

**TOWN OF CLIFTON, ARIZONA**  
**FINANCIAL STATEMENTS AND**  
**SUPPLEMENTARY INFORMATION**  
**YEAR ENDED JUNE 30, 2015**

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## **FINANCIAL SECTION**

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## INDEPENDENT AUDITORS' REPORT

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

### **Report on the Financial Statements**

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

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Clifton, Arizona as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of a Matter**

During fiscal year ended June 30, 2015, the Town of Clifton, Arizona adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. As a result of the implementation of GASBS No. 68 and No. 71, the Town of Clifton, Arizona reported a restatement for the change in accounting principle (see Note 3.E.) Our auditors' opinion was not modified with respect to the restatement.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 9, the pension schedules on pages 50 through 55, and budgetary comparison information on pages 57 through 59 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.



**CliftonLarsonAllen LLP**

Phoenix, Arizona  
October 19, 2015



## **REQUIRED SUPPLEMENTARY INFORMATION**

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**TOWN OF CLIFTON, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2015**

We (the Town of Clifton, Arizona (Town)) are pleased to provide an overview of our financial activities for the fiscal year ended June 30, 2015. The intended purpose of Management's Discussion and Analysis (MD&A) is to provide an introduction to the basic financial statements and notes, that provides an objective and easy to read analysis of our financial activities based on currently known facts, decisions, and conditions, by providing an easily readable summary of operating results and reasons for changes, which will help to determine if our financial position improved or deteriorated over the past year. This report addresses current operational activities, the sources, uses, and changes in resources, adherence to budget, service levels, limitations, significant economic factors, and the status of infrastructure and its impacts on our debt and operations.

**FINANCIAL HIGHLIGHTS**

- ◆ The assets of the Town of Clifton, Arizona exceeded its liabilities at the close of the most recent fiscal year by \$5,003,854 (net position). Of this amount \$284,229 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- ◆ As of the close of the current fiscal year, the Town of Clifton, Arizona's governmental funds reported combined ending fund balances of \$2,138,412, a decrease of \$401,460 in comparison with the prior year.
- ◆ At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,675,291 or 52% of total General Fund expenditures.
- ◆ General Fund revenues (on a budgetary basis) exceeded budgeted revenues by \$74,393 for fiscal year 2015. Additionally, budgetary basis expenditures were only 92% (\$236,849 (8%) in savings) of the final budget in the General Fund.
- ◆ General Fund budgetary expenditures exceeded budgetary revenues by \$356,602 which represented a positive variance of \$311,242 from the original budget.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The financial section of these Financial Statements for the Town of Clifton, Arizona consists of this discussion and analysis, the basic financial statements and the required supplementary schedules presented after the basic financial statements. The basic financial statements include the government-wide financial statements, fund financial statements, including the budgetary statements for the General Fund, Highway Users Revenue Fund, and Arizona Department of Emergency Management Fund and notes to basic financial statements.

**Government-Wide Financial Statements**

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

The statement of net position presents information on all of the Town of Clifton, Arizona'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 useful indicators of whether the financial position of the Town of Clifton, Arizona is improving or deteriorating.

**TOWN OF CLIFTON, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2015**

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. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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

The government-wide financial statements can be found on pages 10 - 11 of this report.

**Fund Financial Statements**

Also presented are the traditional fund financial statements for governmental funds. The fund financial statements focus on major funds of the Town. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Clifton, Arizona, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town of Clifton, Arizona can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

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

The basic governmental fund financial statements can be found on pages 12 - 15 of this report.

- ◆ *Proprietary Funds* – The Town of Clifton, Arizona maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town of Clifton, Arizona uses an enterprise fund to account for its sewer operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the sewer fund, which is considered to be a major fund of the Town of Clifton, Arizona.

The basic proprietary fund financial statements can be found on pages 16 - 18 of this report.

**TOWN OF CLIFTON, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2015**

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

The basic fiduciary fund financial statements can be found on pages 19 - 20 of this report.

**Notes to Basic Financial Statements**

The notes to basic financial statements (pages 21 -49) provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements and should be read with the financial statements.

**Required Supplementary Information other than MD&A**

Governments have an option of including the budgetary comparison statements for the General Fund and major special revenue funds as either part of the fund financial statements within the basic financial statements, or as required supplementary information after the footnotes. The Town has chosen to present these budgetary statements as part of required supplementary information on pages 57 through 59. Additionally, governments are required to disclose certain information about employee pension funds. The Town has disclosed this information on page 50.

**Government-Wide Financial Analysis**

Net position may serve over time as useful indicators of a government's financial position. The following table reflects the condensed Statement of Net Position of the Town for June 30, 2015 showing that assets exceeded liabilities by \$5,003,854.

**Table A-1  
The Town's Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and Other Assets	\$ 2,598,693	\$ 2,762,075	\$ 15,911	\$ 6,382	\$ 2,614,604	\$ 2,768,457
Capital Assets						
Nondepreciable	264,717	135,073	-	-	264,717	135,073
Depreciable	3,163,694	2,294,139	869,897	807,599	4,033,591	3,101,738
Total Assets	6,027,104	5,191,287	885,808	813,981	6,912,912	6,005,268
Deferred Outflow of Resources	273,172	-	11,342	-	284,514	-
Other Liabilities	311,613	214,087	95,938	7,444	407,551	221,531
Noncurrent Liabilities:						
Due Within One Year	40,824	30,883	1,530	1,242	42,354	32,125
Due in More Than One Year	1,330,744	1,069,156	75,446	75,228	1,406,190	1,144,384
Total Liabilities	1,683,181	1,314,126	172,914	83,914	1,856,095	1,398,040
Deferred Inflow of Resources	324,284	-	13,193	-	337,477	-
Net Position						
Investment in Capital Assets	3,428,411	2,429,212	869,897	807,599	4,298,308	3,236,811
Restricted	421,317	438,443	-	-	421,317	438,443
Unrestricted	443,083	1,009,506	(158,854)	(77,532)	284,229	931,974
Total Net Position	\$ 4,292,811	\$ 3,877,161	\$ 711,043	\$ 730,067	\$ 5,003,854	\$ 4,607,228

**TOWN OF CLIFTON, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2015**

The net position of the Town is \$5,003,854 in fiscal year 2015 in the governmental and business-type activities.

Net position consists of three components. The largest portion of the Town of Clifton, Arizona's net position (86%) reflects its investment in capital assets (e.g., land, buildings, sewer collection system, furniture, equipment and vehicles), less any related debt used to acquire those assets that is still outstanding. The Town of Clifton, Arizona uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Clifton, Arizona's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town of Clifton, Arizona's net position (8%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$284,229) may be used to meet the government's ongoing obligations to citizens and creditors.

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

**Table A-2  
Change in Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
<b>REVENUES</b>						
Program Revenues:						
Fees, Fines, and Charges for Services	\$ 290,639	\$ 312,805	\$ 144,524	\$ 101,803	\$ 435,163	\$ 414,608
Operating Grants and Contributions	698,398	590,730	-	-	698,398	590,730
Capital Grants and Contributions	311,154	105,749	-	124,085	311,154	229,834
General Revenues:						
Local Taxes	760,674	854,601	-	-	760,674	854,601
Property Taxes	254,272	253,330	-	-	254,272	253,330
Franchise Taxes	81,052	80,950	-	-	81,052	80,950
State Shared Revenues	1,001,467	948,621	-	-	1,001,467	948,621
Investment Earnings	827	711	-	-	827	711
Gain (Loss) on Disposal of Capital Assets	1,250	-	-	-	1,250	-
Total Revenues	<u>3,399,733</u>	<u>3,147,497</u>	<u>144,524</u>	<u>225,888</u>	<u>3,544,257</u>	<u>3,373,385</u>
<b>EXPENSES</b>						
General Government	743,537	899,232	-	-	743,537	899,232
Public Safety	1,359,978	1,044,132	-	-	1,359,978	1,044,132
Highways and Streets	665,202	693,711	-	-	665,202	693,711
Culture and Recreation	181,292	127,599	-	-	181,292	127,599
Sewer	-	-	197,622	209,115	197,622	209,115
Total Expenses	<u>2,950,009</u>	<u>2,764,674</u>	<u>197,622</u>	<u>209,115</u>	<u>3,147,631</u>	<u>2,973,789</u>
<b>CHANGE IN NET POSITION BEFORE TRANSFERS</b>	449,724	382,823	(53,098)	16,773	396,626	399,596
Transfers	(34,074)	(609,609)	34,074	609,609	-	-
<b>CHANGE IN NET POSITION</b>	<u>415,650</u>	<u>(226,786)</u>	<u>(19,024)</u>	<u>626,382</u>	<u>396,626</u>	<u>399,596</u>
Net Position - Beginning of Year, As Restated	3,877,161	4,103,947	730,067	103,685	4,607,228	4,207,632
<b>NET POSITION - END OF YEAR</b>	<u>\$ 4,292,811</u>	<u>\$ 3,877,161</u>	<u>\$ 711,043</u>	<u>\$ 730,067</u>	<u>\$ 5,003,854</u>	<u>\$ 4,607,228</u>

**TOWN OF CLIFTON, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2015**

*Governmental Activities* – Governmental activities increased the Town’s net position by \$415,650. Key factors contributing to the increase include an increase in state shared sales taxes, operating grants and contributions, and capital grants and contributions.

*Business-Type Activities* – Business-type activities decreased the Town’s net position by \$19,024. This decrease was attributable to the current year operating loss of the sewer system.

**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 may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year. Types of Governmental funds reported by the Town include the General Fund and Special Revenue Funds.

As of the end of the current fiscal year the Town’s governmental funds reported combined ending fund balances of \$2,138,412, a decrease of \$401,460 in comparison with the prior year. Approximately 82% of this total amount, \$1,755,092 constitutes General Fund balance, which is available for contribution to the committed, assigned and unassigned fund balance. At fiscal year-end 2014-2015 fund balances were as follows:

**Table A-3  
Fund Balances**

Fund	Balance	Increase (Decrease) From FY 2013-14
General Fund	\$ 1,755,092	\$ (501,365)
Highway Users Revenue Fund	369,222	116,174
Arizona Department of Emergency Management Fund	-	-
Nonmajor Governmental Funds	14,098	(16,269)

The General Fund is the chief operating fund of the Town of Clifton, Arizona. At the end of the current fiscal year, the fund balance of the General Fund was \$1,755,092, while total fund balance reached \$2,138,412. As a measure of the General Fund’s liquidity, it may be useful to compare both General Fund balance and total fund balance to total fund expenditures. General Fund balance represents 54% of total General Fund expenditures, while total fund balance represents 66% of that same amount. The fund balance of the General Fund decreased due to an excess of expenditures over revenues in the current year as the Town spent additional funds on capital projects and on fully staffing the Town’s police department.

The fund balance of the Highway Users Revenue Fund increased by \$116,174 as a result of the Town less expenditures on rehabilitation and other road related projects in the current year in comparison to 2014.

All nonmajor governmental funds of the Town are combined into one column on the governmental fund statements and the decrease in fund balance of \$16,269 was not significant.

**TOWN OF CLIFTON, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2015**

**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, the Highway Users Revenue Fund, and the Arizona Department of Emergency Management Fund and are found on pages 57 - 59. These statements compare the original adopted budget, the budget if amended throughout the fiscal year, and the actual expenditures prepared on a budgetary basis.

General Fund revenues of \$2,208,261 on a budgetary basis, were greater than budgeted revenues of \$2,133,868 by \$74,393 while budgetary basis expenditures of \$2,564,863 were only 92% of budgeted expenditures (savings of \$236,849). The budget savings was primarily due to the Town experiencing a cost savings in the code enforcement, police, and parks departments and an uptick in sales tax revenues.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

The Town's capital assets for its governmental and business-type activities as of June 30, 2015 amounted to \$4,298,308 (net of accumulated depreciation), a net increase of 33%. For government-wide financial statement presentation, all depreciable capital assets were depreciated from acquisition date to the end of the current fiscal year. Fund financial statements record capital asset purchases as expenditures. See Note 3.A.3. in the Notes to Basic Financial Statements for further information regarding capital assets.

Capital assets include land, land improvements, buildings and improvements, infrastructure, sewer system, and furniture, equipment, and vehicles. During fiscal year 2015 the annual depreciation expense for governmental activities was \$268,687 and depreciation expense for business-type activities was \$32,126. Additions to governmental activities capital assets during the fiscal year totaled \$1,296,527. Additions to business type activities capital assets during the fiscal year totaled \$94,424. Major capital asset events during the current fiscal year included the following:

- ◆ Repair and resurfacing of Ward Canyon Road
- ◆ Roof Repair and replacement for the Town Hall
- ◆ Purchase and installation of new splash pad and related facilities
- ◆ Upgrades and repairs to the Town's sewer system

The following table provides a breakdown of the capital assets of the Town at June 30, 2015 and 2014.

**Table A-4  
Capital Assets (Net)**

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 102,865	\$ 102,865	\$ -	\$ -	\$ 102,865	\$ 102,865
Construction in Progress	161,852	32,208	-	-	161,852	32,208
Land Improvements	37,259	39,382	-	-	37,259	39,382
Building and Improvements	751,064	701,836	-	-	751,064	701,836
Infrastructure	1,097,366	709,109	-	-	1,097,366	709,109
Sewer System	-	-	860,073	795,278	860,073	795,278
Furniture, Equipment, and Vehicles	1,278,005	843,812	9,824	12,321	1,287,829	856,133
<b>Total Capital Assets</b>	<b>\$ 3,428,411</b>	<b>\$ 2,429,212</b>	<b>\$ 869,897</b>	<b>\$ 807,599</b>	<b>\$ 4,298,308</b>	<b>\$ 3,236,811</b>



**TOWN OF CLIFTON, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2015**

**Debt Administration**

The Town did not have any long-term debt obligations outstanding at year-end.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

- ◆ In the event of emergency expenditures or revenue shortfalls, unfilled positions will not be replaced immediately or will be replaced with part-time employees as a cost savings mechanism.

**REQUESTS FOR INFORMATION**

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 Clifton  
Accounting Department  
P.O. Box 1415  
Clifton, Arizona 85533  
(928) 865-4146

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## **BASIC FINANCIAL STATEMENTS**

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**TOWN OF CLIFTON, ARIZONA**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2015**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash	\$ 2,096,465	\$ -	\$ 2,096,465
Receivables, Net:			
Accounts Receivable	13,375	15,480	28,855
Property Taxes Receivable	7,385	-	7,385
Intergovernmental Receivable	320,885	-	320,885
Prepaid Items	18,297	431	18,728
Net Pension Asset	142,286	-	142,286
Capital Assets:			
Nondepreciable	264,717	-	264,717
Depreciable	3,163,694	869,897	4,033,591
Total Assets	<u>6,027,104</u>	<u>885,808</u>	<u>6,912,912</u>
Deferred Outflow of Resources	273,172	11,342	284,514
<b>LIABILITIES</b>			
Accounts Payable	155,959	89,339	245,298
Accrued Wages and Benefits	59,550	2,157	61,707
Intergovernmental Payable	10,274	403	10,677
Unearned Revenue	83,289	4,003	87,292
Customer Deposits Payable	2,541	36	2,577
Noncurrent Liabilities			
Compensated Absences	40,824	1,530	42,354
Net Pension Liability	1,330,744	75,446	1,406,190
Total Liabilities	<u>1,683,181</u>	<u>172,914</u>	<u>1,856,095</u>
Deferred Inflow of Resources	324,284	13,193	337,477
<b>NET POSITION</b>			
Investment in Capital Assets	3,428,411	869,897	4,298,308
Restricted for:			
Highways and Streets	369,222	-	369,222
Culture and Recreation	652	-	652
Public Safety	51,181	-	51,181
Other Purposes	262	-	262
Unrestricted	443,083	(158,854)	284,229
Total Net Position	<u>\$ 4,292,811</u>	<u>\$ 711,043</u>	<u>\$ 5,003,854</u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF CLIFTON, ARIZONA  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2015**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
<b>Primary Government:</b>							
Governmental Activities:							
General Government	\$ 743,537	\$ 274,884	\$ 4,306	\$ 3,400	\$ (460,947)	\$ -	\$ (460,947)
Public Safety	1,359,978	4,798	183,399	89,568	(1,082,213)	-	(1,082,213)
Highways and Streets	665,202	-	488,093	31,179	(145,930)	-	(145,930)
Culture and Recreation	181,292	10,957	22,600	187,007	39,272	-	39,272
Total Governmental Activities	2,950,009	290,639	698,398	311,154	(1,649,818)		(1,649,818)
Business-Type Activities:							
Sewer	197,622	144,524	-	-		(53,098)	(53,098)
Total Primary Government	<u>\$ 3,147,631</u>	<u>\$ 435,163</u>	<u>\$ 698,398</u>	<u>\$ 311,154</u>	<u>(1,649,818)</u>	<u>(53,098)</u>	<u>(1,702,916)</u>
General Revenues:							
Taxes:							
Sales Taxes					760,674	-	760,674
Property Taxes					254,272	-	254,272
Franchise Taxes					81,052	-	81,052
State Revenue Sharing					400,817	-	400,817
State Sales Tax Revenue Sharing					302,588	-	302,588
Auto Lieu Tax Revenue Sharing					298,062	-	298,062
Investment Earnings					827	-	827
Gain on Disposal of Capital Assets					1,250	-	1,250
Transfers					(34,074)	34,074	-
Total General Revenues					<u>2,065,468</u>	<u>34,074</u>	<u>2,099,542</u>
Change in Net Position					415,650	(19,024)	396,626
Net Position - Beginning of Year, As Restated					3,877,161	730,067	4,607,228
Net Position - End of Year					<u>\$ 4,292,811</u>	<u>\$ 711,043</u>	<u>\$ 5,003,854</u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF CLIFTON, ARIZONA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2015**

	General Fund	Highway Users Revenue Fund	Arizona Department of Emergency Management Fund	Nonmajor Governmenta l Funds	Totals
<b>Assets</b>					
Cash	\$ 1,671,347	\$ 353,328	\$ -	\$ 71,790	\$ 2,096,465
Receivables:					
Accounts Receivable, Net	13,375	-	-	-	13,375
Intergovernmental Receivable	139,705	31,974	120,743	28,463	320,885
Property Tax Receivable	7,385	-	-	-	7,385
Prepaid Items	17,435	862	-	-	18,297
Due From Other Funds	120,743	-	-	-	120,743
<b>Total Assets</b>	<b>\$ 1,969,990</b>	<b>\$ 386,164</b>	<b>\$ 120,743</b>	<b>\$ 100,253</b>	<b>\$ 2,577,150</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>					
<b>Liabilities</b>					
Accounts Payable	\$ 141,793	\$ 11,836	\$ -	\$ 2,330	\$ 155,959
Accrued Wages and Benefits	54,776	4,314	-	460	59,550
Intergovernmental Payable	9,406	792	-	76	10,274
Due to Other Funds	-	-	120,743	-	120,743
Unearned Revenue	-	-	-	83,289	83,289
Customer Deposits Payable	2,541	-	-	-	2,541
<b>Total Liabilities</b>	<b>208,516</b>	<b>16,942</b>	<b>120,743</b>	<b>86,155</b>	<b>432,356</b>
Deferred Inflows of Resources					
Unavailable Revenues	6,382	-	-	-	6,382
<b>Fund Balances</b>					
Nonspendable	17,435	862	-	-	18,297
Restricted	34,649	368,360	-	14,098	417,107
Assigned	27,717	-	-	-	27,717
Unassigned	1,675,291	-	-	-	1,675,291
<b>Total Fund Balances</b>	<b>1,755,092</b>	<b>369,222</b>	<b>-</b>	<b>14,098</b>	<b>2,138,412</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 1,969,990</b>	<b>\$ 386,164</b>	<b>\$ 120,743</b>	<b>\$ 100,253</b>	<b>\$ 2,577,150</b>

See accompanying Notes to Basic Financial Statements.

**TOWN OF CLIFTON, ARIZONA  
RECONCILIATION OF THE BALANCE SHEET  
OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF NET POSITION  
JUNE 30, 2015**

Total Fund Balances for Governmental Funds	\$ 2,138,412
Amounts reported for governmental activities in the statement of activities are different because:	
Property taxes not collected within 60 days subsequent to fiscal year-end are not recognized as revenue in the governmental funds.	6,382
Net pension assets are not current financial resources and therefore are not reported in the governmental funds.	142,286
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds.	
Governmental Capital Assets	5,189,523
Less Accumulated Depreciation	(1,761,112)
Capital Assets used in Governmental Activities	3,428,411
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds	
Deferred outflows of resources related to pensions	273,172
Deferred inflows of resources related to pensions	(324,284)
Long term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.	
Compensated Absences	(40,824)
Net Pension Liability	(1,330,744)
Total Net Position of Governmental Activities	\$ 4,292,811

See accompanying Notes to Basic Financial Statements.



**TOWN OF CLIFTON, ARIZONA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2015**

	General Fund	Highway Users Revenue Fund	Arizona Department of Emergency Management Fund	Nonmajor Governmental Funds	Totals
<b>Revenues</b>					
<b>Taxes</b>					
Sales Taxes	\$ 760,674	\$ -	\$ -	\$ -	\$ 760,674
Property Taxes	256,006	-	-	-	256,006
Franchise Taxes	81,052	-	-	-	81,052
Intergovernmental Revenue	1,001,467	354,713	120,743	76,474	1,553,397
Fines and Forfeitures	31,182	-	-	4,771	35,953
Licenses and Permits	29,246	-	-	-	29,246
Charges for Services	12,185	-	-	-	12,185
Rents and Royalties	205,962	-	-	-	205,962
Contributions and Donations	368,004	-	-	50	368,054
Investment Earnings	827	-	-	-	827
Other	7,293	-	-	-	7,293
<b>Total Revenues</b>	<b>2,753,898</b>	<b>354,713</b>	<b>120,743</b>	<b>81,295</b>	<b>3,310,649</b>
<b>Expenditures</b>					
<b>Current:</b>					
General Government	764,656	-	-	3,400	768,056
Public Safety	1,222,026	-	-	25,085	1,247,111
Highways and Streets	719,518	238,539	120,743	31,179	1,109,979
Culture and Recreation	532,530	-	-	37,900	570,430
<b>Total Expenditures</b>	<b>3,238,730</b>	<b>238,539</b>	<b>120,743</b>	<b>97,564</b>	<b>3,695,576</b>
Excess (Deficiency) of Revenues Over Expenditures	(484,832)	116,174	-	(16,269)	(384,927)
<b>Other Financing Sources (Uses)</b>					
Transfers Out	(34,074)	-	-	-	(34,074)
Proceeds from Sale of Capital Assets	17,541	-	-	-	17,541
<b>Total Other Financing Sources (Uses)</b>	<b>(16,533)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(16,533)</b>
<b>Net Change in Fund Balances</b>	<b>(501,365)</b>	<b>116,174</b>	<b>-</b>	<b>(16,269)</b>	<b>(401,460)</b>
Fund Balances - Beginning of Year	2,256,457	253,048	-	30,367	2,539,872
<b>Fund Balances - End of Year</b>	<b>\$ 1,755,092</b>	<b>\$ 369,222</b>	<b>\$ -</b>	<b>\$ 14,098</b>	<b>\$ 2,138,412</b>

See accompanying Notes to Basic Financial Statements.

**TOWN OF CLIFTON, ARIZONA  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2015**

Net Change in Fund Balances-Total Governmental Funds \$ (401,460)

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

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

Expenditures for Capital Assets	1,296,527
Less Current Year Depreciation	(268,687)
Excess Capital Expenditures Over Depreciation	1,027,840

The statement of activities reports gains/ losses arising from the disposal of existing capital assets. Conversely, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the capital assets sold. (28,641)

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

Property Taxes	(1,734)
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Governmental funds report Town pension contributions as expenditures when made. However, in the Statement of Activities, pension expense is the cost of benefits earned, adjusted for member contributions, the recognition of changes in deferred outflows and inflows or resources related to pensions, and the investment experience.

Pension Contributions	132,457
Pension Expense	(302,871)
	(170,414)

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

Net Increase in Compensated Absences	(9,941)
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Change in Net Position of Governmental Activities	\$ 415,650
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**TOWN OF CLIFTON, ARIZONA  
STATEMENT OF NET POSITION  
PROPRIETARY FUND  
JUNE 30, 2015**

	<u>Business-Type Activities Sewer Fund</u>
<b>ASSETS</b>	
Current Assets	
Receivables, Net:	
Accounts Receivable	\$ 15,480
Prepaid Items	431
Total Current Assets	<u>15,911</u>
Noncurrent Assets	
Capital Assets	
Depreciable (Net)	<u>869,897</u>
Total Assets	885,808
Deferred Outflow of Resources	11,342
<b>LIABILITIES</b>	
Current Liabilities	
Accounts Payable	89,339
Accrued Wages and Benefits	2,157
Intergovernmental Payable	403
Unearned Revenue	4,003
Customer Deposits Payable	36
Noncurrent Liabilities	
Compensated Absences	1,530
Net Pension Liability	75,446
Total Liabilities	<u>172,914</u>
Deferred Inflow of Resources	13,193
<b>NET POSITION</b>	
Investment in Capital Assets	869,897
Unrestricted	(158,854)
Total Net Position	<u>\$ 711,043</u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF CLIFTON, ARIZONA**  
**STATEMENT OF REVENUE, EXPENSES, AND CHANGE IN NET POSITION**  
**PROPRIETARY FUND**  
**YEAR ENDED JUNE 30, 2015**

	Business-Type Activities Sewer Fund
Operating Revenue	
Charges for Services	\$ 144,524
Operating Expenses	
Cost of Sales and Services	165,496
Depreciation	32,126
Total Operating Expenses	197,622
Operating Income (Loss)	(53,098)
Transfers In	34,074
Change in Net Position	(19,024)
Net Position:	
Beginning of Year, as Restated	730,067
End of Year	\$ 711,043

See accompanying Notes to Basic Financial Statements.

**TOWN OF CLIFTON, ARIZONA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2015**

	<u>Business-Type Activities Sewer Fund</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from Customers	\$ 135,393
Payments to Suppliers	(20,840)
Payments to Employees	(54,203)
Net Cash Flows Provided by Operating Activities	<u>60,350</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Transfers from Other Funds	34,074
<b>CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES</b>	
Purchases of Capital Assets	(94,424)
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	
	-
Cash and Cash Equivalents - Beginning of Year	<u>-</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u><u>\$ -</u></u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) PROVIDED BY OPERATING ACTIVITIES</b>	
Operating Income (Loss)	\$ (53,098)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:	
Depreciation	32,126
Adjustment for Pension Expense	2,069
Change in Assets/Liabilities:	
Receivables, Net	(9,098)
Prepaid Items	(431)
Accounts Payable	88,414
Accrued Wages and Benefits	70
Intergovernmental Payable	43
Unearned Revenue	(33)
Compensated Absences	288
Net Cash Provided by Operating Activities	<u><u>\$ 60,350</u></u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF CLIFTON, ARIZONA  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUND  
JUNE 30, 2015**

	<u>Pension Trust</u>
<b>ASSETS</b>	
Current Assets:	
Cash	\$ 97,485
Receivables, Net	<u>1,836</u>
Total Current Assets	<u>99,321</u>
<b>Liabilities</b>	
Current Liabilities:	
Due to Other Entities	<u>5,469</u>
<b>Net Position</b>	
Held In Trust	<u><u>\$ 93,852</u></u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF CLIFTON, ARIZONA  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUND  
YEAR ENDED JUNE 30, 2015**

	<u>Pension Trust</u>
Additions:	
Contributions:	
Employer	\$ 1,321
Employee	1,321
Total Contributions	2,642
Investment Earnings:	
Interest	47
Total Additions	2,689
Change in Net Position	2,689
Net Position - Beginning of Year	91,163
Net Position - End of Year	\$ 93,852

See accompanying Notes to Basic Financial Statements.

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## **NOTES TO BASIC FINANCIAL STATEMENTS**

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**TOWN OF CLIFTON, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

During the year ended June 30, 2015, the Town adopted GASB No. 68 and GASB No.71. GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment of GASB Statement No. 68*, both of which provide financial reporting guidance for reporting pension liabilities and expenses.

**A. Financial Reporting Entity**

The Town is a municipal government that is governed by a separately elected governing body. It is legally separate from and fiscally independent of other state and local governments. In evaluating how to define the Town, for financial reporting purposes, management has identified no potential component units. The decision to include a potential component unit in the reporting entity would have been made by applying criteria set forth in accounting principles generally accepted in the United States of America. Generally, component units are legally separate organizations for which the elected officials of the primary government (i.e., the Town) are financially accountable. The primary government is financially accountable for a potential component unit if it: appoints a voting majority of the potential component unit's governing body; and either is able to impose its will on the potential component unit or there is a possibility of the potential component unit to provide specific financial benefits to, or impose specific financial burdens on the primary government. In addition, a primary government may be financially accountable for a potential component unit even though the potential component unit may have a separately elected governing board, a board appointed by another government, or a jointly appointed board if the potential component unit is fiscally dependent on the primary government (e.g., the primary government must approve the potential component unit's budget, tax rates, etc.). Because no potential component units were identified in defining the Town's reporting entity, none have been included.

**B. Government-Wide and Fund Financial Statements**

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

**TOWN OF CLIFTON, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Government-Wide and Fund Financial Statements (Continued)**

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

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. However, intergovernmental grants and aid, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting, except expenditures related to compensated absences and claims and judgments, which are recorded only when payment is due.

**TOWN OF CLIFTON, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

The Town reports the following major governmental funds:

*Major Governmental Funds*

General Fund

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.

Highway Users Revenue Fund (HURF)

The Highway Users Revenue Fund (HURF), a special revenue fund, accounts for the Town's share of motor fuel tax revenues and lottery proceeds.

Arizona Department of Emergency Management Fund (ADEMF)

The Arizona Department of Emergency Management Fund (ADEMF), a special revenue fund, accounts for the Town's expenditures of state emergency funds for repair of damages relating to the 2013 flooding of the San Francisco River.

The Town reports the following major proprietary fund:

Sewer Fund

The Sewer Fund, a proprietary fund, accounts for the activity of the Town's sewer operations.

Additionally, the government reports the following fund type:

Pension Trust Fund

The Pension Trust Fund accounts for the activities of the Volunteer Firefighters' Relief and Pension Fund, which accumulates resources for pension benefit payments to qualified firemen.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the sewer fund are charges for services. Operating expenses for the sewer fund include the cost of sales and services and depreciation. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

**TOWN OF CLIFTON, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity**

**1. Deposits and Investments**

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

State statutes authorize the Town to invest in obligations of the U.S. Treasury and U.S. agencies, certificates of deposit in eligible depositories, repurchase agreements, obligations of the State of Arizona or any of its counties or incorporated cities, Towns or duly organized school districts, improvement districts in this state and the State Treasurer's Local Government Investment Pool. Investments are stated at fair value.

**2. Receivables**

All receivables are shown net of an allowance for uncollectible accounts of \$0 in the General Fund and \$17,837 in the Sewer Fund. The Town includes all accounts outstanding greater than ninety days in its allowance for uncollectible accounts.

**3. Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements

**4. Capital Assets**

Capital assets, which include property, plant, and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$2,000 and an estimated useful life in excess of one year.

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

**TOWN OF CLIFTON, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity (Continued)**

**4. Capital Assets (Continued)**

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

Buildings and Improvements	15-80 Years
Land Improvements	15-20 Years
Sewer System	50 Years
Furniture, Equipment and Vehicles	5-15 Years
Infrastructure	15 Years

The Town's policy is to prospectively report infrastructure acquired after adoption of GASB Statement No. 34.

**5. Deferred Outflows of Resources**

The Town recognizes the consumption of net position that is applicable to a future reporting period as a deferred outflow of resources. Reported amounts are related to the requirements of accounting and financial reporting for pensions under GASB 68.

**6. Compensated Absences**

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

**7. Pension Plans**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Arizona State Retirement System (ASRS) and Public Safety Personnel Retirement System (PSPRS) and additions to/deductions from ASRS/PSPRS's fiduciary net position have been determined on the same basis as they are reported by ASRS/PSPRS. 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.

**TOWN OF CLIFTON, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity (Continued)**

**8. Deferred Inflows of Resources**

The Town recognizes the acquisition of net position that is applicable to a future reporting period as a deferred inflow of resources. Reported amounts are related to the requirements of accounting and financial reporting for pensions under GASB 68.

**9. Net Position**

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

**10. Fund Balance Classifications**

Fund balances of the governmental funds are reported separately within classifications based on a hierarchy of the constraints placed on the use of those resources. 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

Assigned fund balances are resources constrained by the Town's intent to be used for specific purposes, but are neither restricted nor committed. The Town Council has authorized the Town Manager to make assignments of 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 restricted fund balance first. For the disbursement of unrestricted fund balances, it is the Town's policy to use committed amounts first, followed by assigned amounts, and lastly unassigned amounts.



**TOWN OF CLIFTON, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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

**A. Budgetary information**

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

1. In accordance with Arizona Revised Statutes, the Town Manager submits a proposed budget for the fiscal year commencing the following July 1 to the Town Council. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.
2. Public hearings are conducted to obtain taxpayer comment.
3. Expenditures may not legally exceed the expenditure limitation described below of all fund types as a whole. For management purposes, the Town adopts a budget by department for the General Fund and in total by fund for other funds. The Town Manager, subject to Town Council approval, may at any time transfer any unencumbered appropriation balance or portion thereof between a department or activity. The adopted budget cannot be amended in any way without Town Council approval.
4. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds on essentially the same modified accrual basis of accounting used to record actual revenues and expenditures.

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

No supplementary budgetary appropriations were necessary during the year.

**B. Excess of Expenditures Over Appropriations**

Expenditures exceeded appropriations in the following funds:

	<u>Amount of Overexpenditure</u>
General Fund:	
Chase Creek Building and Maintenance	\$ 7,695
Fire	35,332

Cash was available to cover the overexpenditure.

**TOWN OF CLIFTON, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 3 DETAILED NOTES ON ALL FUNDS**

**A. Assets**

**1. Cash**

Cash at June 30, 2015 consists of the following:

Deposits:	
Cash in Bank	\$ 2,096,465
Certificates of Deposit	97,485
Total Deposits	2,193,950
Less: Fiduciary Funds	(97,485)
Total Cash - Statement of Net Position	\$ 2,096,465

*Custodial Credit Risk* – This is the risk that, in the event of a failure by a counterparty, the Town will not be able to recover its deposits or collateralized securities that are in the possession of an outside party. The Town does not have a formal policy regarding custodial credit risk. However, the bank balance of deposits at June 30, 2015 was \$2,266,936 of which \$500,000 is covered by federal depository insurance and \$1,766,936 is collateralized by collateral held by the Town’s custodial bank in the Town’s name.

**2. Receivables**

The Greenlee County Treasurer is responsible for collecting property taxes for all governmental entities within the County. The County levies property taxes due to the Town in August. Two equal installments, payable in October and March, become delinquent after the first business days in November and May. During the year, the County also levies various personal property taxes that are due the second Monday of the month following receipt of the tax notice and become delinquent 30 days later. A lien assessed against real and personal property attaches on the first day of January preceding the assessment levy.

Property taxes are recognized as revenues in the fiscal year they are levied in the government-wide financial statements and represent a reconciling item between the government-wide and fund level financial statements. In the fund financial statements 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 days subsequent to fiscal year-end or collected in advance of the fiscal year for which they are levied are reported as unavailable revenues.

**TOWN OF CLIFTON, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A. Assets (Continued)**

**2. Receivables (Continued)**

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

	Unavailable	Unearned
Delinquent Property Taxes Receivable		
General Fund	\$ 6,382	\$ -
Cash Payments not Meeting all Eligibility		
Requirements (Nonmajor Governmental Funds)	-	83,289
	\$ 6,382	\$ 83,289

**3. Capital Assets**

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

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
Capital Assets, Not Being Depreciated:				
Land	\$ 102,865	\$ -	\$ -	\$ 102,865
Construction in Progress	32,208	129,644	-	161,852
Total Capital Assets, Not Being Depreciated	135,073	129,644	-	264,717
Capital Assets, Being Depreciated:				
Land Improvements	173,277	5,832	-	179,109
Building and Improvements	999,061	83,602	(51,500)	1,031,163
Infrastructure	955,280	445,710	-	1,400,990
Furniture, Equipment, and Vehicles	1,703,526	631,739	(21,721)	2,313,544
Total Capital Assets, Being Depreciated	3,831,144	1,166,883	(73,221)	4,924,806
Accumulated Depreciation for:				
Land Improvements	(133,895)	(7,955)	-	(141,850)
Building and Improvements	(297,225)	(22,024)	39,150	(280,099)
Infrastructure	(246,171)	(57,453)	-	(303,624)
Furniture, Equipment, and Vehicles	(859,714)	(181,255)	5,430	(1,035,539)
Total Accumulated Depreciation	(1,537,005)	(268,687)	44,580	(1,761,112)
Total Capital Assets, Being Depreciated, Net	2,294,139	898,196	(28,641)	3,163,694
Governmental Activities Capital Assets, Net	\$ 2,429,212	\$ 1,027,840	\$ (28,641)	\$ 3,428,411



**TOWN OF CLIFTON, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**B. Interfund Receivables, Payables and Transfers (Continued)**

Interfund transfers for the year ended June 30, 2015, were as follows:

	Transfer In	
Transfer From		Sewer Fund
General Fund		\$ 34,074

Interfund transfers were made by the Town during the fiscal year from the General Fund to the Sewer Fund to subsidize the current year deficit cash balance of the Sewer Fund

**C. Long-Term Obligations**

Compensated absences are paid by the applicable fund where each employee is regularly paid, primarily the General Fund.

Changes in long-term obligations for the year ended June 30, 2015 are as follows:

	July 1, 2014	Increases	Decreases	June 30, 2015	Due Within One Year
<b>Governmental Activities</b>					
Other Liabilities:					
Compensated Absences	\$ 30,883	\$ 30,182	\$ (20,241)	\$ 40,824	\$ 40,824
Governmental Activities					
Long-term Liabilities	\$ 30,883	\$ 30,182	\$ (20,241)	\$ 40,824	\$ 40,824
<b>Business-Type Activities</b>					
Compensated Absences	\$ 1,242	\$ 397	\$ (109)	\$ 1,530	\$ 1,530
Business-Type Activities					
Long-Term Liabilities	\$ 1,242	\$ 397	\$ (109)	\$ 1,530	\$ 1,530

**D. Fund Balance Classification of Governmental Funds**

The Town has classified its fund balances with the following hierarchy:

Restricted for Transportation Purposes, Grants and Contributions:

Arizona Revised Statutes title 28, chapter 18, article 2 dictates, state transportation revenues received by the Town be used solely for authorized transportation purposes. Other funds are restricted by the granting agency or donor. The restricted fund balances totaled \$417,107, and represented \$368,360 for transportation, \$14,098 for grants and \$34,649 for public safety as stipulated by external resource providers.

**TOWN OF CLIFTON, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**D. Fund Balance Classification of Governmental Funds (Continued)**

Assigned:

At June 30, 2015, General Fund assigned fund balance totaled \$27,717. Town management assigned fund balance as follows:

<b>Assignment</b>	<b>Balance</b>
Abatement	\$ 13,391
Outreach	4,741
Festival of Lights	8,634
Magistrate	951
Total	\$ 27,717

Unassigned:

The unassigned fund balance in the General Fund is \$1,675,291.

Minimum Fund Balance Policy:

It is the goal of the Town to achieve and maintain an unassigned fund balance in the General Fund equal to 3% of expenditures.

**E. Change in Accounting Principle**

During the year ended June 30, 2015, the Town of Clifton, Arizona adopted GASB Statement No. 68 *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71 *Pension Transition for Contributions Subsequent to the Measurement Date—an Amendment of GASB Statement No. 68*. These pronouncements require the restatement of the June 30, 2014, net position of the governmental activities, business-type activities and enterprise funds as shown as follows:

	Net Position as Previously Stated	Cumulative Affect of Application of GASB 68 Net Pension Liability	Cumulative Affect of Application of GASB 71 Deferred Outflow of Resources for Town Contributions Made During 2013-14	Net Position As Restated
Governmental Activities	\$ 4,946,317	\$ (1,174,993)	\$ 105,837	\$ 3,877,161
Business Type Activities	805,295	(80,146)	4,918	730,067
Sewer Enterprise Fund	805,295	(80,146)	4,918	730,067

**TOWN OF CLIFTON, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 4 OTHER INFORMATION**

**A. Risk Management**

The Town of Clifton, Arizona, is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The Town's insurance protection is provided by the Arizona Municipal Risk Retention Pool, of which the Town is a participating member. The limit for basic coverage is for \$3,000,000 per occurrence on a claims made basis. Excess coverage is for an additional \$3,000,000 per occurrence on a follow form, claims made basis. No significant reduction in insurance coverage occurred during the year and no settlements exceeded insurance coverage during any of the past three fiscal years.

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

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

**B. Contingent Liabilities**

**Lawsuits** – The Town is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Town's legal counsel, the Town has some exposure to loss; however, the Town is vigorously defending these claims and any loss or dollar value of the loss is not determinable.

**C. Retirement Plans**

**Firefighters' Relief and Pension Fund**

The Town of Clifton, Arizona's Volunteer Firefighters' Relief and Pension Fund is a defined contribution pension plan administered by the Town and a board of trustees for the Town's volunteer firefighters. The board of trustees established the plan and may amend the active plan members' and Town contribution rates.

The plan covers the Town's volunteer firefighters. For the year ended June 30, 2015, there were 20 active plan members and 3 retirees.

A defined contribution pension plan provides benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefit the individual is to receive. According to state statute, a volunteer firefighter who has served for 25 years or more or has reached 60 years of age and has served 20 years or more shall be eligible to receive a monthly retirement not to exceed \$400 per month based on the benefits available to members of the Town's volunteer firefighters, as

**TOWN OF CLIFTON, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**C. Retirement Plans (Continued)**

**Firefighters' Relief and Pension Fund (Continued)**

determined by the board of trustees. Such pension, if paid, may be increased or decreased in amount, or discontinued at the discretion of the board of trustees. If the funds provided in the fund are insufficient to pay fully the pensions authorized, the fund shall be prorated among those entitled thereto. A firefighter who leaves the service without being eligible for retirement benefits is entitled to all previous deductions from his salary plus interest at a rate determined by the board of trustees. As established by state statute, in lieu of another acceptable pension plan, all volunteer firefighters must participate in the pension plan from the date they enter service.

Each volunteer must contribute 5.0% of covered compensation which is equally matched by the Town. In addition, the State of Arizona is required by statute to contribute a portion of the annual tax received on fire insurance premiums. During the fiscal year ended June 30, 2015, the Town and firefighters were not required to make contributions; however, the Town contributed \$1,321 and the firefighters contributed \$1,321.

No pension provision changes occurred during the year that affected the required contributions made by the Town or its volunteer firefighters.

The Firefighters' Relief and Pension Fund held no securities of the Town or other related parties during the fiscal years or as of the close of the fiscal year.

Separate financial statements for the Firefighters' Relief and Pension Fund are not prepared.

**Cost-Sharing and Agent Multiple Employer Pension Plans**

The Town contributes to the Arizona State Retirement System (ASRS), the Public Safety Personnel Retirement System (PSPRS) for police officers and the PSPRS for firefighters. The plans are component units of the State of Arizona.

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

<u>Statement of Net Position and Statement of Activities</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Net Pension Assets	\$ 142,286	\$ -	\$ 142,286
Net Pension Liabilities	1,330,744	75,446	1,406,190
Deferred Outflows of Resources	273,172	11,342	284,514
Deferred Inflows of Resources	324,284	13,193	337,477
Pension Expense	302,871	6,362	309,233



**TOWN OF CLIFTON, ARIZONA  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2015**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**C. Retirement Plans (Continued)**

**Cost-Sharing and Agent Multiple Employer Pension Plans (Continued)**

The Town reported accrued payroll and employee benefits of \$6,109 for outstanding pension contribution amounts payable to all pension plans for the year ended June 30, 2015. Also, the Town reported \$136,750 of pension expenditures in the governmental funds related to all pension plans to which it contributes.

**Arizona State Retirement System**

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

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

	Retirement Initial Membership Date:	
	Before July 1, 2011	On or After July 1, 2011
Years of service and age required to receive benefit	Sum of years and age equals 80 10 years age 62 5 year 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 consecutive months of last 120 months	Highest 60 consecutive months of last 120 months
Benefit percentage per year of service	2.1% to 2.3 %	2.1% to 2.3 %

\* With actuarially reduced benefits.

**TOWN OF CLIFTON, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**C. Retirement Plans (Continued)**

**Arizona State Retirement System (Continued)**

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

**Contributions** – In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2015, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.60% (11.48% for retirement and 0.12% for long-term disability) of the members' annual covered payroll, and the Town was required by statute to contribute at the actuarially determined rate of 11.60% (10.89% for retirement, 0.59% for the health insurance premium benefit, and 0.12% 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 9.57% (9.51% for retirement and 0.06% for long-term disability) of annual covered payroll of retired members who worked for the Town in positions that would typically be filled by an employee who contributes to the ASRS. The Town's contributions to the pension plan for the year ended June 30, 2015, were \$77,093. The Town's contributions for the current and two preceding years for OPEB, all of which were equal to the required contributions, were as follows:

Year Ended June 30,	Health Benefit Supplement Fund	Long-Term Disability Fund
2015	\$ 4,177	\$ 850
2014	4,263	1,705
2013	4,140	1,529

During the fiscal year ended June 30, 2015, the Town paid for ASRS pension and OPEB contributions as follows: 84% from the General Fund, 10% from the Highway Users Revenue Fund, and 6% from the Sewer Fund.

**TOWN OF CLIFTON, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**C. Retirement Plans (Continued)**

**Arizona State Retirement System (Continued)**

**Pension Liability** – At June 30, 2015, the Town reported a liability of \$1,124,630 for its proportionate share of the ASRS’ net pension liability. The net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2013, to the measurement date of June 30, 2014.

The Town’s reported liability at June 30, 2015, decreased by \$70,066 from the Town’s prior year liability of \$1,194,696 because of changes in the ASRS’ net pension liability and the Town’s proportionate share of that liability. The ASRS’ publicly available financial report provides details on the change in the net pension liability.

The Town’s proportion of the net pension liability was based on the Town’s FY 2013 contributions. The Town’s proportion measured as of June 30, 2014, was 0.0076%, which was an increase of 0.0004% from its proportion measured as of June 30, 2013.

**Pension Expense and Deferred Outflows/Inflows of Resources** – For the year ended June 30, 2015, the Town recognized pension expense for ASRS of \$94,837. At June 30, 2015, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 57,157	\$ -
Net difference between projected and actual earnings on pension plan investments	-	196,663
Changes in proportion and differences between Town contributions and proportionate share of contributions	47,913	-
Town contributions subsequent to the measurement date	77,093	-
Total	<u>\$ 182,163</u>	<u>\$ 196,663</u>

The \$77,093 reported as deferred outflows of resources related to ASRS pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Amount</u>
2016	\$ 3,483
2017	3,483
2018	35,461
2019	49,166

**TOWN OF CLIFTON, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**C. Retirement Plans (Continued)**

**Arizona State Retirement System (Continued)**

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

Actuarial Valuation Date	June 30, 2013
Actuarial Roll Forward Date	June 30, 2014
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8%
Projected Salary Increases	3 - 6.75%
Inflation	3%
Permanent Benefit Increase	Included
Mortality Rates	1994 GAM Scale BB

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity	63%	7.03%
Fixed Income	25%	3.20%
Real Estate	8%	4.75%
Commodities	4%	4.50%
Total	100%	

**TOWN OF CLIFTON, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**C. Retirement Plans (Continued)**

**Arizona State Retirement System (Continued)**

**Discount Rate** – The discount rate used to measure the ASRS total pension liability was 8%, which is less than the long-term expected rate of return of 8.79%. 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 statutes. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
Town's proportionate share of the net pension liability	\$ 1,421,475	\$ 1,124,630	\$ 963,577

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

**Public Safety Personnel Retirement System (PSPRS)**

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

The PSPRS issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on the PSPRS Web site at [www.psprs.com](http://www.psprs.com).

**TOWN OF CLIFTON, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**C. Retirement Plans (Continued)**

**Public Safety Personnel Retirement System (PSPRS) (Continued)**

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

<b>PSPRS</b>	Initial Membership Date:	
	Before January 1, 2012	On or After January 1, 2012
Years of service and age required to receive benefit	20 years any age 15 years age 62	25 years age 52.5
Final average salary is based on	Highest 36 consecutive months of last 20 years	Highest 60 consecutive months of last 20 years
Benefit percent		
Normal Retirement	50% less 2.0% for each year of credited service less than 20 years OR plus 2.0% to 2.5% for each year of credited service over 20 years, not to exceed 80%	2.5% per year of credited service, not to exceed 80%
Accidental Disability Retirement	50% or normal retirement, whichever is greater	
Catastrophic Disability Retirement	90% for the first 60 months then reduced to either 62.5% or normal retirement, whichever is greater	
Ordinary Disability Retirement	Normal retirement calculated with actual years of credited service or 20 years of credited service, whichever is greater, multiplied by years of credited service (not to exceed 20 years) divided by 20	
<u>Survivor Benefit</u>		
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 the result of injuries received on the job	

**TOWN OF CLIFTON, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**C. Retirement Plans (Continued)**

**Public Safety Personnel Retirement System (PSPRS) (Continued)**

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

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

	PSPRS Police	PSPRS Firefighters
Inactive employees or beneficiaries currently receiving benefits	1	1
Inactive employees entitled to but not yet receiving benefits	1	-
Active employees	6	-
<b>Total</b>	<b>8</b>	<b>1</b>

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

	PSPRS Police	PSPRS Firefighters
Active Members - Pension	11.05%	11.05%
Town		
Pension	10.86%	0.00%
Health Insurance Premium Benefit	0.60%	0.00%

**TOWN OF CLIFTON, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**C. Retirement Plans (Continued)**

**Public Safety Personnel Retirement System (PSPRS) (Continued)**

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

	PSPRS Police	PSPRS Firefighters
Pension		
Contributions Made	\$ 39,657	\$ 20,000
Health Insurance Premium Benefit		
Annual OPEB Cost	2,191	-
Contributions Made	2,191	-

During fiscal year 2015, the Town paid for PSPRS pension and OPEB contributions 100% from the General Fund.

**Pension Liability (Asset)** – At June 30, 2015, the Town reported the following net pension liabilities (and asset):

	Net Pension Liability (Asset)
PSPRS Police	\$ (142,286)
PSPRS Firefighters	281,560

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

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



**TOWN OF CLIFTON, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**C. Retirement Plans (Continued)**

**Public Safety Personnel Retirement System (PSPRS) (Continued)**

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

Actuarial Valuation Date	June 30, 2014
Actuarial Cost Method	Entry Age Normal
Discount Rate	7.85%
Projected Salary Increases	4.0%-8.0%
Inflation	4.0%
Permanent Benefit Increase	Included
Mortality Rates	RP-2000 mortality table (adjusted by 105% for both males and females)

Actuarial assumptions used in the June 30, 2014, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2011.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Short Term Investments	2%	3.25%
Absolute Return	4%	6.75%
Risk Parity	4%	6.04%
Fixed Income	7%	4.75%
Real Assets	8%	5.96%
GTAA	10%	5.73%
Private Equity	11%	9.50%
Real Estate	11%	6.50%
Credit Opportunities	13%	8.00%
Non-U.S. Equity	14%	8.63%
U.S. Equity	16%	7.60%
Total	<u>100%</u>	

**TOWN OF CLIFTON, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**C. Retirement Plans (Continued)**

**Public Safety Personnel Retirement System (PSPRS) (Continued)**

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

	PSPRS Police	PSPRS Firefighters
Discount Rates	7.85%	5.31%

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

**Changes in the Agent Plans Net Pension Liability (Asset)** – The following tables present changes in the net pension liability (asset) for PSPRS Police and PSPRS Firefighter plans as follows:

<b>PSPRS - Police</b>	Total Pension Liability (Asset)	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) - (b)
Balance at June 30, 2014	\$ 453,094	\$ 518,906	\$ (65,812)
Changes for the Year:			
Service Cost	42,660	-	42,660
Interest on the Total Pension Liability	34,962	-	34,962
Changes of Benefit Terms	17,094	-	17,094
Differences Between Expected and Actual Experience in the Measurement of the Pension Liability	(125,329)	-	(125,329)
Changes of Assumptions or Other Inputs	47,618	-	47,618
Contributions - Employer	-	35,445	(35,445)
Contributions - Employee	-	31,409	(31,409)
Net Investment Income	-	70,213	(70,213)
Benefit Payments, Including Refunds of Employee Contributions	(58,091)	(58,091)	-
Administrative Expenses	-	(565)	565
Other Changes	-	(43,023)	43,023
Net Changes	(41,086)	35,388	(76,474)
Balances as of June 30, 2015	\$ 412,008	\$ 554,294	\$ (142,286)

**TOWN OF CLIFTON, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**C. Retirement Plans (Continued)**

**Public Safety Personnel Retirement System (PSPRS) (Continued)**

<b>PSPRS - Firefighters</b>	Total Pension Liability (Asset) (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balance at June 30, 2014	\$ 245,343	\$ 119,088	\$ 126,255
Changes for the Year:			
Service Cost	-	-	-
Interest on the Total Pension Liability	18,111	-	18,111
Changes of Benefit Terms	19,974	-	19,974
Differences Between Expected and Actual Experience in the Measurement of the Pension Liability	5,127	-	5,127
Changes of Assumptions or Other Inputs	129,044	-	129,044
Contributions - Employer	-	2,000	(2,000)
Contributions - Employee	-	-	-
Net Investment Income	-	15,072	(15,072)
Benefit Payments, Including Refunds of Employee Contributions	(29,265)	(29,265)	-
Administrative Expenses	-	(121)	121
Other Changes	-	-	-
Net Changes	142,991	(12,314)	155,305
Balances as of June 30, 2015	\$ 388,334	\$ 106,774	\$ 281,560

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

	1% Decrease	Current Discount Rate	1% Increase
PSPRS Police			
Rate	6.85%	7.85%	8.85%
Net Pension Liability (Asset)	\$ (93,335)	\$ (142,286)	\$ (182,532)
PSPRS Firefighters			
Rate	4.31%	5.31%	6.31%
Net Pension Liability (Asset)	316,621	281,560	251,240

**TOWN OF CLIFTON, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**C. Retirement Plans (Continued)**

**Public Safety Personnel Retirement System (PSPRS) (Continued)**

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

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

	Pension Expense
PSPRS Police	\$ 52,064
PSPRS Firefighters	162,332

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

<b>PSPRS - Police</b>	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 112,821
Changes of assumptions or other inputs	42,694	-
Net difference between projected and actual earnings on pension plan investments	-	22,966
Town contributions subsequent to the measurement date	39,657	-
Total	<u>\$ 82,351</u>	<u>\$ 135,787</u>

<b>PSPRS - Firefighters</b>	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions or other inputs	-	-
Net difference between projected and actual earnings on pension plan investments	-	5,027
Town contributions subsequent to the measurement date	20,000	-
Total	<u>\$ 20,000</u>	<u>\$ 5,027</u>

**TOWN OF CLIFTON, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**C. Retirement Plans (Continued)**

**Public Safety Personnel Retirement System (PSPRS) (Continued)**

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

Year Ending June 30,	PSPRS Police	PSPRS Firefighters
2016	\$ 13,891	\$ 1,257
2017	13,891	1,257
2018	13,891	1,257
2019	13,891	1,256
2020	8,036	-
Thereafter	29,493	-

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

Actuarial valuations involve estimates of the reported amounts' value and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plans and the annual required contributions are subject to continual revision as actual results are compared to past expectations and new estimates are made. The required schedule of funding progress for the health insurance premium benefit presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of the plans' assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**TOWN OF CLIFTON, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**C. Retirement Plans (Continued)**

**Public Safety Personnel Retirement System (PSPRS) (Continued)**

Projections of benefits are based on (1) the plans as understood by the Town and plans' members and include the types of benefits in force at the valuation date, and (2) the pattern of sharing benefit costs between the Town and plans' members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The significant actuarial methods and assumptions used are the same for all PSPRS plans and related benefits (unless noted), and the actuarial methods and assumptions used to establish the fiscal year 2015 contribution requirements, are as follows:

**PSPRS - OPEB Contribution Requirements**

Actuarial Valuation Date	June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent closed for underfunded actuarial accrued liability, open for excess
Remaining Amortization Period	23 years for unfunded actuarial accrued liability, 20 years for excess
Asset Valuation Method	7-year smoothed market value; 20% corridor
Actuarial Assumptions:	
Investment Rate of Return	7.85%
Projected Salary Increases	4.5% - 8.5%
Wage Growth	4.5%

**Agent Plan OPEB Trend Information** – The table below presents the annual OPEB cost information for the health insurance premium benefit for the current and 2 preceding years:

Year Ended June 30	Annual OPEB Cost	Percentage of Annual Cost Contributed	Net OPEB Obligation
PSPRS Police			
2015	\$ 2,191	100%	\$ -
2014	1,877	100%	-
2013	2,101	100%	-
PSPRS Firefighters			
2015	\$ -	-	\$ -
2014	618	100%	-
2013	609	100%	-

**TOWN OF CLIFTON, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**C. Retirement Plans (Continued)**

**Public Safety Personnel Retirement System (PSPRS) (Continued)**

**Agent Plan OPEB Funded Status** – The following table presents the funded status of the health insurance premium benefit plans as of the most recent valuation date, June 30, 2014, along with the actuarial assumptions and methods used.

<b>Agent OPEB Plan Funded Status</b>	<b>PSPRS Police</b>	<b>PSPRS Firefighters</b>
Actuarial Value of Assets (a)	\$ 47,138	\$ 13,606
Actuarial Accrued Liability (b)	4,366	10,381
Unfunded Actuarial Accrued Liability (Funding Excess) (b) - (a)	(42,772)	(3,225)
Funded Ratio (a) / (b)	1079.7%	131.1%
Annual Covered Payroll (c)	313,353	-
Unfunded Actuarial Accrued Liability (Funding Excess) as a Percentage of Covered Payroll (b) - (a) / (c)	-13.6%	0.0%

The funded status of the all the PSPRS health insurance premium benefit plans in the June 30, 2014 actuarial valuation was determined using the following actuarial methods and assumptions, applied to all periods included in the measurement:

**PSPRS - OPEB Funded Status**

Actuarial Valuation Date	June 30, 2014
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent closed for underfunded actuarial accrued liability, open for excess
Remaining Amortization Period	22 years for unfunded actuarial accrued liability, 20 years for excess
Asset Valuation Method	7-year smoothed market value; 20% corridor
Actuarial Assumptions:	
Investment Rate of Return	7.85%
Projected Salary Increases	4.0% - 8.0%
Wage Growth	4.0%

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**REQUIRED SUPPLEMENTARY INFORMATION  
OTHER THAN MD&A**

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**TOWN OF CLIFTON, ARIZONA  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
 COST-SHARING PENSION PLANS  
 JUNE 30, 2015**

**Arizona State Retirement System**

		Reporting Fiscal Year (Measurement Date)
		<u>2015</u> <u>(2014)</u>
Town's Proportion of the Net Pension Liability		0.007601%
Town's Proportionate Share of the Net Pension Liability	\$	1,124,630
Town's Covered-Employee Payroll	\$	651,743
Town's Proportionate Share of the Net Pension Liability as a Percentage of its Covered -Employee Payroll		172.56%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		69.49%

**TOWN OF CLIFTON, ARIZONA  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHANGES IN THE TOWN'S  
NET PENSION LIABILITY (ASSET) AND RELATED RATIOS  
AGENT PENSION PLANS  
JUNE 30, 2015**

**PSPRS Police**

	Reporting Fiscal Year (Measurement Date)
	<u>2015</u> <u>(2014)</u>
Total Pension Liability	
Service Cost	\$ 42,660
Interest on the Total Pension Liability	34,962
Changes of Benefit Terms	17,094
Differences Between Expected and Actual Experience in the Measurement of the Pension Liability	(125,329)
Changes of Assumptions or Other Inputs	47,618
Benefit Payments, Including Refunds of Employee Contributions	<u>(58,091)</u>
Net Change in Total Pension Liability	(41,086)
Total Pension Liability - Beginning	<u>453,094</u>
Total Pension Liability - Ending (a)	412,008
 Plan Fiduciary Net Position	
Contributions - Employer	35,445
Contributions - Employee	31,409
Net Investment Income	70,213
Benefit Payments, Including Refunds of Employee Contributions	(58,091)
Administrative Expenses	(565)
Other Changes	<u>(43,023)</u>
Net Change in Plan Fiduciary Net Position	35,388
Plan Fiduciary Net Position - Beginning	<u>518,906</u>
Plan Fiduciary Net Position - Ending (b)	<u>554,294</u>
 Town's Net Pension Liability (Asset) - Ending (a) - (b)	<u>\$ (142,286)</u>
 Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	134.53%
 Covered-employee Payroll	\$ 313,353
 Town's Net Pension Liability (Asset) as a Percentage of Covered- Employee Payroll	-45.41%

**TOWN OF CLIFTON, ARIZONA  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHANGES IN THE TOWN'S  
NET PENSION LIABILITY (ASSET) AND RELATED RATIOS  
AGENT PENSION PLANS  
JUNE 30, 2015**

**PSPRS Fire**

	Reporting Fiscal Year (Measurement Date)
	2015 (2014)
Total Pension Liability	
Service Cost	-
Interest on the Total Pension Liability	\$ 18,111
Changes of Benefit Terms	19,974
Differences Between Expected and Actual Experience in the Measurement of the Pension Liability	5,127
Changes of Assumptions or Other Inputs	129,044
Benefit Payments, Including Refunds of Employee Contributions	(29,265)
Net Change in Total Pension Liability	142,991
Total Pension Liability - Beginning	245,343
Total Pension Liability - Ending (a)	388,334
 Plan Fiduciary Net Position	
Contributions - Employer	2,000
Contributions - Employee	-
Net Investment Income	15,072
Benefit Payments, Including Refunds of Employee Contributions	(29,265)
Administrative Expenses	(121)
Other Changes	-
Net Change in Plan Fiduciary Net Position	(12,314)
Plan Fiduciary Net Position - Beginning	119,088
Plan Fiduciary Net Position - Ending (b)	106,774
 Town's Net Pension Liability (Asset) - Ending (a) - (b)	\$ 281,560
 Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	27.50%
 Covered-employee Payroll	-
 Town's Net Pension Liability (Asset) as a Percentage of Covered- Employee Payroll	0.00%

**TOWN OF CLIFTON, ARIZONA  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF TOWN PENSION CONTRIBUTIONS  
JUNE 30, 2015**

**Arizona State Retirement System**

	Reporting Fiscal Year	
	2015	2014
Statutorily Required Contribution	\$ 77,093	\$ 73,310
Town's Contribution in Relation to the Statutorily Required Contribution	77,093	73,310
Town's Contribution Deficiency (Excess)	\$ -	\$ -
Town's Covered-Employee Payroll	672,018	651,743
Town's Contributions as a Percentage of Covered-Employee Payroll	11.47%	11.25%

**PSPRS Police**

	Reporting Fiscal Year	
	2015	2014
Actuarially Determined Contribution	\$ 39,657	\$ 35,445
Town's Contribution in Relation to the Actuarially Determined Contribution	39,657	35,445
Town's Contribution Deficiency (Excess)	\$ -	\$ -
Town's Covered-Employee Payroll	335,187	313,353
Town's Contributions as a Percentage of Covered-Employee Payroll	11.83%	11.31%

**PSPRS Fire**

	Reporting Fiscal Year	
	2015	2014
Actuarially Determined Contribution	\$ -	\$ 4,171
Town's Contribution in Relation to the Actuarially Determined Contribution	20,000	2,171
Town's Contribution Deficiency (Excess)	\$ (20,000)	\$ 2,000
Town's Covered-Employee Payroll	-	-
Town's Contributions as a Percentage of Covered-Employee Payroll	0.00%	0.00%

**TOWN OF CLIFTON, ARIZONA  
 REQUIRED SUPPLEMENTARY INFORMATION  
 NOTES TO PENSION PLAN SCHEDULES  
 JUNE 30, 2015**

**NOTE 1 ACTUARIALLY DETERMINED CONTRIBUTION RATES**

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

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

**NOTE 2 INFORMATION PRIOR TO THE MEASUREMENT DATE**

Information prior to the measurement date (June 30, 2014) was not available.

**TOWN OF CLIFTON, ARIZONA  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF AGENT OPEB PLANS' FUNDING PROGRESS  
JUNE 30, 2015**

**Health Insurance Premium Benefits**

Actuarial Valuation Date June 30,	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL) (Funding Excess)	Funded Ratio	Annual Covered Payroll	UAAL (Funding Excess) as a Percentage of Covered Payroll
<b>PSPRS Police</b>						
2014	\$ 47,138	\$ 4,366	\$ (42,772)	1079.7%	\$ 313,353	-13.6%
2013	-	7,774	7,774	0.0	228,560	0.0
2012	-	7,774	7,774	0.0	304,069	0.0
<b>PSPRS Fire</b>						
2014	\$ 13,606	\$ 10,381	\$ (3,225)	131.1%	-	0.0%
2013	-	10,642	10,642	0.0	-	0.0
2012	-	10,787	10,787	0.0	-	0.0



**TOWN OF CLIFTON, ARIZONA  
REQUIRED SUPPLEMENTARY INFORMATION  
NOTE TO SCHEDULE OF AGENT OPEB PLANS' FUNDING PROGRESS  
JUNE 30, 2015**

**NOTE 1    FACTORS THAT AFFECT THE IDENTIFICATION OF TRENDS**

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

**TOWN OF CLIFTON, ARIZONA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**GENERAL FUND – BUDGETARY BASIS**  
**YEAR ENDED JUNE 30, 2015**

	Original and Final Budget	Actual	Variance with Final Budget
<b>Revenues</b>			
Taxes	\$ 972,326	\$ 1,097,732	\$ 125,406
Intergovernmental Revenue	985,509	1,001,467	15,958
Fines and Forfeitures	37,767	31,182	(6,585)
Licenses and Permits	90,066	29,246	(60,820)
Charges for Services	800	2,728	1,928
Rents and Royalties	36,600	18,000	(18,600)
Contributions and Donations	-	2,245	2,245
Investment Earnings	500	827	327
Other	10,300	24,834	14,534
Total Revenues	<u>2,133,868</u>	<u>2,208,261</u>	<u>74,393</u>
<b>Expenditures</b>			
<b>Current</b>			
General Government			
Administration	443,276	426,786	16,490
Mayor and Council	42,462	35,333	7,129
Waste/Sanitation	-	-	-
Magistrate	70,652	67,912	2,740
Chase Creek Building and Maintenance	-	7,695	(7,695)
Code Enforcement	101,426	49,300	52,126
Total General Government	<u>657,816</u>	<u>587,026</u>	<u>70,790</u>
Public Safety			
Police	635,009	556,290	78,719
Dispatch/Communication	202,825	187,372	15,453
Animal Control	56,758	50,864	5,894
Fire Department	94,415	129,747	(35,332)
Total Public Safety	<u>989,007</u>	<u>924,273</u>	<u>64,734</u>
Highways and Streets			
Public Works	756,782	719,518	37,264
Culture and Recreation			
Parks	316,742	254,929	61,813
Library	81,365	79,117	2,248
Visitor's Center	-	-	-
Total Culture and Recreation	<u>398,107</u>	<u>334,046</u>	<u>64,061</u>
Total Expenditures	<u>2,801,712</u>	<u>2,564,863</u>	<u>236,849</u>
Excess (Deficiency) of Revenues Over Expenditures	(667,844)	(356,602)	311,242
Other Financing Sources (Uses)			
Transfers Out	-	(34,074)	(34,074)
Total Other Financing Sources (Uses)	<u>-</u>	<u>(34,074)</u>	<u>(34,074)</u>
Net Change in Fund Balance	(667,844)	(390,676)	277,168
Fund Balance, Beginning of Year	760,787	2,095,913	1,335,126
Fund Balance, End of Year	<u>\$ 92,943</u>	<u>\$ 1,705,237</u>	<u>\$ 1,612,294</u>

See accompanying Notes to the Required Supplementary Information.

**TOWN OF CLIFTON, ARIZONA  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL  
HIGHWAY USERS REVENUE FUND  
YEAR ENDED JUNE 30, 2015**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenue			
Intergovernmental Revenue	\$ 308,685	\$ 354,713	\$ 46,028
Expenditures			
Current			
Highways and Streets	<u>498,685</u>	<u>238,539</u>	<u>260,146</u>
Excess (Deficiency) of Revenue Over Expenditures	(190,000)	116,174	306,174
Fund Balance - Beginning of Year	190,000	253,048	63,048
Fund Balance - End of Year	<u>\$ -</u>	<u>\$ 369,222</u>	<u>\$ 369,222</u>

*See accompanying Notes to the Required Supplementary Information.*

**TOWN OF CLIFTON, ARIZONA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**ARIZONA DEPARTMENT OF EMERGENCY MANAGEMENT FUND**  
**YEAR ENDED JUNE 30, 2015**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenue			
Intergovernmental Revenue	\$ 550,000	\$ 120,743	\$ (429,257)
Expenditures			
Current			
Highways and Streets	<u>550,000</u>	<u>120,743</u>	<u>429,257</u>
Excess (Deficiency) of Revenue Over Expenditures	-	-	-
Fund Balance - Beginning of Year	-	-	-
Fund Balance - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

*See accompanying Notes to the Required Supplementary Information.*

**TOWN OF CLIFTON, ARIZONA  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2015**

**NOTE 1 BASIS OF ACCOUNTING**

The accompanying Schedules of Revenue, Expenditures and Change in Fund Balance Budget and Actual are prepared on a modified accrual basis of accounting. See Note 2A for the process of how the Town adopts its budget.

**NOTE 2 BUDGETARY COMPARISON SCHEDULE RECONCILIATION**

For external reporting purposes, the General Fund includes revenues, expenditures, and fund balances of other internally maintained funds. The General Fund, however, is budgeted based on the internally maintained General Fund. Therefore the following reconciliation is necessary to reconcile the General Fund Budgetary Comparison Schedule to the Statement of Revenues, Expenditures and Changes in Fund Balance.

	General Fund				Fund Balance Beginning of Year	Fund Balance End of Year
	Total Revenues	Total Expenditures	Other Financing Sources/Uses	Change in Fund Balance		
Statement of Revenues, Expenditures, and Changes in Fund Balance	\$ 2,753,898	\$ 3,238,730	\$ (16,533)	\$ (501,365)	\$ 2,256,457	\$ 1,755,092
Adjustments	(545,637)	(673,867)	(17,541)	110,689	(160,544)	(49,855)
Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual	<u>\$ 2,208,261</u>	<u>\$ 2,564,863</u>	<u>\$ (34,074)</u>	<u>\$ (390,676)</u>	<u>\$ 2,095,913</u>	<u>\$ 1,705,237</u>