

TOWN OF CLIFTON, ARIZONA
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2014

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YEAR ENDED JUNE 30, 2014**

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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, 2014, 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, 2014, 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.

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 Police and Fire Schedules of Funding Progress on page 38, and budgetary comparison information on pages 39 through 40 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.



Phoenix, Arizona
September 16, 2014

REQUIRED SUPPLEMENTARY INFORMATION

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**TOWN OF CLIFTON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014**

We (the Town of Clifton, Arizona (Town)) are pleased to provide an overview of our financial activities for the fiscal year ended June 30, 2014. 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 \$5,751,612 (net position). Of this amount \$2,076,358 (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 \$2,539,872, a decrease of \$580,431 in comparison with the prior year.
- ◆ At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2,077,286 or 83% of total General Fund expenditures.
- ◆ General Fund revenues (on a budgetary basis) exceeded budgeted revenues by \$302,434 for fiscal year 2014. Additionally, budgetary basis expenditures were only 79% (\$523,883 (21%)) in savings) of the final budget in the General Fund.
- ◆ General Fund budgetary revenues exceeded budgetary expenditures by \$265,528 which represented a positive variance of \$826,317 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 and Highway Users Revenue 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, 2014**

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, 2014**

- ◆ *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 -37) 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 39 through 40. Additionally, governments are required to disclose certain information about employee pension funds. The Town has disclosed this information on page 38.

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, 2014 showing that assets exceeded liabilities by \$5,751,612.

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

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and Other Assets	\$ 2,762,075	\$ 2,799,074	\$ 6,382	\$ 7,461	\$ 2,768,457	\$ 2,806,535
Internal Balances	-	531,092	-	(531,092)	-	-
Capital Assets						
Non-depreciable	135,073	131,308	-	-	135,073	131,308
Depreciable	2,294,139	1,940,816	807,599	710,952	3,101,738	2,651,768
Total Assets	<u>5,191,287</u>	<u>5,402,290</u>	<u>813,981</u>	<u>187,321</u>	<u>6,005,268</u>	<u>5,589,611</u>
Other Liabilities	214,087	202,137	7,444	7,739	221,531	209,876
Non-current Liabilities:						
Due Within One Year	30,883	27,050	1,242	669	32,125	27,719
Total Liabilities	<u>244,970</u>	<u>229,187</u>	<u>8,686</u>	<u>8,408</u>	<u>253,656</u>	<u>237,595</u>
Net Position						
Investment in Capital Assets	2,429,212	2,072,124	807,599	710,952	3,236,811	2,783,076
Restricted	438,443	1,064,766	-	-	438,443	1,064,766
Unrestricted	2,078,662	2,036,213	(2,304)	(532,039)	2,076,358	1,504,174
Total Net Position	<u>\$ 4,946,317</u>	<u>\$ 5,173,103</u>	<u>\$ 805,295</u>	<u>\$ 178,913</u>	<u>\$ 5,751,612</u>	<u>\$ 5,352,016</u>

**TOWN OF CLIFTON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014**

The net position of the Town is \$5,751,612 in fiscal year 2014 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 (56%) 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 (\$2,076,358) 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	
	2014	2013	2014	2013	2014	2013
REVENUES						
Program Revenues						
Fees, Fines, and Charges for Services	\$ 312,805	\$ 329,862	\$ 101,803	\$ 101,323	\$ 414,608	\$ 431,185
Operating Grants and Contributions	590,730	486,595	-	-	590,730	486,595
Capital Grants and Contributions	105,749	41,649	124,085	-	229,834	41,649
General Revenues						
Local Taxes	854,601	690,696	-	-	854,601	690,696
Property Taxes	253,330	250,901	-	-	253,330	250,901
Franchise Taxes	80,950	69,308	-	-	80,950	69,308
State Shared Revenues	948,621	882,609	-	-	948,621	882,609
Investment Earnings	711	661	-	-	711	661
Total Revenues	3,147,497	2,752,281	225,888	101,323	3,373,385	2,853,604
EXPENSES						
General Government	899,232	836,655	-	-	899,232	836,655
Public Safety	1,044,132	936,656	-	-	1,044,132	936,656
Highways and Streets	693,711	483,112	-	-	693,711	483,112
Culture and Recreation	127,599	136,993	-	-	127,599	136,993
Sewer	-	-	209,115	146,297	209,115	146,297
Total Expenses	2,764,674	2,393,416	209,115	146,297	2,973,789	2,539,713
CHANGE IN NET POSITION BEFORE TRANSFERS						
	382,823	358,865	16,773	(44,974)	399,596	313,891
Transfers	(609,609)	-	609,609	-	-	-
CHANGE IN NET POSITION	(226,786)	358,865	626,382	(44,974)	399,596	313,891
Net Position - Beginning of Year	5,173,103	4,814,238	178,913	223,887	5,352,016	5,038,125
NET POSITION - END OF YEAR	\$ 4,946,317	\$ 5,173,103	\$ 805,295	\$ 178,913	\$ 5,751,612	\$ 5,352,016

**TOWN OF CLIFTON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014**

Governmental Activities – Governmental activities decreased the Town’s net position by \$226,786. Key factors contributing to the decrease include a transfer to the Business-Type Activities totaling \$609,609 which is partially offset by an increase in local sales tax and highway user revenues.

Business-Type Activities – Business-type activities increased the Town’s net position by \$626,382. This increase was attributable to a transfer from the governmental activities totaling \$609,609 to subsidize the current year operating loss and permanently transfer funds to cover previous years operating losses.

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 \$2,539,872, a decrease of \$580,431 in comparison with the prior year. Approximately 89% of this total amount, \$2,256,457 constitutes General Fund balance, which is available for contribution to the committed, assigned and unassigned fund balance. At fiscal year-end 2013-2014 fund balances were as follows:

**Table A-3
Fund Balances**

Fund	Balance	Increase (Decrease) From FY 2012-13
General Fund	\$ 2,256,457	\$ (451,360)
Highway Users Revenue Fund	253,048	(132,486)
Nonmajor Governmental Funds	30,367	3,415

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 \$2,256,457, while total fund balance reached \$2,539,872. 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 90% of total General Fund expenditures, while total fund balance represents 102% of that same amount. The fund balance of the General Fund decreased due to a transfer to the Sewer Fund to subsidize Sewer Fund operations.

The fund balance of the Highway Users Revenue Fund decreased by \$132,486 as a result of the Town incurring significant expenditures for a rehabilitation project in fiscal year 2014.

All nonmajor governmental funds of the Town are combined into one column on the governmental fund statements and the increase in fund balance of \$3,415 was not significant.

**TOWN OF CLIFTON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014**

BUDGETARY HIGHLIGHTS

The Town's annual budget is the legally adopted expenditure control document of the Town. Budgetary comparison statements are required for the General Fund and the Highway Users Revenue Fund and are found on pages 39 - 40. 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 \$2,259,752 on a budgetary basis, were greater than budgeted revenues of \$1,957,318 by \$302,434 while budgetary basis expenditures of \$1,994,224 were only 79.2% of budgeted expenditures (savings of \$523,883). The budget savings was primarily due to the Town experiencing a cost savings in the highways and street department 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, 2014 amounted to \$3,236,811 (net of accumulated depreciation), a net increase of 16.3%. 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 2014 the annual depreciation expense for governmental activities was \$230,898 and depreciation expense for business-type activities was \$27,438. Additions to governmental activities capital assets during the fiscal year totaled \$587,986. Additions to business type activities capital assets during the fiscal year totaled \$124,085. Major capital asset events during the current fiscal year included the following:

- ◆ Purchase and outfitting of two vehicles for the police department
- ◆ Resurfacing and rehabilitation of Chase Creek Street
- ◆ Purchase of dri-prime pump for the sewer department
- ◆ 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, 2014 and 2013.

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

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 102,865	\$ 102,865	\$ -	\$ -	\$ 102,865	\$ 102,865
Construction in Progress	32,208	28,443	-	-	32,208	28,443
Land Improvements	39,382	47,046	-	-	39,382	47,046
Building and Improvements	701,836	722,710	-	-	701,836	722,710
Infrastructure	709,109	391,327	-	-	709,109	391,327
Sewer System	-	-	795,278	701,016	795,278	701,016
Furniture, Equipment, and Vehicles	843,812	779,733	12,321	9,936	856,133	789,669
Total Capital Assets	\$ 2,429,212	\$ 2,072,124	\$ 807,599	\$ 710,952	\$ 3,236,811	\$ 2,783,076

**TOWN OF CLIFTON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014**

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, 2014**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash	\$ 2,530,431	\$ -	\$ 2,530,431
Receivables, Net:			
Accounts Receivable	22,536	6,382	28,918
Property Taxes Receivable	9,196	-	9,196
Intergovernmental Receivable	199,912	-	199,912
Capital Assets:			
Non-Depreciable	135,073	-	135,073
Depreciable	2,294,139	807,599	3,101,738
Total Assets	<u>5,191,287</u>	<u>813,981</u>	<u>6,005,268</u>
LIABILITIES			
Accounts Payable	14,253	925	15,178
Accrued Wages and Benefits	49,580	2,087	51,667
Intergovernmental Payable	16,017	360	16,377
Unearned Revenue	131,396	4,036	135,432
Customer Deposits Payable	2,841	36	2,877
Compensated Absences	30,883	1,242	32,125
Total Liabilities	<u>244,970</u>	<u>8,686</u>	<u>253,656</u>
NET POSITION			
Investment in Capital Assets	2,429,212	807,599	3,236,811
Restricted for:			
Highways and Streets	253,048	-	253,048
Culture and Recreation	15,795	-	15,795
Public Safety	164,610	-	164,610
Other Purposes	4,990	-	4,990
Unrestricted	2,078,662	(2,304)	2,076,358
Total Net Position	<u>\$ 4,946,317</u>	<u>\$ 805,295</u>	<u>\$ 5,751,612</u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF CLIFTON, ARIZONA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014**

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
Primary Government:							
Governmental Activities:							
General Government	\$ 899,232	\$ 279,438	\$ 4,790	\$ 3,240	\$ (611,764)		\$ (611,764)
Public Safety	1,044,132	5,374	186,792	-	(851,966)		(851,966)
Highways and Streets	693,711	-	369,319	33,076	(291,316)		(291,316)
Culture and Recreation	127,599	27,993	29,829	69,433	(344)		(344)
Total Governmental Activities	2,764,674	312,805	590,730	105,749	(1,755,390)		(1,755,390)
Business-Type Activities:							
Sewer	209,115	101,803	-	124,085		\$ 16,773	16,773
Total Business-Type Activities	209,115	101,803	-	124,085		16,773	16,773
Total Primary Government	\$ 2,973,789	\$ 414,608	\$ 590,730	\$ 229,834	(1,755,390)	16,773	(1,738,617)
General Revenues:							
Taxes:							
					854,601	-	854,601
					253,330	-	253,330
					80,950	-	80,950
					369,053	-	369,053
					288,199	-	288,199
					291,369	-	291,369
					711	-	711
					(609,609)	609,609	-
					1,528,604	609,609	2,138,213
					(226,786)	626,382	399,596
					5,173,103	178,913	5,352,016
					\$ 4,946,317	\$ 805,295	\$ 5,751,612

See accompanying Notes to Basic Financial Statements.

**TOWN OF CLIFTON, ARIZONA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014**

	<u>General Fund</u>	<u>Highway Users Revenue Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Totals</u>
Assets				
Cash	\$ 2,257,191	\$ 223,536	\$ 49,704	\$ 2,530,431
Receivables:				
Accounts Receivable, Net	22,536	-	-	22,536
Intergovernmental Receivable	156,830	34,575	8,507	199,912
Property Tax Receivable	9,196	-	-	9,196
Total Assets	<u>\$ 2,445,753</u>	<u>\$ 258,111</u>	<u>\$ 58,211</u>	<u>\$ 2,762,075</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances				
Liabilities				
Accounts Payable	\$ 12,866	\$ 1,387	\$ -	\$ 14,253
Accrued Wages and Benefits	46,018	3,144	418	49,580
Intergovernmental Payable	15,455	532	30	16,017
Unearned Revenue	104,000	-	27,396	131,396
Customer Deposits Payable	2,841	-	-	2,841
Total Liabilities	<u>181,180</u>	<u>5,063</u>	<u>27,844</u>	<u>214,087</u>
Deferred Inflows of Resources				
Unavailable Revenues	<u>8,116</u>	<u>-</u>	<u>-</u>	<u>8,116</u>
Fund Balances				
Restricted	155,028	253,048	30,367	438,443
Assigned	24,143	-	-	24,143
Unassigned	2,077,286	-	-	2,077,286
Total Fund Balances	<u>2,256,457</u>	<u>253,048</u>	<u>30,367</u>	<u>2,539,872</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 2,445,753</u>	<u>\$ 258,111</u>	<u>\$ 58,211</u>	<u>\$ 2,762,075</u>

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, 2014**

Total Fund Balances for Governmental Funds	\$ 2,539,872
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.	8,116
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.	
Governmental Capital Assets	3,966,217
Less Accumulated Depreciation	<u>(1,537,005)</u>
Capital Assets used in Governmental Activities	2,429,212
Long term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.	
Compensated Absences	<u>(30,883)</u>
Total Net Position of Governmental Activities	<u><u>\$ 4,946,317</u></u>

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, 2014

	<u>General Fund</u>	<u>Highway Users Revenue Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Totals</u>
Revenues				
Taxes				
Sales Taxes	\$ 854,601	\$ -	\$ -	\$ 854,601
Property Taxes	252,940	-	-	252,940
Franchise Taxes	80,950	-	-	80,950
Intergovernmental Revenue	979,068	362,472	119,215	1,460,755
Fines and Forfeitures	34,817	-	4,955	39,772
Licenses and Permits	6,757	-	-	6,757
Charges for Services	30,487	-	-	30,487
Rents and Royalties	226,235	-	-	226,235
Contributions and Donations	184,345	-	-	184,345
Investment Earnings	711	-	-	711
Other	9,554	-	-	9,554
Total Revenues	<u>2,660,465</u>	<u>362,472</u>	<u>124,170</u>	<u>3,147,107</u>
Expenditures				
Current:				
General Government	869,847	-	3,520	873,367
Public Safety	1,063,367	-	22,693	1,086,060
Highways and Streets	480,791	494,958	77,247	1,052,996
Culture and Recreation	84,211	-	21,295	105,506
Total Expenditures	<u>2,498,216</u>	<u>494,958</u>	<u>124,755</u>	<u>3,117,929</u>
Excess (Deficiency) of Revenues Over Expenditures	162,249	(132,486)	(585)	29,178
Other Financing Sources (Uses)				
Transfers In	-	-	4,000	4,000
Transfers Out	(613,609)	-	-	(613,609)
Total Other Financing Sources (Uses)	<u>(613,609)</u>	<u>-</u>	<u>4,000</u>	<u>(609,609)</u>
Net Change in Fund Balances	(451,360)	(132,486)	3,415	(580,431)
Fund Balances, Beginning of Year	2,707,817	385,534	26,952	3,120,303
Fund Balances, End of Year	<u>\$ 2,256,457</u>	<u>\$ 253,048</u>	<u>\$ 30,367</u>	<u>\$ 2,539,872</u>

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, 2014**

Net Change in Fund Balances-Total Governmental Funds \$ (580,431)

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	587,986
Less Current Year Depreciation	<u>(230,898)</u>
Excess Capital Expenditures Over Depreciation	357,088

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	390
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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	<u>(3,833)</u>
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Change in Net Position of Governmental Activities	<u><u>\$ (226,786)</u></u>
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**TOWN OF CLIFTON, ARIZONA
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2014**

	<u>Business-Type Activities Sewer Fund</u>
ASSETS	
Current Assets	
Receivables, Net:	
Accounts Receivable	\$ 6,382
Total Current Assets	<u>6,382</u>
Noncurrent Assets	
Capital Assets	
Depreciable (net)	807,599
Total Noncurrent Assets	<u>807,599</u>
Total Assets	813,981
LIABILITIES	
Current Liabilities	
Accounts Payable	925
Accrued Wages and Benefits	2,087
Intergovernmental Payable	360
Unearned Revenue	4,036
Customer Deposits Payable	36
Compensated Absences	1,242
Total Liabilities	<u>8,686</u>
NET POSITION	
Investment in Capital Assets	807,599
Unrestricted	(2,304)
Total Net Position	<u>\$ 805,295</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, 2014

	<u>Business-Type Activities Sewer Fund</u>
Operating Revenue	
Charges for Services	\$ 101,803
Operating Expenses	
Cost of Sales and Services	181,677
Depreciation	<u>27,438</u>
Total Operating Expenses	<u>209,115</u>
Operating Income (Loss)	(107,312)
Capital Contributions	124,085
Transfers In	<u>609,609</u>
Change in Net Position	626,382
Net Position:	
Beginning of Year	178,913
End of Year	<u><u>\$ 805,295</u></u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF CLIFTON, ARIZONA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2014**

	Business-Type Activities Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Customers	\$ 103,346
Payments to Suppliers	(118,555)
Payments to Employees	(63,308)
Net Cash Flows Used by Operating Activities	(78,517)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Cash Paid to Other Funds for Interfund Borrowing	(531,092)
Transfers from Other Funds	609,609
Net Cash Flows from Noncapital Financing Activities	78,517
NET CHANGE IN CASH AND CASH EQUIVALENTS	-
Cash and Cash Equivalents, Beginning of Year	-
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ -
RECONCILIATION OF OPERATING INCOME (LOSS) PROVIDED BY OPERATING ACTIVITIES	
Operating Income (Loss)	\$ (107,312)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (used by) Operating Activities:	
Depreciation	27,438
Change in Assets/Liabilities:	
Receivables, Net	1,079
Accounts Payable	(1,362)
Accrued Wages and Benefits	482
Intergovernmental Payable	121
Unearned Revenue	464
Compensated Absences	573
Net Cash Used by Operating Activities	\$ (78,517)

See accompanying Notes to Basic Financial Statements.

**TOWN OF CLIFTON, ARIZONA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2014**

	Pension Trust
ASSETS	
Current Assets:	
Cash	\$ 97,438
Receivables, Net	678
Total Current Assets	98,116
 Liabilities	
Current Liabilities:	
Due to Other Entities	6,953
Total Current Liabilities	6,953
 Net Position	
Held In Trust	\$ 91,163

See accompanying Notes to Basic Financial Statements.

**TOWN OF CLIFTON, ARIZONA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
YEAR ENDED JUNE 30, 2014**

	<u>Pension Trust</u>
Additions:	
Contributions:	
Employer	\$ 513
Employee	513
Total Contributions	1,026
Investment Earnings:	
Interest	47
Total Additions	1,073
Deductions:	
Benefits	614
Change in Net Position	459
Net Position, Beginning of Year	90,704
Net Position, End of Year	\$ 91,163

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, 2014

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.

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, 2014

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, 2014

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.

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, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, 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 \$3,485 in the General Fund and \$20,144 in the Sewer Fund. The Town includes all accounts outstanding greater than ninety days in its allowance for uncollectible accounts.

3. 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.

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.

TOWN OF CLIFTON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

4. Deferred Inflows of Resources

The balance sheet includes a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of fund balance that applies to future periods that will be recognized as revenue in future periods.

5. 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.

6. 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.

7. 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.

**TOWN OF CLIFTON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

7. Fund Balance Classifications (Continued)

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.

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.

**TOWN OF CLIFTON, ARIZONA
 NOTES TO BASIC FINANCIAL STATEMENTS
 JUNE 30, 2014**

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

A. Budgetary information (Continued)

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:

	Amount of Overexpenditure
General Fund:	
Waste/Sanitation	\$ 182

Cash was available to cover the overexpenditure.

**TOWN OF CLIFTON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 3 DETAILED NOTES ON ALL FUNDS

A. Assets

1. Cash

Cash at June 30, 2014 consists of the following:

Deposits:	
Cash in Bank	\$ 2,530,431
Certificates of Deposit	97,438
Total Deposits	2,627,869
Less: Fiduciary Funds	(97,438)
Total Cash - Statement of Net Position	\$ 2,530,431

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, 2014 was \$2,687,847 of which \$500,000 is covered by federal depository insurance and \$2,187,847 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, 2014

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	\$ 8,116	\$ -
Cash Payments not Meeting all Eligibility Requirements (Nonmajor Governmental Funds)	-	27,396
Cash Payments not Meeting all Eligibility Requirements (General Fund)	-	104,000
	\$ 8,116	\$ 131,396

3. Capital Assets

Capital asset activity for the year ended June 30, 2014 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 102,865	\$ -	\$ -	\$ 102,865
Construction in Progress	28,443	14,443	(10,678)	32,208
Total Capital Assets, Not Being Depreciated	131,308	14,443	(10,678)	135,073
Capital Assets, Being Depreciated:				
Land Improvements	173,277	-	-	173,277
Building and Improvements	999,061	-	-	999,061
Infrastructure	588,371	366,909	-	955,280
Furniture, Equipment, and Vehicles	1,499,714	217,312	(13,500)	1,703,526
Total Capital Assets, Being Depreciated	3,260,423	584,221	(13,500)	3,831,144
Accumulated Depreciation for:				
Land Improvements	(126,231)	(7,664)	-	(133,895)
Building and Improvements	(276,351)	(20,874)	-	(297,225)
Infrastructure	(197,044)	(49,127)	-	(246,171)
Furniture, Equipment, and Vehicles	(719,981)	(153,233)	13,500	(859,714)
Total Accumulated Depreciation	(1,319,607)	(230,898)	13,500	(1,537,005)
Total Capital Assets, Being Depreciated, Net	1,940,816	353,323	-	2,294,139
Governmental Activities Capital Assets, Net	\$ 2,072,124	\$ 367,766	\$ (10,678)	\$ 2,429,212

**TOWN OF CLIFTON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

3. Capital Assets (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
Capital Assets, Being Depreciated:				
Equipment	\$ 24,966	\$ -	\$ -	\$ 24,966
Sewer System	1,020,552	124,085	-	1,144,637
Total Capital Assets, Being Depreciated	1,045,518	124,085	-	1,169,603
Accumulated Depreciation for:				
Equipment	(10,148)	(2,497)	-	(12,645)
Sewer System	(324,418)	(24,941)	-	(349,359)
Total Accumulated Depreciation	(334,566)	(27,438)	-	(362,004)
Total Capital Assets, Being Depreciated, Net	710,952	96,647	-	807,599
Business-Type Activities Capital Assets, Net	<u>\$ 710,952</u>	<u>\$ 96,647</u>	<u>\$ -</u>	<u>\$ 807,599</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:

General Government	\$ 23,166
Public Safety	80,599
Highways and Streets	105,357
Culture and Recreation	21,776
Total Depreciation Expense	<u>\$ 230,898</u>

Business-Type Activities:

Sewer	<u>\$ 27,438</u>
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B. Interfund Transfers

Interfund transfers for the year ended June 30, 2014, were as follows:

Transfer From	Transfer In		
	Nonmajor Governmental Funds	Sewer Fund	Total
General Fund	<u>\$ 4,000</u>	<u>\$ 609,609</u>	<u>\$ 613,609</u>

Interfund transfers were made by the Town during the fiscal year to permanently transfer funds that had been borrowed by the Sewer Fund in prior years and to subsidize the current year operating loss. In addition, a \$4,000 transfer was made from the General Fund to the Nonmajor Funds to open a new fund during fiscal year 2014.

**TOWN OF CLIFTON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

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, 2014 are as follows:

	<u>July 1, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2014</u>	<u>Due Within One Year</u>
Governmental Activities					
Other Liabilities:					
Compensated Absences	\$ 27,050	\$ 34,993	\$ (31,160)	\$ 30,883	\$ 30,883
Governmental Activities Long-term Liabilities	<u>\$ 27,050</u>	<u>\$ 34,993</u>	<u>\$ (31,160)</u>	<u>\$ 30,883</u>	<u>\$ 30,883</u>
	<u>July 1, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2014</u>	<u>Due Within One Year</u>
Business-Type Activities					
Compensated Absences	\$ 669	\$ 573	\$ -	\$ 1,242	\$ 1,242
Business-Type Activities Long-Term Liabilities	<u>\$ 669</u>	<u>\$ 573</u>	<u>\$ -</u>	<u>\$ 1,242</u>	<u>\$ 1,242</u>

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 \$438,443, and represented \$253,048 for transportation, \$30,367 for grants and \$155,028 for public safety as stipulated by external resource providers.

Assigned:

At June 30, 2014, General Fund assigned fund balance totaled \$24,143. Town management assigned fund balance as follows:

<u>Assignment</u>	<u>Balance</u>
Abatement	\$ 13,391
Outreach	3,408
Festival of Lights	6,393
Magistrate	951
Total	<u>\$ 24,143</u>

TOWN OF CLIFTON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Fund Balance Classification of Governmental Funds (Continued)

Unassigned:

The unassigned fund balance in the General Fund is \$2,077,286.

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.

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.

TOWN OF CLIFTON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 4 OTHER INFORMATION (CONTINUED)

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, 2014, 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 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, 2014, the Town and firefighters were not required to make contributions; however, the Town contributed \$513 and the firefighters contributed \$513.

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.

**TOWN OF CLIFTON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 4 OTHER INFORMATION (CONTINUED)

C. Retirement Plans (Continued)

Arizona State Retirement System

Plan Descriptions – The Town contributes to a cost-sharing, multiple-employer defined benefit pension plan; a cost-sharing, multiple-employer defined benefit health care plan; and a cost-sharing, multiple-employer defined benefit long-term disability plan, all of which are administered by the Arizona State Retirement System. The Arizona State Retirement System (through its Retirement Fund) provides retirement (i.e., pension), death, and survivor benefits; the Health Benefit Supplement Fund provides health insurance premium benefits (i.e., a monthly subsidy); and the Long-Term Disability Fund provides long-term disability benefits. Benefits are established by state statute. The System is governed by the Arizona State Retirement System Board according to the provisions of A.R.S. Title 38, Chapter 5, Article 2.

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

Funding Policy – The Arizona State Legislature establishes and may amend active plan members’ and the Town’s contribution rates. For the fiscal year ended June 30, 2014 statute required active ASRS members to contribute at the actuarially determined rate of 11.54 percent (11.3 percent for retirement and 0.24 percent for long-term disability) of the members’ annual covered payroll, and statute required the Town to contribute at the actuarially determined rate of 11.54 percent (10.7 percent for retirement, 0.6 percent for health insurance premium benefit, and 0.24 percent for long-term disability) of the members’ annual covered payroll. The Town’s contributions to the System for the years ended June 30, 2014 and prior two fiscal years are as follows:

<u>Year Ended June 30,</u>	<u>Retirement Fund</u>	<u>Health Benefit Supplement Fund</u>	<u>Long-Term Disability Fund</u>
2014	\$ 76,024	\$ 4,263	\$ 1,705
2013	65,281	4,140	1,529
2012	54,983	3,510	1,337

TOWN OF CLIFTON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 4 OTHER INFORMATION (CONTINUED)

C. Retirement Plans (Continued)

Public Safety Personnel Retirement System (PSPRS)

Plan Description – The Town contributes to the Public Safety Personnel Retirement System (PSPRS), an agent multiple-employer, public employee retirement system that acts as a common investment and administrative agent to provide retirement and death and disability benefits for public safety personnel who are regularly assigned hazardous duty in the employ of the State of Arizona or a political subdivision thereof. All benefit provisions and other requirements are established by State statute. The Public Safety Personnel Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for PSPRS. That report may be obtained by writing to Public Safety Personnel, 3010 E. Camelback Road, Suite 200 Phoenix, AZ 85016 or by calling (602) 255-5575.

Funding Policy – Covered employees are required to contribute 7.65% of their annual salary to the PSPRS. The Town is required to contribute the remaining amounts necessary to fund the PSPRS, as determined by the actuarial basis specified by statute. The current rate is 11.68% for police and 0.0% for fire, of annual covered payroll (in addition, the health insurance subsidy was determined to be 0.56% and 0.00%) for police and fire, respectively.

Annual Pension Cost and Other Post Employment Benefit (OPEB) Obligations – During the year ended June 30, 2013 (the date of the latest available information), the Town of Clifton, Arizona's annual pension cost of \$35,217 for police and \$1,509 for fire was equal to the Town of Clifton, Arizona's required and actual contributions. OPEB costs (health insurance subsidy payments) were determined to be \$1,498 for police and \$609 for fire and were equal to the Town of Clifton, Arizona's required and actual contributions.

**TOWN OF CLIFTON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 4 OTHER INFORMATION (CONTINUED)

C. Retirement Plans (Continued)

Public Safety Personnel Retirement System (PSPRS) (Continued)

Annual pension and OPEB cost information for the three preceding years follows.

Three-Year Trend Information

Police

Fiscal Year Ended June 30,	Annual Pension Cost (APC)	Percent Contributed	Net Pension Obligation
2011	\$ 17,144	100.0 %	\$ -
2012	19,429	100.0	-
2013	35,217	100.0	-

Fiscal Year Ended June 30,	Annual OPEB Cost	Percent Contributed	Net Pension Obligation
2011	\$ 2,101	100.0 %	\$ -
2012	1,877	100.0	-
2013	1,498	100.0	-

Fire

Fiscal Year Ended June 30,	Annual Pension Cost (APC)	Percent Contributed	Net Pension Obligation
2011	\$ -	100.0 %	\$ -
2012	-	100.0	-
2013	1,509	100.0	-

Fiscal Year Ended June 30,	Annual OPEB Cost	Percent Contributed	Net Pension Obligation
2011	\$ -	100.0 %	\$ -
2012	-	100.0	-
2013	609	100.0	-

The required contribution was determined as part of the June 30, 2013 actuarial valuation using an entry age actuarial funding method. Significant actuarial assumptions used in determining the entry age actuarial accrued liability include (a) a rate of return on the investment of present and future assets of 7.85% per year compounded annually, (b) projected salary increases ranging from 4.5 - 8.5% (including inflation at 4.0%) per year compounded annually, and (c) additional projected salary increases of 3.0% to 4.0% per year attributable to seniority/merit.

TOWN OF CLIFTON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 4 OTHER INFORMATION (CONTINUED)

C. Retirement Plans (Continued)

Funding Status and Funding Progress – As of June 30, 2013, the plan was 137.8% funded for police and 60.3% funded for fire. For police, the actuarial accrued liability for benefits was \$453,094, and the actuarial value of assets was \$624,491, resulting in an overfunded actuarial accrued liability (UAAL) of \$171,397. For fire, the actuarial accrued liability was \$245,343, and the actuarial value of assets was \$147,953 resulting in an underfunded actuarial accrued liability (UAAL) of \$97,390. The covered payroll (annual payroll of active employees covered by the plan) was \$228,560 for police and \$0 for fire, and the ratio of the UAAL to the covered payroll was 75.0% for police and 0.00% for fire.

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The actuarial value of the Town of Clifton, Arizona's assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a four-year period. The Town of Clifton, Arizona's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2014, was 23 years.

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

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

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

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**TOWN OF CLIFTON, ARIZONA
CLIFTON POLICE AND FIRE
SCHEDULE OF FUNDING PROGRESS
JUNE 30, 2014**

Police - Retirement

Valuation Date June 30,	Actuarial Value of Assets	Entry Age Actuarial Accrued Liability (AAL)	Percent Funded	Over (Under) Funded AAL	Annual Covered Payroll	Over (Under) Funded AAL as a Percentage of Covered Payroll
2011	\$ 541,820	\$ 372,984	145.3 %	\$ 168,836	\$ 280,201	60.3 %
2012	585,778	440,714	132.9	145,064	304,069	47.7
2013	624,491	453,094	137.8	171,397	228,560	75.0

Police - Other Postemployment Benefit (Health Insurance Subsidy)

Valuation Date June 30,	Actuarial Value of Assets	Entry Age Actuarial Accrued Liability (AAL)	Percent Funded	Over (Under) Funded AAL	Annual Covered Payroll	Over (Under) Funded AAL as a Percentage of Covered Payroll
2011	\$ -	\$ 7,445	- %	\$ (7,445)	\$ 280,201	(2.7)%
2012	-	7,774	-	(7,774)	304,069	(2.6)
2013	-	7,642	-	(7,642)	228,560	(3.3)

Fire - Retirement

Valuation Date June 30,	Actuarial Value of Assets	Entry Age Actuarial Accrued Liability (AAL)	Percent Funded	Over (Under) Funded AAL	Annual Covered Payroll	Over (Under) Funded AAL as a Percentage of Covered Payroll
2011	\$ 201,491	\$ 227,888	88.4 %	\$ (26,397)	\$ -	- %
2012	175,920	248,681	70.7	(72,761)	-	-
2013	147,953	245,343	60.3	(97,390)	-	-

Fire - Other Postemployment Benefit (Health Insurance Subsidy)

Valuation Date June 30,	Actuarial Value of Assets	Entry Age Actuarial Accrued Liability (AAL)	Percent Funded	Over (Under) Funded AAL	Annual Covered Payroll	Over (Under) Funded AAL as a Percentage of Covered Payroll
2011	\$ -	\$ 10,660	- %	\$ (10,660)	\$ -	- %
2012	-	10,787	-	(10,787)	-	-
2013	-	10,642	-	(10,642)	-	-

TOWN OF CLIFTON, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND – BUDGETARY BASIS
YEAR ENDED JUNE 30, 2014

	Original and Final Budget	Actual	Variance with Final Budget
Revenues			
Taxes	\$ 952,856	\$ 1,188,491	\$ 235,635
Intergovernmental Revenue	924,662	979,068	54,406
Fines and Forfeitures	26,500	34,817	8,317
Licenses and Permits	6,300	6,757	457
Charges for Services	16,400	16,219	(181)
Rents and Royalties	21,600	24,130	2,530
Contributions and Donations	-	5	5
Investment Earnings	500	711	211
Other	8,500	9,554	1,054
Total Revenues	<u>1,957,318</u>	<u>2,259,752</u>	<u>302,434</u>
Expenditures			
Current			
General Government			
Administration	430,761	369,066	61,695
Mayor and Council	46,667	38,443	8,224
Waste/Sanitation	6,000	6,182	(182)
Magistrate	62,420	58,756	3,664
Chase Creek Building and Maintenance	31,222	-	31,222
Code Enforcement	108,143	54,566	53,577
Total General Government	<u>685,213</u>	<u>527,013</u>	<u>158,200</u>
Public Safety			
Police	625,496	623,240	2,256
Dispatch/Communication	207,073	176,218	30,855
Animal Control	54,843	48,731	6,112
Fire Department	68,086	58,741	9,345
Total Public Safety	<u>955,498</u>	<u>906,930</u>	<u>48,568</u>
Highways and Streets	795,865	480,791	315,074
Culture and Recreation	81,531	79,490	2,041
Total Expenditures	<u>2,518,107</u>	<u>1,994,224</u>	<u>523,883</u>
Excess (Deficiency) of Revenues Over Expenditures	(560,789)	265,528	826,317
Other Financing Sources (Uses)			
Transfers In	-	200	200
Transfers Out	-	(613,809)	(613,809)
Total Other Financing Sources (Uses)	<u>-</u>	<u>(613,609)</u>	<u>(613,609)</u>
Net Change in Fund Balance	(560,789)	(348,081)	212,708
Fund Balance, Beginning of Year	560,789	2,443,994	1,883,205
Fund Balance, End of Year	<u>\$ -</u>	<u>\$ 2,095,913</u>	<u>\$ 2,095,913</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, 2014

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenue			
Intergovernmental Revenue	\$ 292,334	\$ 362,472	\$ 70,138
Expenditures			
Current			
Highways and Streets	<u>641,125</u>	<u>494,958</u>	<u>146,167</u>
Excess (Deficiency) of Revenue Over Expenditures	(348,791)	(132,486)	216,305
Fund Balance, Beginning of Year	385,534	385,534	-
Fund Balance, End of Year	<u>\$ 36,743</u>	<u>\$ 253,048</u>	<u>\$ 216,305</u>

See accompanying Notes to the Required Supplementary Information.

**TOWN OF CLIFTON, ARIZONA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2014**

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					
	Total Revenues	Total Expenditures	Other Financing Sources/Uses	Change in Fund Balance	Fund Balance Beginning of Year	Fund Balance End of Year
Statement of Revenues, Expenditures, and Changes in Fund Balance	\$ 2,660,465	\$ 2,498,216	\$ (613,609)	\$ (451,360)	\$ 2,707,817	\$ 2,256,457
Adjustments	(400,713)	(503,992)	-	103,279	(263,823)	(160,544)
Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual	<u>\$ 2,259,752</u>	<u>\$ 1,994,224</u>	<u>\$ (613,609)</u>	<u>\$ (348,081)</u>	<u>\$ 2,443,994</u>	<u>\$ 2,095,913</u>