0%–8.0% to 3.5%–7.5% for PSPRS. In the 2014 actuarial valuation, projected salary increases were decreased from 4.5%–8.5% to 4.0%–8.0% for PSPRS. In the 2013 actuarial valuation, projected salary increases were decreased from 5.0%–9.0% to 4.5%–8.5% for PSPRS.
Wage growth	In the 2017 actuarial valuation, wage growth was decreased from 4% to 3.5% for PSPRS. In the 2014 actuarial valuation, wage growth was decreased from 4.5% to 4.0% for PSPRS. In the 2013 actuarial valuation, wage growth was decreased from 5.0% to 4.5% for PSPRS.
Retirement age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006 - June 30, 2011.
Mortality	In the 2019 actuarial valuation, changed to PubS-2010 tables. In the 2017 actuarial valuation, changed to RP-2014 tables, with 75% of MP-2016 fully generational projection scales. RP-2000 mortality table (adjusted by 105% for both males and females)

TOWN OF CLARKDALE, ARIZONA
Required Supplementary Information
Notes to Pension/OPEB Plan Schedules
June 30, 2022

NOTE 2 – FACTORS THAT AFFECT TRENDS

Arizona courts have ruled that provisions of a 2011 law that changed the mechanism for funding permanent pension benefit increases and increased employee pension contribution rates were unconstitutional or a breach of contract because those provisions apply to individuals who were members as of the law's effective date. As a result, the PSPRS changed benefit terms to reflect the prior mechanism for funding permanent benefit increases for those members and revised actuarial assumptions to explicitly value future permanent benefit increases. PSPRS also reduced those members' employee contribution rates. These changes are reflected in the plans' pension liabilities for fiscal year 2015 (measurement date 2014) for members who were retired as of the law's effective date and fiscal year 2018 (measurement date 2017) for members who retired or will retire after the law's effective date.

These changes increased the PSPRS-required pension contributions beginning in fiscal year 2016 for members who were retired as of the law's effective date. These changes increased the PSPRS required contributions beginning in fiscal year 2019 for members who retired or will retire after the law's effective date. Also, the Town refunded excess employee contributions to PSPRS members. PSPRS allowed the Town to reduce its actual employer contributions for the refund amounts. As a result, the Town's pension contributions were less than the actuarially or statutorily determined contributions for 2018 and 2019.



REPORTS REQUIRED BY
GOVERNMENTAL AUDITING STANDARDS





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

To the Town Council
Town of Clarkdale, Arizona

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Clarkdale, Arizona, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town of Clarkdale, Arizona's, basic financial statements, and have issued our report thereon dated January 9, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Clarkdale, Arizona's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Clarkdale, Arizona's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Clarkdale, Arizona's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

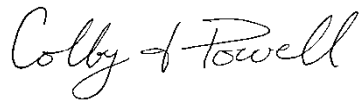
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

January 9, 2023

TOWN OF CLARKDALE, ARIZONA

Annual Expenditure Limitation Report
and Independent Accountants' Report
June 30, 2022

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INDEPENDENT ACCOUNTANTS' REPORT

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

We have examined the accompanying Annual Expenditure Limitation Report (report) of the Town of Clarkdale, Arizona for the year ended June 30, 2022, and the related notes to the report. The Town's management is responsible for presenting this report in accordance with the uniform expenditure reporting system as described in Note 1. Our responsibility is to express an opinion on this report based on our examination.

We conducted our examination in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether this report is presented in accordance with the uniform expenditure reporting system in all material respects. An examination involves performing procedures to obtain evidence about the amounts and disclosures in the report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of the report, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

In our opinion, the annual expenditure limitation report referred to above is presented in accordance with the uniform expenditure reporting system as described in Note 1 in all material respects.

A handwritten signature in cursive script that reads 'Colby & Powell'.

January 9, 2023

TOWN OF CLARKDALE, ARIZONA
Annual Expenditure Limitation Report – Part I
Year Ended June 30, 2022

1. Economic Estimates Commission expenditure limitation	\$ 39,346,542
2. Amount subject to the expenditure limitation (total amount from Part II, Line C)	<u>5,855,243</u>
3. Amount under the expenditure limitation	<u><u>\$ 33,491,299</u></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: Julie Goucher - Finance Director

Telephone Number: (928) 639-2400 Date: January 9, 2023

See accompanying notes to report.

TOWN OF CLARKDALE, ARIZONA
Annual Expenditure Limitation Report – Part II
Year Ended June 30, 2022

Description	Governmental Funds	Enterprise Funds	Total
A. Amounts reported on the reconciliation, line D	\$ 4,919,305	\$ 2,570,714	\$ 7,490,019
B. Less exclusions claimed:			
Debt service requirements	26,776	714,262	741,038
Dividends, interest, and gains on the sale or redemption of investment securities	15,086	20,721	35,807
Grants and aid from the federal government	733,511	-	733,511
Grants, aid, contributions or gifts from a private agency, organization, or individual except amounts received in lieu of taxes	65,000	-	65,000
Amounts received from the State of Arizona	57,554	-	57,554
Highway user revenues in excess of those received in fiscal year	1,866	-	1,866
Total exclusions claimed	<u>899,793</u>	<u>734,983</u>	<u>1,634,776</u>
C. Amounts subject to the expenditure limitation	<u><u>\$ 4,019,512</u></u>	<u><u>\$ 1,835,731</u></u>	<u><u>\$ 5,855,243</u></u>

See accompanying notes to report.

TOWN OF CLARKDALE, ARIZONA
Annual Expenditure Limitation Report – Reconciliation
Year Ended June 30, 2022

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	\$4,919,305	\$2,229,335	\$7,148,640
B. Subtractions:			
Items not requiring use of current financial resources:			
Depreciation	-	617,046	617,046
Pension and other postemployment benefits (OPEB) expense	-	3,194	3,194
Required fees paid to the Arizona Department of Revenue	-	-	-
Total subtractions	-	620,240	620,240
C. Additions:			
Principal payments on long-term debt	-	541,922	541,922
Capital asset acquisitions	-	381,630	381,630
Pension and OPEB contributions paid in the current year	-	38,067	38,067
Total additions	-	961,619	961,619
D. Amounts reported on part II, line A	\$4,919,305	\$2,570,714	\$7,490,019

See accompanying notes to report.

TOWN OF CLARKDALE, ARIZONA
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The annual expenditure limitation report (AELR) is presented as prescribed by the uniform expenditure reporting system (UERS), as required by Arizona Revised Statutes §41-1279.07. The AELR excludes expenditures, expenses, or deductions of certain revenues specified in the Arizona Constitution, Article IX, §20, from the total expenditures, expenses, or deductions reported in the fund financial statements.

In accordance with the UERS, a note to the AELR is presented below for any exclusion claimed on part II and each subtraction 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 balances for the governmental funds; statement of revenues, expenses, and changes in fund net position for the proprietary funds; and statement of cash flows for the proprietary funds.

NOTE 2 – EXCLUSION FOR DEBT SERVICE REQUIREMENTS

The exclusion claimed for debt service requirements consists of principal retirement and interest expenditures for the following:

	Governmental Funds	Enterprise Funds	Total
WIFA principal	\$ -	\$ 541,922	\$ 541,922
WIFA interest	-	172,340	172,340
Financed purchase principal	26,333	-	26,333
Financed purchase interest	443	-	443
Total	\$ 26,776	\$ 714,262	\$ 741,038

NOTE 3 – EXCLUDED INTERGOVERNMENTAL REVENUE

The following schedule presents revenues from which exclusions have been claimed for federal grants and aid and highway user revenues in the Governmental Funds:

Grants and aid from the federal government	\$ 733,511
Amounts received from the State of Arizona	57,554
Highway user revenues in excess of those received in fiscal year 1979-80	1,866
Other revenues (nonexcludable)	2,101,252
Total intergovernmental revenues as reported in the fund financial statements	\$ 2,894,183

TOWN OF CLARKDALE, ARIZONA
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2022

NOTE 4 – POST-EMPLOYMENT BENEFITS EXPENSE AND CONTRIBUTIONS

The \$3,194 subtraction for pension and other post-employment benefit (OPEB) expense consists of changes in the net pension and OPEB liabilities, changes in deferred outflows related to pensions and OPEB, and changes in deferred inflows related to pensions and OPEB, recognized in the current year in the enterprise funds. The \$38,067 addition for pension and OPEB contributions paid in the current year consists of the required pension and OPEB contributions made to the Arizona State Retirement System from the enterprise funds. The schedule below reconciles the net effect the subtraction and addition have on the expenditures subject to the limitation to the amounts reported on the statement of cash flows' net effect on cash.

	Enterprise Fund
<u>Statement of Cash Flows</u>	
Change in net pension and OPEB asset	\$ (11,687)
Change in deferred inflows related to pensions and OPEB	141,774
Change in deferred outflows related to pensions and OPEB	7,778
Change in net pension and OPEB liability	<u>(172,738)</u>
Total	<u><u>\$ (34,873)</u></u>
<u>AELR- Reconciliation</u>	
Pension/OPEB contributions - addition	\$ 38,067
Pension/OPEB expense(income) - subtraction	<u>(3,194)</u>
Total	<u><u>\$ 34,873</u></u>



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January 9, 2023

Honorable Members of
the Clarkdale Town Council

We have audited the financial statements of the governmental activities, the 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, 2022. Professional standards require that we provide information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards* as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated November 14, 2022. Professional standards also require that we communicate to you the following information related to our audit.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Town of Clarkdale, Arizona are described in Note 1 to the financial statements. Further information regarding their impact on the Town's financial statements can be found in Note 1 to the financial statements.

We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are shown in attached management representation letter.

Management Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. To our knowledge, there were no such consultations with other accountants.

Audit Adjustments

Attached is a list of material, corrected misstatements that were brought to the attention of management as a result of audit procedures.

Uncorrected Misstatements

There were no uncorrected misstatements, other than those that we believe were trivial to the financial statements as a whole.

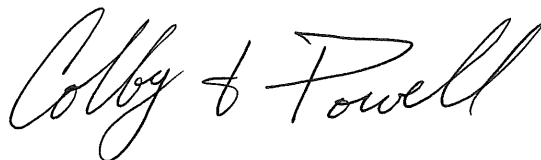
Other Audit Findings or Issues

During our audit we have communicated to Town management the following comments and recommendations for improvements in the Town's internal controls procedures.

- The Town maintains a bank account at the Town's magistrate court. On a monthly basis, the magistrate court reconciles the bank statements to the magistrate court accounting records. At the time of the audit, the Town had not updated the Town's accounting records as it relates to the activity in this bank account.
 - We recommend that the Town adjust and reconcile the magistrate court bank account to the Town accounting records on a monthly basis.
- The Town's fund balances are reported separately within classifications based on constraints placed on the resources' use. At the time of our audit, the Town's methods of recording and tracking these classifications were not sufficient to provide fund balances in an efficient or organized manner.
 - We recommend that the Town maintain general ledger accounts that will maintain proper classifications of fund balances and provide reconciliations of each classification.

This information is intended solely for the use of Town Council and management and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the opportunity to provide our services to the Town of Clarkdale, Arizona and please contact us if you have any questions or comments regarding this letter.



Attachments



Town of Clarkdale

P.O. Box 308

Clarkdale, AZ 86324

Telephone: (928) 639-2450

Fax: (928) 639-2459

January 9, 2023

Colby and Powell, PLC
1535 W. Harvard Ave., Ste. 101
Gilbert, AZ 85233

This representation letter is provided in connection with your audit of the financial statements of the Town of Clarkdale, Arizona, which comprise the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows for the period then ended, and the related notes to the financial statements, for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of January 9, 2023, the following representations made to you during your audit.

Financial Statements

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated November 14, 2022, including our responsibility for the preparation and fair presentation of the financial statements and for preparation of the supplementary information in accordance with the applicable criteria.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.

- 3) We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
- 6) Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
- 7) Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements.
- 8) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
- 9) Guarantees, whether written or oral, under which the Town is contingently liable, if any, have been properly recorded or disclosed.

Information Provided

- 10) We have provided you with:
 - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters and all audit or relevant monitoring reports, if any, received from funding sources.
 - b) Additional information that you have requested from us for the purpose of the audit.
 - c) Unrestricted access to persons within the Town from whom you determined it necessary to obtain audit evidence.
 - d) Minutes of the meetings of the Town Council or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 11) All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 12) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

- 13) We have no knowledge of any fraud or suspected fraud that affects the Town and involves-
- a) Management,
 - b) Employees who have significant roles in internal control, or
 - c) Others where the fraud could have a material effect on the financial statements.
- 14) We have no knowledge of any allegations of fraud or suspected fraud affecting the Town's financial statements communicated by employees, former employees, regulators, or others.
- 15) We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.
- 16) We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
- 17) We have disclosed to you the names of the Town's related parties and all the related party relationships and transactions, including any side agreements.

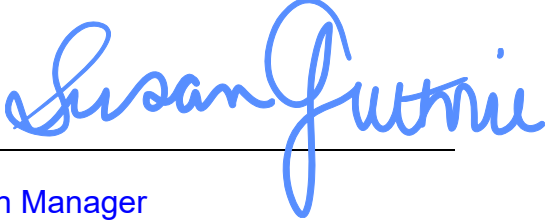
Government-specific

- 18) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 19) We have a process to track the status of audit findings and recommendations.
- 20) We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- 21) We have identified to you any investigations or legal proceedings that have been initiated with respect to the period under audit.
- 22) We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.
- 23) The Town has no plans or intentions that may materially affect the carrying value or classification of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fund balance or net position.
- 24) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts, and legal and contractual provisions for reporting specific activities in separate funds.

- 25) We have identified and disclosed to you all instances of identified and suspected fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements that we believe have a material effect on the financial statements.
- 26) There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
- 27) As part of your audit, you assisted with preparation of the financial statements and disclosures. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements and disclosures.
- 28) The Town has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 29) The Town has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 30) The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
- 31) The financial statements include all fiduciary activities required by GASBS No. 84 , as amended.
- 32) The financial statements properly classify all funds and activities in accordance with GASB Statement No. 34, as amended.
- 33) All funds that meet the quantitative criteria in GASBS Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
- 34) Components of net position (net investment in capital assets; restricted; and unrestricted) and classifications of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.
- 35) Investments, derivative instruments, and land and other real estate held by endowments are properly valued.
- 36) Provisions for uncollectible receivables have been properly identified and recorded.

- 37) Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
- 38) Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
- 39) Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
- 40) Deposits and investment securities and derivative instruments are properly classified as to risk and are properly disclosed.
- 41) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated or amortized.
- 42) We have appropriately disclosed the Town's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
- 43) We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.
- 44) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
- 45) We are in agreement with the adjusting journal entries you have recommended, and they have been posted.
- 46) In regard to the cash to GAAP basis adjustments, depreciation schedule maintenance, and GASB 68/75 adjustment services performed by you, we have-
 - a) Assumed all management responsibilities.
 - b) Designated Julie Goucher, who has suitable skill, knowledge, or experience to oversee the services.
 - c) Evaluated the adequacy and results of the services performed.
 - d) Accepted responsibility for the results of the services.

- e) Ensured that the entity's data and records are complete and received sufficient information to oversee the services.

Signature: 

Title: Town Manager

Client:
Engagement:
Period Ending: 1/0/1900
Trial Balance:
Workpaper:

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 1				
To adjust equity to match PY				
11200002100	DEFERRED REVENUE		80,432.00	
11300003100	RETAINED EARNINGS			80,432.00
Total			80,432.00	80,432.00
Adjusting Journal Entries JE # 2				
To adjust bad debt expense to estimated actual				
11507007600	BAD DEBTS		5,759.05	
12507007600	BAD DEBT		2,793.37	
13507007600	BAD DEBTS		13,955.87	
11100001020	ALLOWANCE FOR BAD DEBTS			5,759.05
12100001020	ALLOWANCE FOR BAD DEBTS			2,793.37
13100001020	ALLOWANCE FOR BAD DEBT			13,955.87
Total			22,508.29	22,508.29
Adjusting Journal Entries JE # 3				
Fix Vehicle Tax Receiveable				
01442004035	STATE VEHICLE LIC TAX		16,432.58	
06100001010	CLAIM ON CASH		16,432.58	
01100001010	CLAIM ON CASH			16,432.58
06100001504	MOTOR VEHICLE TAX RECEIVABLE			16,432.58
Total			32,865.16	32,865.16
Adjusting Journal Entries JE # 4				
Reverse prior year deferred revenue for GITEM				
29200002005	DEFERRED REVENUE		5,832.31	
29100001500	GITEM ACCOUNTS RECEIVABLE			5,832.31
Total			5,832.31	5,832.31
Adjusting Journal Entries JE # 5				
State Sales Tax - Putting PY receiveable in revenue account				
01442004030	STATE SALES TAX		25,654.32	
01100001508	STATE SALES TAX RECEIVABLE			25,654.32
Total			25,654.32	25,654.32
Adjusting Journal Entries JE # 6				
HURF - moving PY HURF receiveable into revenue account				
03442004032	HIGHWAY USER (HURF)		37,722.19	
03100001505	INTERGOVERNMENT RECEIVABLE			37,722.19
Total			37,722.19	37,722.19
Adjusting Journal Entries JE # 7				
Adjusting principal to agree with loan amortization schedule. It appears the principal payment was recorded from prior year payment				
11200002502	WIFA NOTE/WWTP CONSTRUCTION		4,303.16	
11507039050	WIFA LOAN PRINCIPAL			4,303.16
Total			4,303.16	4,303.16

Client:
Engagement:
Period Ending: 1/0/1900
Trial Balance:
Workpaper:

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 8				
Record Crossroads cap fees received				
11200002100	DEFERRED REVENUE		55,297.00	
11440004120	SEWER CAPACITY FEES			55,297.00
Total			55,297.00	55,297.00
Adjusting Journal Entries JE # 9				
Reclass posting error posted in deferred revenue on accident				
11200002100	DEFERRED REVENUE		5,273.84	
11200002001	PAYROLL PAYABLE			5,273.84
Total			5,273.84	5,273.84
Adjusting Journal Entries JE # 10				
Reclassify Haskell Springs Well & Mountain Gate Well to "CLK WATER PLANT & EQUIP" account instead of the "Water Equipment"				
13100001801	CLK WATER PLANT & EQUIP		10,736.79	
13100001801	CLK WATER PLANT & EQUIP		84,775.25	
13100001803	EQUIPMENT			10,736.79
13100001803	EQUIPMENT			84,775.25
Total			95,512.04	95,512.04
Adjusting Journal Entries JE # 11				
Reclassify Mescal Well to "CONSTRUCTION IN PROGRESS" account instead of "Water Equipment" account				
13100001805	CONSTRUCTION IN PROGRESS		39,062.98	
13100001803	EQUIPMENT			39,062.98
Total			39,062.98	39,062.98
Adjusting Journal Entries JE # 12				
Fixed Assets - Water - Additions that were not included in Client's journal entries Added & JE's to transfer Arsenic Plant Upgrades				
13100001801	CLK WATER PLANT & EQUIP		4,671.30	
13100001805	CONSTRUCTION IN PROGRESS		33,064.37	
13507039001	WATER DEPRECIATION EXPENSE		339,066.67	
16100001010	CASH (CLAIM ON CASH)		33,064.37	
13100001010	CASH (CLAIM ON CASH)			33,064.37
13100001802	WATER SYSTEM-ACCUMULATED DEP			339,066.67
13507008001	EQUIPMENT PURCHASE-			4,671.30
16500457000	AMERICAN RESCUE ACT EXP			33,064.37
Total			409,866.71	409,866.71
Adjusting Journal Entries JE # 13				
Fixed Assets - Sewer - Depreciation				
11507039001	Sewer Depreciation Expense		275,837.16	
11100001802	PLANT & EQUIP ACCUM DEPREC			275,837.16
Total			275,837.16	275,837.16
Adjusting Journal Entries JE # 14				
Fixed Assets - Cemetery - Accum Depre & Depre Exp				
19507039001	CEMETERY DEPRECIATION EXPENSE		2,141.82	
19100001802	CEM ACCUMULATED DEPRECIATION			2,141.82

Client:
Engagement:
Period Ending: **1/0/1900**
Trial Balance:
Workpaper:

Account	Description	W/P Ref	Debit	Credit
Total			2,141.82	2,141.82

Adjusting Journal Entries JE # 15

adjust JE28 client entry #6 for amount capitalized in fund 13 (see aje 20)

15100001010	Claim on Cash		33,064.37	
16500458000	ARPA CIP - DESIGN		33,064.37	
15500007999	Fed Grant Misc. Expense (ARPA)			33,064.37
16100001010	CASH (CLAIM ON CASH)			33,064.37
Total			66,128.74	66,128.74

Adjusting Journal Entries JE # 16

Record GASB 87 lease receivables

01200002920	DEFERRED INFLOW - LEASES		6,754.92	
01300003200	PRIOR PERIOD ADJUSTMENT		230,232.31	
11100001515	LEASE RECEIVABLE		268,931.33	
11200002920	DEFERRED INFLOWS- LEASES		9,624.72	
11440004203	SBA TOWER LEASE REVENUE		18,000.00	
01200002920	DEFERRED INFLOW - LEASES			230,232.31
01440004200	LEASE PROCEEDS			6,754.92
11200002920	DEFERRED INFLOWS- LEASES			251,046.28
11300003200	PRIOR PERIOD ADJUSTMENT			22,317.53
11440004203	SBA TOWER LEASE REVENUE			9,624.72
11440004699	INTEREST INCOME - LEASES			13,567.52
Total			533,543.28	533,543.28

Adjusting Journal Entries JE # 17

Reverse JE 004612 as receipt was received past 60 days from ye

01440004043	SCHOOL RESOURCE OFFICER REVENUE		10,000.00	
01100001502	DUE FROM OTHER GOVERNMENTS			10,000.00
Total			10,000.00	10,000.00

Adjusting Journal Entries JE # 18

Record pension GASB 68,75

11100001999	OPEB ASSET		4,278.00	
11200008000	PENSION LIABILITY		63,228.00	
12100001999	OPEB ASSET		1,075.00	
12200008000	PENSION LIABILITY		15,883.00	
13100001999	OPEB ASSET		5,768.94	
13200008000	PENSION LIABILITY		85,267.06	
19100001999	OPEB ASSET		565.58	
19200008000	PENSION LIABILITY		8,359.51	
11100009000	DIF EXPECTED VS ACTUAL EXPENSE			2,848.00
11200009000	DIF PROJ & ACT EARNING PENSION			51,894.00
11507006024	STATE RETIREMENT			12,764.00
12100009000	DIF EXPECTED VS ACTUAL EXPENSE			715.00
12200009000	DIF PROJ & ACT EARNING PENSION			13,036.00
12507006024	STATE RETIREMENT			3,207.00
13100009000	DIF EXPECTED VS ACTUAL EXPENSE			3,839.88
13200002054	AZ. STATE RETIREMENT			17,213.53
13200009000	DIF PROJ & ACT EARNING PENSION			69,982.59
19100009000	DIF EXPECTED VS ACTUAL EXPENSE			376.45

Client:
Engagement:
Period Ending: 1/0/1900
Trial Balance:
Workpaper:

Account	Description	W/P Ref	Debit	Credit
19200002054	AZ. STATE RETIREMENT			1,687.60
19200009000	DIF PROJ & ACT EARNING PENSION			6,861.04
Total			184,425.09	184,425.09

Adjusting Journal Entries JE # 19

Record client proposed journal entry to fix Town-Wide Reimbursables

01440004018	INSURANCE REIMBURSEMENTS		15,138.22	
01100001511	TOWN WIDE REIMBURSABLES			15,138.22
Total			15,138.22	15,138.22

Adjusting Journal Entries JE # 20

Record magistrate lease addition

01529008002	CAPITAL OUTLAY		192,587.00	
01529009999	OTHER FINANCING - LEASES			192,587.00
Total			192,587.00	192,587.00



Staff Report

Item Number: 10.C.

Agenda Item: **Consideration of Mutual Agreement to condemn 751 Calle Medina, Clarkdale, Arizona, for Centerville Road Extension**
Discussion and possible action regarding the Mutual Agreement to condemn 751 Calle Medina, Clarkdale, Arizona, for Centerville Road Extension; and direction to the Town Attorney to file a condemnation action pursuant to A.R.S. 12-1112 in connection therewith.

Staff Contact: Ruth Mayday, Community Development Director

Meeting Date: January 24, 2023

Strategic Goal: This item supports the following strategic goal:

- Goal 2: Enhance the quality of life for residents, businesses, and visitors to Clarkdale.
- Goal 4: Strengthen and diversify our economy through cultivating a business-friendly climate for business attraction and strategically capitalizing upon tourism.
- Goal 5: Plan for the maintenance and growth of quality infrastructure that is sustainable and resilient.

Background: On April 29, 2013, the Town Council approved the Second Amendment to the Development Agreement (Mountain Gate), between Mountain Gate Clarkdale, LLC, and Mountain Gate Clarkdale II, LLC (Owner/Developer) and the Town, to further define and revise mutual obligations between the two (2) parties subsequent to the bankruptcy of the initial developer and the acquisition of the project by the Owner/Developer referenced above.

Paragraph 3, Infrastructure Construction set forth the amendments to Paragraph 12.2, Centerville Road Extension, Property Acquisition, Funding and Road Design, which described the obligations related to the extension of Centerville Road. Among those changes was to obligate the Town to acquire the three (3) properties necessary to complete the extension.



The subject property (outlined in black) is comprised of two (2) lots of the Centerville subdivision, and is crucial to the completion of this project. The red line represents the approximated centerline of the road extension, which passes diagonally through the property. Due to the steepness of the adjacent wash, any alternative to this configuration would be cost prohibitive to construct.

Staff has been working diligently with the heirs of Epigmenia Gallegos, the deceased owner of the property, to acquire the property by purchasing the property outright. However, issues with the chain of title have made that option untenable, as the property would be required to pass through probate prior to the sale of the property by the heirs. The heirs are amenable to a Mutual Agreement To Condemn, or “friendly condemnation”, where both parties agree to a condemnation rather than sale. In following this path, the Town acquires the lots in a timely manner and the heirs can then proceed with probate to determine the distribution of the proceeds of the condemnation.

Budget Impact:

The Second Amendment to the Development Agreement requires the Developer to pay up to \$300,000 for the acquisition of land necessary to complete the extension; the statutory compensation is about 50% of that amount. Staff anticipates reimbursement no later than June 1, 2023.

Recommendation:

Staff recommends that Council approve the Mutual Agreement to Condemn 751 Calle Medina, Clarkdale, Arizona, and direct the Town Attorney to file a condemnation action pursuant to A.R.S. 12-1112 in connection therewith.

MUTUAL AGREEMENT TO CONDEMN

Property: 751 Calle Medina, Clarkdale, AZ 86324; Yavapai County Parcel # 406-24-006, approximately .32 acres, legally described as follows:

Lots 7 and 8, Block 1, CENTERVILLE, according to the plat of record in Book 2 of Maps, page 79, records of Yavapai County, Arizona.

Condemnation Price: **\$150,400.00**

This Mutual Agreement to Condemn ("Agreement") regarding the above property is made between Demesia Figueroa and Mark Macias ("Condemnees") and the Town of Clarkdale, an Arizona municipality ("Town") as of the date last signed below.

RECITALS

1. Epigmenia G. Gallego, who died on October 26, 1986, is the record owner of the Property. The closest living relatives at the time of Epimenia's death were the children of her only sibling, Demesia Figueroa, Mark Macias, and Betsy Martinez.
2. Demesia Figueroa, Mark Macias, and Betsy Martinez, as the heirs-at-law of Epigmenia G. Gallego, recorded a Joint Tenancy Quit-Claim Deed with right of survivorship on August 28, 1998, at Book 3597, Page 556, Official Records of Yavapai County, to take title the Property.
3. However, due to a defect in the legal description of the deed, the title insurance company is not able to insure title without a court order.
4. Betsy Martinez died on February 10, 2003.
5. Pursuant to their right of survivorship, Demesia Figueora and Mark Marcias attest that they are lawful owners of the Property. However, due to the above-stated title defect, a court order is required to convey clear title.
6. Therefore, Demesia Figueora and Mark Marcias hereby request that the Town condemn the Property.
7. Pursuant to A.R.S. § 12-1111, the Town desires to condemn said property for the purpose of the Centerville Road extension.
8. The use desired by the Town for said property is authorized by law and the taking is necessary to such use, as required by A.R.S. § 12-1112. Condemnees own the real property in fee simple and thus the property is subject to condemnation under A.R.S. §§ 12-1113 and 12-1114.

NOW, THEREFORE, for valuable considerations mutually exchanged between the Parties and in consideration of the mutual covenants hereinafter set forth, the Parties agree as follows:

1. **Property Condemned**

The parties agree that the Town will file a Condemnation action pursuant to A.R.S. § 12-1112 for the following real property:

Lots 7 and 8, Block 1, CENTERVILLE, according to the plat of record in Book 2 of Maps, page 79, records of Yavapai County, Arizona

Commonly known as 751 Calle Medina, Clarkdale, AZ 86324; Yavapai County Parcel # 406-24-006, approximately .32 acres.

2. **Condemnation Price**

The parties agree that the total Purchase Price shall be **one hundred fifty thousand four hundred dollars and zero cents (\$150,400.00)**, which is the Town's estimate of just compensation pursuant to A.R.S. § 12-1116.

3. **Waiver of Defenses**

Demesia Figueroa and Mark Macias hereby consent to the condemnation at the above-agreed price and waive any objections or defenses to the same. Demesia Figueroa and Mark Macias agreed that this Agreement constitutes the Town's written offer to purchase the property and to pay just compensation for the property and an appraisal supporting the offer pursuant to A.R.S. § 12-1116.

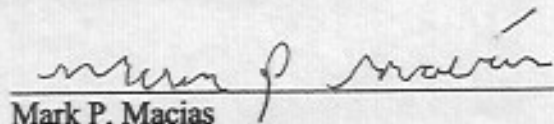
This Agreement shall be binding upon and inure to the benefit of each of the parties, their respective heirs, personal representatives, successors, and assigns.

IN WITNESS WHEREOF, this Agreement has been executed as of the date last signed below:

CONDEMNNEES:


Demesia M. Figueroa

1-20-2023
Date


Mark P. Macias

1-20-2023
Date

THE TOWN:

Town of Clarkdale,
an Arizona municipal corporation

By: _____
Susan Guthrie, Town Manager Date _____

Attest:

By: _____
Charity Brooks, Town Clerk Date _____

Approved as to form:

By: _____
Stephen W. Polk, Town Attorney Date _____