

**TOWN OF CLIFTON, ARIZONA**  
**FINANCIAL STATEMENTS AND**  
**SUPPLEMENTARY INFORMATION**  
**YEAR ENDED JUNE 30, 2011**

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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

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 (Town), as of and for the year ended June 30, 2011, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Clifton, Arizona, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison information for the General Fund and Highway Users Revenue Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Town implemented the provisions of the Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, for the year ended June 30, 2011, which represents a change in accounting principle.

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

The management's discussion and analysis on pages 3 - 9 and the Police and Fire Schedules of Funding Progress on page 40 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*LarsonAllen LLP*

**LarsonAllen LLP**

Mesa, Arizona  
September 29, 2011

## **REQUIRED SUPPLEMENTARY INFORMATION**

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**TOWN OF CLIFTON, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2011**

We (the Town of Clifton, Arizona (Town)) are pleased to provide an overview of our financial activities for the fiscal year ended June 30, 2011. 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 \$4,699,672 (net assets). Of this amount \$1,618,382 (unrestricted net assets) 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 \$2,395,871, an increase of \$128,700 in comparison with the prior year.
- ◆ At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2,095,150 or 118% of total General Fund expenditures.
- ◆ General Fund revenues (on a budgetary basis) exceeded budgeted revenues by \$145,619 for fiscal year 2011. Additionally, budgetary basis expenditures were only 81% (\$416,956 (19%) in savings) of the final budget in the General Fund.
- ◆ General Fund revenues exceeded expenditures by \$135,572; which represented a positive variance of \$562,575 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 assets presents information on all of the Town of Clifton, Arizona's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as useful indicators of whether the financial position of the Town of Clifton, Arizona is improving or deteriorating.

**TOWN OF CLIFTON, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2011**

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Town of 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 - 17 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, of 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 18 - 20 of this report.

**TOWN OF CLIFTON, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2011**

- ◆ *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 21 - 22 of this report.

**Notes to Basic Financial Statements**

The notes to basic financial statements (pages 23 - 39) 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 the basic financial statements. Additionally, governments are required to disclose certain information about employee pension funds. The Town has disclosed this information on page 40.

**Government-Wide Financial Analysis**

Net assets may serve over time as useful indicators of a government's financial position. The following table reflects the condensed Statement of Net Assets of the Town for June 30, 2011 showing that assets exceeded liabilities by \$4,699,672.

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

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and Other Assets	\$ 2,012,227	\$ 1,908,851	\$ 25,553	\$ 23,639	\$ 2,037,780	\$ 1,932,490
Internal Balances	528,646	544,378	(528,646)	(544,378)	-	-
Capital Assets						
Non-depreciable	102,865	102,865	-	-	102,865	102,865
Depreciable	1,958,814	1,864,507	759,724	784,110	2,718,538	2,648,617
Total Assets	<u>4,602,552</u>	<u>4,420,601</u>	<u>256,631</u>	<u>263,371</u>	<u>4,859,183</u>	<u>4,683,972</u>
Other Liabilities	139,261	180,872	3,273	1,901	142,534	182,773
Non-current Liabilities:						
Due Within One Year	15,100	12,622	1,877	108	16,977	12,730
Total Liabilities	<u>154,361</u>	<u>193,494</u>	<u>5,150</u>	<u>2,009</u>	<u>159,511</u>	<u>195,503</u>
Net Assets:						
Invested in Capital Assets, Net of Related Debt	2,061,679	1,967,372	759,724	784,110	2,821,403	2,751,482
Restricted	259,887	286,739	-	-	259,887	286,739
Unrestricted	2,126,625	1,972,996	(508,243)	(522,748)	1,618,382	1,450,248
Total Net Assets	<u>\$ 4,448,191</u>	<u>\$ 4,227,107</u>	<u>\$ 251,481</u>	<u>\$ 261,362</u>	<u>\$ 4,699,672</u>	<u>\$ 4,488,469</u>

**TOWN OF CLIFTON, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2011**

The net assets of the Town are \$4,699,672 in fiscal year 2011 in the governmental and business-type activities.

Net assets consist of three components. The largest portion of the Town of Clifton, Arizona's net assets (61%) 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 assets (6%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$1,618,382) 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 assets for the government as a whole.

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

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
<b>REVENUES</b>						
Program Revenues:						
Fees, Fines, and Charges for Services	\$ 340,043	\$ 225,066	\$ 88,668	\$ 79,872	\$ 428,711	\$ 304,938
Operating Grants and Contributions	317,195	267,439	-	-	317,195	267,439
Capital Grants and Contributions	298,403	-	-	-	298,403	-
General Revenues:						
Local Taxes	509,914	404,779	-	-	509,914	404,779
Property Taxes	184,078	229,535	-	-	184,078	229,535
Franchise Taxes	69,750	77,442	-	-	69,750	77,442
State Shared Revenues	685,289	759,656	-	-	685,289	759,656
Investment Earnings	18,010	18,464	-	-	18,010	18,464
Gain (Loss) on Disposal of Capital Assets	190	-	-	-	190	-
Total Revenues	2,422,872	1,982,381	88,668	79,872	2,511,540	2,062,253
<b>EXPENSES</b>						
General Government	600,480	789,869	-	-	600,480	789,869
Public Safety	800,633	816,782	-	-	800,633	816,782
Highways and Streets	695,726	194,399	-	-	695,726	194,399
Culture and Recreation	104,949	98,328	-	-	104,949	98,328
Sewer	-	-	98,549	90,049	98,549	90,049
Total Expenses	2,201,788	1,899,378	98,549	90,049	2,300,337	1,989,427
<b>CHANGE IN NET ASSETS BEFORE TRANSFERS</b>						
	221,084	83,003	(9,881)	(10,177)	211,203	72,826
Transfers	-	(20,510)	-	20,510	-	-
<b>CHANGE IN NET ASSETS</b>	221,084	62,493	(9,881)	10,333	211,203	72,826
Net Assets - Beginning of Year	4,227,107	4,164,614	261,362	251,029	4,488,469	4,415,643
<b>NET ASSETS - END OF YEAR</b>	\$ 4,448,191	\$ 4,227,107	\$ 251,481	\$ 261,362	\$ 4,699,672	\$ 4,488,469

**TOWN OF CLIFTON, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2011**

*Governmental Activities* – Governmental activities increased the Town’s net assets by \$221,084. Key factors contributing to the increase include capital expenditures exceeding current year depreciation expense. Expenses remained relatively stable.

*Business-Type Activities* – Business-type activities decreased the Town’s net assets by \$9,881. This decrease was not significant.

**FINANCIAL ANALYSIS OF THE TOWN’S FUNDS**

The focus of the Town’s governmental funds is to provide information on near-term inflows, outflows, and balances of resources that are available for spending. Such information is useful in assessing the Town’s financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year. Types of Governmental funds reported by the Town 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 \$2,395,871, an increase of \$128,700 in comparison with the prior year. Approximately 89% of this total amount, \$2,135,984, constitutes General Fund balance, which is available for contribution to the committed, assigned and unassigned fund balance. At fiscal year-end 2010-2011 fund balances were as follows:

**Table A-3  
Fund Balances**

Fund	Balance	Increase (Decrease) From FY 2009-10
General Fund	\$ 2,135,984	\$ 163,231
Highway Users Revenue Fund	234,717	(11,167)
Nonmajor Governmental Funds	25,170	(23,364)

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 \$2,135,984, while total fund balance reached \$2,395,871. As a measure of the General Fund’s liquidity, it may be useful to compare both General Fund fund balance and total fund balance to total fund expenditures. General Fund fund balance represents 120% of total General Fund expenditures, while total fund balance represents 135% of that same amount. The fund balance of the General Fund increased due to an increase in RV Park rental income.

The fund balance of the Highway Users Revenue Fund decreased by \$11,167 due to increased road projects during the fiscal year.

All nonmajor governmental funds of the Town are combined into one column on the governmental fund statements and the decrease in fund balance of \$23,364 was due to a transfer to the General Fund to reimburse for grant expenditures.

**TOWN OF CLIFTON, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2011**

**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 16 - 17. 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 \$1,909,048, on a budgetary basis, were greater than budgeted revenues of \$1,763,469 by \$145,619 while budgetary basis expenditures of \$1,773,476 were only 81% of budgeted expenditures (savings of \$416,956). The budget savings was primarily due to the Town cutting expenditures in all departments.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

The Town's capital assets for its governmental and business-type activities as of June 30, 2011 amounted to \$2,821,403 (net of accumulated depreciation), a net increase of 2.5%. 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 2011 the annual depreciation expense for governmental activities was \$146,757 and depreciation expense for business-type activities was \$24,386. Additions to governmental activities capital assets during the fiscal year totaled \$241,424. There were no additions to business-type activities capital assets during the fiscal year.

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

- ◆ Purchase of solar panels
- ◆ Purchase of various equipment items
- ◆ Purchase of a dozer and flatbed

The following table provides a breakdown of the capital assets of the Town at June 30, 2011 and 2010.

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

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$ 102,865	\$ 102,865	\$ -	\$ -	\$ 102,865	\$ 102,865
Land Improvements	62,374	70,038	-	-	62,374	70,038
Building and Improvements	712,154	698,321	-	-	712,154	698,321
Infrastructure	456,723	449,793	-	-	456,723	449,793
Sewer System	-	-	742,544	763,308	742,544	763,308
Furniture, Equipment, and Vehicles	727,563	646,355	17,180	20,802	744,743	667,157
<b>Total Capital Assets</b>	<b>\$ 2,061,679</b>	<b>\$ 1,967,372</b>	<b>\$ 759,724</b>	<b>\$ 784,110</b>	<b>\$ 2,821,403</b>	<b>\$ 2,751,482</b>

**TOWN OF CLIFTON, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2011**

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

- ◆ No significant changes in revenues are expected.
- ◆ Unfilled positions will not be replaced immediately or will be replaced with part-time employees as a cost savings mechanism in the event of emergency expenditures or revenue shortfalls.

**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**

**TOWN OF CLIFTON, ARIZONA  
STATEMENT OF NET ASSETS  
JUNE 30, 2011**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash	\$ 1,749,644	\$ -	\$ 1,749,644
Receivables, Net:			
Accounts Receivable	52,760	25,553	78,313
Property Taxes Receivable	7,709	-	7,709
Intergovernmental Receivable	202,114	-	202,114
Internal Balances	528,646	(528,646)	-
Capital Assets:			
Non-Depreciable	102,865	-	102,865
Depreciable	1,958,814	759,724	2,718,538
Total Assets	<u>4,602,552</u>	<u>256,631</u>	<u>4,859,183</u>
<b>LIABILITIES</b>			
Accounts Payable	56,479	2,136	58,615
Accrued Wages and Benefits	37,089	1,101	38,190
Customer Deposits Payable	641	36	677
Intergovernmental Payable	10,052	-	10,052
Unearned Revenue	35,000	-	35,000
Compensated Absences	15,100	1,877	16,977
Total Liabilities	<u>154,361</u>	<u>5,150</u>	<u>159,511</u>
<b>NET ASSETS</b>			
Invested in Capital Assets	2,061,679	759,724	2,821,403
Restricted for:			
Highways and Streets	239,095	-	239,095
Culture and Recreation	15,000	-	15,000
Public Safety	1,601	-	1,601
Other Purposes	4,191	-	4,191
Unrestricted	2,126,625	(508,243)	1,618,382
Total Net Assets	<u>\$ 4,448,191</u>	<u>\$ 251,481</u>	<u>\$ 4,699,672</u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF CLIFTON, ARIZONA  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2011**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		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	\$ 600,480	\$ 307,506	\$ 19,893	\$ 133,858	\$ (139,223)		\$ (139,223)
Public Safety	800,633	4,822	33,778	-	(762,033)		(762,033)
Highways and Streets	695,726	-	237,925	164,545	(293,256)		(293,256)
Culture and Recreation	104,949	27,715	25,599	-	(51,635)		(51,635)
Total Governmental Activities	2,201,788	340,043	317,195	298,403	(1,246,147)		(1,246,147)
Business-Type Activities:							
Sewer	98,549	88,668	-	-		\$ (9,881)	(9,881)
Total Business-Type Activities	98,549	88,668	-	-		(9,881)	(9,881)
Total Primary Government	\$ 2,300,337	\$ 428,711	\$ 317,195	\$ 298,403	(1,246,147)	(9,881)	(1,256,028)
General Revenues:							
Taxes:							
Sales Taxes					509,914	-	509,914
Property Taxes					184,078	-	184,078
Franchise Taxes					69,750	-	69,750
State Revenue Sharing					252,676	-	252,676
State Sales Tax Revenue Sharing					203,336	-	203,336
Auto Lieu Tax Revenue Sharing					229,277	-	229,277
Investment Earnings					18,010	-	18,010
Gain on Disposal of Capital Assets					190	-	190
Total General Revenues					1,467,231	-	1,467,231
Change in Net Assets					221,084	(9,881)	211,203
Net Assets - Beginning of Year					4,227,107	261,362	4,488,469
Net Assets - End of Year					\$ 4,448,191	\$ 251,481	\$ 4,699,672

See accompanying Notes to Basic Financial Statements.

**TOWN OF CLIFTON, ARIZONA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2011**

	<u>General Fund</u>	<u>Highway Users Revenue Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Totals</u>
<b>Assets</b>				
Cash	\$ 1,519,903	\$ 216,243	\$ 13,498	\$ 1,749,644
Receivables:				
Accounts Receivable, Net	52,666	-	94	52,760
Intergovernmental Receivable	113,786	24,180	64,148	202,114
Property Tax Receivable	7,709	-	-	7,709
Advance to Other Funds	528,646	-	-	528,646
<b>Total Assets</b>	<b><u>\$ 2,222,710</u></b>	<b><u>\$ 240,423</u></b>	<b><u>\$ 77,740</u></b>	<b><u>\$ 2,540,873</u></b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts Payable	\$ 39,131	\$ 2,806	\$ 14,542	\$ 56,479
Accrued Wages and Benefits	31,161	2,900	3,028	37,089
Intergovernmental Payable	10,052	-	-	10,052
Deferred Revenue	5,741	-	-	5,741
Unearned Revenue	-	-	35,000	35,000
Customer Deposits Payable	641	-	-	641
<b>Total Liabilities</b>	<b><u>86,726</u></b>	<b><u>5,706</u></b>	<b><u>52,570</u></b>	<b><u>145,002</u></b>
<b>Fund Balances:</b>				
Restricted	-	234,717	25,170	259,887
Assigned	40,834	-	-	40,834
Unassigned	2,095,150	-	-	2,095,150
<b>Total Fund Balances</b>	<b><u>2,135,984</u></b>	<b><u>234,717</u></b>	<b><u>25,170</u></b>	<b><u>2,395,871</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 2,222,710</u></b>	<b><u>\$ 240,423</u></b>	<b><u>\$ 77,740</u></b>	<b><u>\$ 2,540,873</u></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 ASSETS  
JUNE 30, 2011**

Total Fund Balances for Governmental Funds	\$ 2,395,871
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 deferred in the governmental funds.	5,741
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.	
Governmental Capital Assets	3,044,499
Less Accumulated Depreciation	(982,820)
Capital Assets used in Governmental Activities	2,061,679
Long term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds.	
Compensated Absences	(15,100)
Total Net Assets of Governmental Activities	\$ 4,448,191

See accompanying Notes to Basic Financial Statements.

**TOWN OF CLIFTON, ARIZONA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2011**

	<u>General Fund</u>	<u>Highway Users Revenue Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Totals</u>
Revenue:				
Taxes:				
Sales Taxes	\$ 509,914	\$ -	\$ -	\$ 509,914
Property Taxes	183,523	-	-	183,523
Franchise Taxes	69,750	-	-	69,750
Intergovernmental Revenue	784,468	226,847	211,167	1,222,482
Fines and Forfeitures	19,195	-	65	19,260
Licenses and Permits	6,837	-	-	6,837
Charges for Services	107,394	-	-	107,394
Rents and Royalties	184,737	-	-	184,737
Contributions and Donations	3,009	-	75,000	78,009
Investment Earnings	18,010	-	-	18,010
Other	22,211	-	-	22,211
Total Revenue	<u>1,909,048</u>	<u>226,847</u>	<u>286,232</u>	<u>2,422,127</u>
Expenditures:				
Current:				
General Government	623,101	-	139,387	762,488
Public Safety	694,785	-	48,248	743,033
Highways and Streets	394,510	238,014	70,339	702,863
Culture and Recreation	61,080	-	24,513	85,593
Total Expenditures	<u>1,773,476</u>	<u>238,014</u>	<u>282,487</u>	<u>2,293,977</u>
Excess (Deficiency) of Revenue Over Expenditures	135,572	(11,167)	3,745	128,150
Other Financing Sources (Uses):				
Transfers In	27,109	-	-	27,109
Transfers Out	-	-	(27,109)	(27,109)
Proceeds from Sale of Capital Assets	550	-	-	550
Total Other Financing Sources (Uses)	<u>27,659</u>	<u>-</u>	<u>(27,109)</u>	<u>550</u>
Net Change in Fund Balance	163,231	(11,167)	(23,364)	128,700
Fund Balance, Beginning of Year, Restated	<u>1,972,753</u>	<u>245,884</u>	<u>48,534</u>	<u>2,267,171</u>
Fund Balance, End of Year	<u>\$ 2,135,984</u>	<u>\$ 234,717</u>	<u>\$ 25,170</u>	<u>\$ 2,395,871</u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF CLIFTON, ARIZONA  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2011**

Net Change in Fund Balances-Total Governmental Funds \$ 128,700

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	241,424
Less Current Year Depreciation	<u>(146,757)</u>
Excess Capital Expenditures Over Depreciation	<u>94,667</u>

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 assets differs from the change in fund balance by the cost of the capital assets sold. (360)

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	555
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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>(2,478)</u>
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Change in Net Assets of Governmental Activities	<u><u>\$ 221,084</u></u>
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**TOWN OF CLIFTON, ARIZONA**  
**STATEMENT OF REVENUE, EXPENDITURES, AND CHANGE IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**GENERAL FUND**  
**YEAR ENDED JUNE 30, 2011**

	Original and Final Budget	Actual	Variance with Final Budget
Revenue:			
Taxes	\$ 770,008	\$ 763,187	\$ (6,821)
Intergovernmental Revenue	725,154	784,468	59,314
Fines and Forfeitures	13,800	19,195	5,395
Licenses and Permits	11,550	6,837	(4,713)
Charges for Services	127,500	107,394	(20,106)
Rents and Royalties	88,000	184,737	96,737
Contributions and Donations	-	3,009	3,009
Investment Earnings	13,668	18,010	4,342
Other	13,749	22,211	8,462
Total Revenue	<u>1,763,429</u>	<u>1,909,048</u>	<u>145,619</u>
Expenditures:			
Current:			
General Government:			
Administration	338,491	333,511	4,980
Waste/Sanitation	85,835	91,288	(5,453)
Magistrate	69,962	67,926	2,036
Chase Creek Building and Maintenance	32,803	8,362	24,441
Code Enforcement	61,722	31,539	30,183
RV Park	86,185	90,475	(4,290)
Total General Government	<u>674,998</u>	<u>623,101</u>	<u>51,897</u>
Public Safety:			
Police	466,597	456,919	9,678
Dispatch/Communication	180,166	161,218	18,948
Animal Control	49,571	47,136	2,435
Fire Department	75,732	29,512	46,220
Total Public Safety	<u>772,066</u>	<u>694,785</u>	<u>77,281</u>
Highways and Streets:	675,766	394,510	281,256
Culture and Recreation:			
Library	61,602	56,148	5,454
Festival of Lights	6,000	4,932	1,068
Total Culture and Recreation	<u>67,602</u>	<u>61,080</u>	<u>6,522</u>
Total Expenditures	<u>2,190,432</u>	<u>1,773,476</u>	<u>416,956</u>
Excess (Deficiency) of Revenue Over Expenditures	(427,003)	135,572	562,575
Other Financing Sources (Uses):			
Transfers In	-	27,109	27,109
Proceeds from Sale of Capital Assets	-	550	550
Total Other Financing Sources (Uses)	<u>-</u>	<u>27,659</u>	<u>27,659</u>
Net Change in Fund Balance	(427,003)	163,231	590,234
Fund Balance, Beginning of Year, Restated	371,173	1,972,753	1,601,580
Fund Balance, End of Year	<u>\$ (55,830)</u>	<u>\$ 2,135,984</u>	<u>\$ 2,191,814</u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF CLIFTON, ARIZONA**  
**STATEMENT OF REVENUE, EXPENDITURES, AND CHANGE IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**HIGHWAY USERS REVENUE FUND**  
**YEAR ENDED JUNE 30, 2011**

	Original and Final Budget	Actual	Variance with Final Budget
Revenue:			
Intergovernmental Revenue	\$ 232,245	\$ 226,847	\$ (5,398)
Expenditures:			
Current:			
Highways and Streets	509,245	238,014	271,231
Excess (Deficiency) of Revenue Over Expenditures	(277,000)	(11,167)	265,833
Fund Balance, Beginning of Year	277,000	245,884	(31,116)
Fund Balance, End of Year	\$ -	\$ 234,717	\$ 234,717

See accompanying Notes to Basic Financial Statements.

**TOWN OF CLIFTON, ARIZONA  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2011**

	<u>Business-Type Activities Sewer Fund</u>
<b>ASSETS</b>	
Current Assets:	
Receivables, Net:	
Accounts Receivable	\$ 25,553
Total Current Assets	<u>25,553</u>
Noncurrent Assets:	
Capital Assets:	
Depreciable (net)	759,724
Total Noncurrent Assets	<u>759,724</u>
Total Assets	785,277
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts Payable	2,136
Accrued Wages and Benefits	1,101
Customer Deposits Payable	36
Advance from Other Funds	528,646
Compensated Absences	1,877
Total Liabilities	<u>533,796</u>
<b>NET ASSETS</b>	
Invested in Capital Assets	759,724
Unrestricted	(508,243)
Total Net Assets	<u>\$ 251,481</u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF CLIFTON, ARIZONA  
STATEMENT OF REVENUE, EXPENSES, AND CHANGE IN NET ASSETS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2011**

	Business-Type Activities Sewer Fund
Operating Revenue:	
Charges for Services	\$ 88,668
Operating Expenses:	
Cost of Sales and Services	74,163
Depreciation	24,386
Total Operating Expenses	98,549
Change in Net Assets	(9,881)
Net Assets:	
Beginning of Year	261,362
End of Year	\$ 251,481

See accompanying Notes to Basic Financial Statements.

**TOWN OF CLIFTON, ARIZONA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2011**

	Business-Type Activities Sewer Fund
	Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from Customers	\$ 86,754
Payments to Suppliers	(31,143)
Payments to Employees	(39,879)
Net Cash Flows from Operating Activities	15,732
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Cash Received From Other Funds for Interfund Borrowing	(15,732)
Net Cash Flows from Noncapital Financing Activities	(15,732)
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	-
Cash and Cash Equivalents, Beginning of Year	-
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	\$ -
<b>RECONCILIATION OF OPERATING INCOME (LOSS) PROVIDED BY OPERATING ACTIVITIES</b>	
Operating Income (Loss)	\$ (9,881)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (used by) Operating Activities:	
Depreciation	24,386
Change in Assets/Liabilities:	
Receivables, Net	(1,914)
Accounts Payable	1,358
Accrued Wages and Benefits	91
Compensated Absences	1,769
Customer Deposits Payable	(77)
Net Cash from Operating Activities	\$ 15,732

See accompanying Notes to Basic Financial Statements.

**TOWN OF CLIFTON, ARIZONA  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2011**

	<u>Pension Trust</u>
<b>ASSETS</b>	
Current Assets:	
Cash	\$ 92,009
Receivables, Net	<u>1,465</u>
Total Current Assets	<u>93,474</u>
<b>Liabilities</b>	
Current Liabilities:	
Due to Other Entities	<u>4,838</u>
Total Current Liabilities	<u>4,838</u>
<b>NET ASSETS</b>	
Held In Trust	<u><u>\$ 88,636</u></u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF CLIFTON, ARIZONA  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
YEAR ENDED JUNE 30, 2011**

	<u>Pension Trust</u>
Additions:	
Contributions:	
Employer	\$ 1,000
Employee	334
State	28
Total Contributions	1,362
Investment Earnings:	
Interest	460
Total Additions	1,822
Deductions:	
Benefits	1,702
Change in Net Assets	120
Net Assets, Beginning of Year	88,516
Net Assets, End of Year	\$ 88,636

See accompanying Notes to Basic Financial Statements.

## **NOTES TO BASIC FINANCIAL STATEMENTS**

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**TOWN OF CLIFTON, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**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.

For the year ended June 30, 2011, the Town implemented the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. GASB Statement No. 54 establishes standards for financial reporting, including note disclosure requirements, for fund balance classifications of the governmental funds and clarifies existing governmental fund type definitions.

**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 assets 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, 2011**

**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, 2011**

**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) 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 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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for the business-type activities and enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

**TOWN OF CLIFTON, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

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

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

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.

**D. Assets, Liabilities, and Net Assets 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 uncollectibles of \$4,097 in the General Fund and \$2,466 in the Sewer Fund.

**TOWN OF CLIFTON, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

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

**D. Assets, Liabilities, and Net Assets or Equity (Continued)**

**3. Short-Term Interfund Receivables/Payables**

During the course of operations, individual funds within the Town's pooled cash accounts may borrow money from the other funds within the pool on a short-term basis. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet of the fund financial statements and are eliminated in the preparation of the government-wide 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 \$1,000 and an estimated useful life in excess of one year.

Property, plant and equipment purchased or acquired is carried at historical 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.

**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.

**TOWN OF CLIFTON, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

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

**D. Assets, Liabilities, and Net Assets or Equity (Continued)**

**6. Net Assets**

In the government-wide financial statements, net assets are reported in three categories: net assets invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. Net assets invested in capital assets, net of related debt is separately reported because the Town reports all Town assets which make up a significant portion of total net assets. Restricted net assets account for the portion of net assets restricted by parties outside the Town. Unrestricted net assets are the remaining net assets 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.

The unrestricted fund balance category is comprised of committed, assigned, and unassigned resources. Committed fund balances are self-imposed limitations approved by the Town's Council, which is the highest level of decision-making authority within the Town. Only the Town Council can remove or change the constraints placed on committed fund balances.

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, 2011**

**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. Prior to the third Monday in August, the expenditure limitation for the Town is legally enacted through passage of an ordinance. To ensure compliance with the expenditure limitation, a uniform expenditure report must be filed with the State each year. This report, issued under a separate cover, reconciles total Town expenditures from the audited basic financial statements to total expenditures for reporting in accordance with the State's uniform expenditure reporting system (A.R.S. §41-1279.07).
4. 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.
5. 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.

**TOWN OF CLIFTON, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE 3 DETAILED NOTES ON ALL FUNDS**

**A. Assets**

**1. Cash**

Cash at June 30, 2011 consists of the following:

Deposits:	
Cash in Bank	\$ 1,749,644
Certificates of Deposit	92,009
Total Deposits	1,841,653
Less: Fiduciary Funds	(92,009)
Total Cash	\$ 1,749,644

*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, 2011 was \$2,001,890 of which \$975,536 is covered by federal depository insurance through the Transaction Account Guarantee Program and \$1,026,354 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 deferred revenues.

**TOWN OF CLIFTON, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

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

**A. Assets (Continued)**

**2. Receivables (Continued)**

Governmental funds report deferred 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 deferred revenue and unearned revenue reported in the governmental funds were as follow:

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent Property Taxes Receivable General Fund	\$ 5,741	\$ -
Cash Payments not Meeting all Eligibility Requirements (Nonmajor Governmental Funds)	-	35,000
	<u>\$ 5,741</u>	<u>\$ 35,000</u>

**3. Capital Assets**

Capital asset activity for the year ended June 30, 2011 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
Capital Assets, Not Being Depreciated:				
Land	\$ 102,865	\$ -	\$ -	\$ 102,865
Capital Assets, Being Depreciated:				
Land Improvements	173,277	-	-	173,277
Building and Improvements	916,467	31,369	-	947,836
Infrastructure	550,480	37,891	-	588,371
Furniture, Equipment, and Vehicles	1,098,211	172,164	(38,225)	1,232,150
Total Capital Assets, Being Depreciated	2,738,435	241,424	(38,225)	2,941,634
Accumulated Depreciation for:				
Land Improvements	(103,239)	(7,664)	-	(110,903)
Building and Improvements	(218,146)	(17,536)	-	(235,682)
Infrastructure	(100,687)	(30,961)	-	(131,648)
Furniture, Equipment, and Vehicles	(451,856)	(90,596)	37,865	(504,587)
Total Accumulated Depreciation	(873,928)	(146,757)	37,865	(982,820)
Total Capital Assets, Being Depreciated, Net	1,864,507	94,667	(360)	1,958,814
Governmental Activities Capital Assets, Net	\$ 1,967,372	\$ 94,667	\$ (360)	\$ 2,061,679

**TOWN OF CLIFTON, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

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

**A. Assets (Continued)**

**3. Capital Assets (Continued)**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-Type Activities:</b>				
Capital Assets, Being Depreciated:				
Equipment	\$ 24,966	\$ -	\$ -	\$ 24,966
Sewer System	<u>1,020,552</u>	<u>-</u>	<u>-</u>	<u>1,020,552</u>
Total Capital Assets, Being Depreciated	1,045,518	-	-	1,045,518
Accumulated Depreciation for:				
Equipment	(4,164)	(3,622)	-	(7,786)
Sewer System	<u>(257,244)</u>	<u>(20,764)</u>	<u>-</u>	<u>(278,008)</u>
Total Accumulated Depreciation	<u>(261,408)</u>	<u>(24,386)</u>	<u>-</u>	<u>(285,794)</u>
Total Capital Assets, Being Depreciated, Net	<u>784,110</u>	<u>(24,386)</u>	<u>-</u>	<u>759,724</u>
Business-Type Activities Capital Assets, Net	<u>\$ 784,110</u>	<u>\$ (24,386)</u>	<u>\$ -</u>	<u>\$ 759,724</u>

Depreciation expense was charged to functions/programs as follows:

<b>Governmental Activities:</b>	
General Government	\$ 10,111
Public Safety	57,547
Highways and Streets	61,088
Culture and Recreation	18,011
Total Depreciation Expense	<u>\$ 146,757</u>
<b>Business-Type Activities:</b>	
Sewer	<u>\$ 24,386</u>

**B. Interfund Receivables and Payables and Transfers**

As of June 30, 2011 interfund receivable and payables were as follows:

<u>Advance From</u>	<u>Advance To Sewer Fund</u>
General Fund	<u>\$ 528,646</u>

Interfund receivables and payables resulted from this fund having a negative cash balance at year-end that is not expected to be repaid within the next fiscal year.

**TOWN OF CLIFTON, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

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

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

Interfund transfers for the year ended June 30, 2011 consisted of the following:

	Transfers In	Transfers Out Nonmajor Governmental Funds
General Fund		\$ 27,109

Transfer was made to refund the general fund for grant expenditures.

**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, 2011 are as follows:

	July 1, 2010	Increases	Decreases	June 30, 2011	Due Within One Year
<b>Governmental Activities</b>					
Other Liabilities:					
Compensated Absences	\$ 12,622	\$ 30,240	\$ (27,762)	\$ 15,100	\$ 15,100
Governmental Activities Long-term Liabilities	\$ 12,622	\$ 30,240	\$ (27,762)	\$ 15,100	\$ 15,100
 <b>Business-Type Activities</b>					
Compensated Absences	\$ 108	\$ 1,769	\$ -	\$ 1,877	\$ 1,877
Business-Type Activities Long-Term Liabilities	\$ 108	\$ 1,769	\$ -	\$ 1,877	\$ 1,877

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

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

Nonspendable: The Town does not have any nonspendable funds.

Spendable: The Town has classified the spendable fund balances as *Restricted*, *Assigned* and *Unassigned*. The Town currently has no funds classified as *Committed*.

**TOWN OF CLIFTON, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

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

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

Restricted for Transportation Purposes and Grants:

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. The restricted fund balances totaled \$259,887, and represented \$234,717 for transportation and \$25,107 for grants.

Assigned:

At June 30, 2011, General Fund assigned fund balance totaled \$40,834. Town management assigned fund balance as follows:

<u>Assignment</u>	<u>Balance</u>
Abatement	17,635
Outreach	1,187
Festival of Lights	3,826
Fire Equipment	16,914
Magistrate	1,272

Unassigned:

The unassigned fund balance in the General Fund is \$2,095,150.

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**

As a result of the implementation of GASB Statement No. 54, the Town reclassified several of its governmental funds for financial reporting purposes. Fund balances at the beginning of the year were restated as follows:

	General Fund	Highway Users Revenue Fund	Nonmajor Governmental Funds	Total
Fund Balance, July 1, 2010 as Previously Stated	\$ 1,980,432	\$ 245,884	\$ 40,855	\$ 2,267,171
Funds reclassified due to GASB Statement No. 54	(7,679)	-	7,679	-
Fund Balance, July 1, 2010 as Restated	\$ 1,972,753	\$ 245,884	\$ 48,534	\$ 2,267,171

**TOWN OF CLIFTON, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**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.

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. There was no covered compensation for the year ended June 30, 2011.

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 \$150 per month, 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. Pension and relief benefits may only be paid from the income of the trust fund. However, 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.

**TOWN OF CLIFTON, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**B. Retirement Plans**

**Firefighters' Relief and Pension Fund**

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, 2011, the Town and firefighters were not required to make contributions; however, the Town contributed \$1,000 and the firefighters contributed \$334. The Town received \$28 from the State of Arizona.

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.

**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.

**TOWN OF CLIFTON, ARIZONA  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2011**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**B. Retirement Plans (Continued)**

**Arizona State Retirement System (Continued)**

**Funding Policy** – The Arizona State Legislature establishes and may amend active plan members’ and the Town’s contribution rates. For the year ended June 30, 2011, active plan members were required by statute to contribute at the actuarially determined rate of 9.85% (9.01% for retirement, 0.59% for health insurance premium, and 0.25% for long-term disability) of the members’ annual covered payroll. The town’s contributions to the System for the years ended June 30, 2011 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>
2011	\$ 44,475	\$ 2,912	\$ 1,234
2010	32,900	4,252	1,651
2009	32,660	4,261	2,029

**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 8.00% 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 4.53% for police and 0.0% for fire, of annual covered payroll (in addition, the health insurance subsidy was determined to be 0.53% and 0.00%) for police and fire, respectively.

**TOWN OF CLIFTON, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**B. Retirement Plans (Continued)**

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

**Annual Pension Cost and Other Post Employment Benefit (OPEB) Obligations –**

During the year ended June 30, 2010 (the date of the latest available information), the Town of Clifton, Arizona's annual pension cost of \$11,223 for police and \$-0- 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 \$1,463 for police and \$-0- for fire and were equal to the Town of Clifton, Arizona's required and actual contributions.

Annual pension and OPEB cost information for the 3 preceding years follows.

**Three-Year Trend Information**

**Police**

Fiscal Year Ended June 30,	Annual Pension Cost (APC)	Percent Contributed	Net Pension Obligation
2008	\$ 4,187	100.0 %	\$ -
2009	11,966	100.0	-
2010	11,223	100.0	-

Fiscal Year Ended June 30,	Annual OPEB Cost	Percent Contributed	Net Pension Obligation
2008	\$ 420	100.0 %	\$ -
2009	2,109	100.0	-
2010	1,463	100.0	-

**Fire**

Fiscal Year Ended June 30,	Annual Pension Cost (APC)	Percent Contributed	Net Pension Obligation
2008	\$ 1,312	100.0 %	\$ -
2009	2,076	100.0	-
2010	1,204	100.0	-

Fiscal Year Ended June 30,	Annual OPEB Cost	Percent Contributed	Net Pension Obligation
2008	\$ -	- %	\$ -
2009	-	-	-
2010	-	-	-

**TOWN OF CLIFTON, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**B. Retirement Plans (Continued)**

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

The required contribution was determined as part of the June 30, 2010 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 8.5% per year compounded annually, (b) projected salary increases ranging from 5.5- 8.5% (including inflation at 5.5%) per year compounded annually, and (c) additional projected salary increases of 0.0% to 3.0% per year attributable to seniority/merit.

**Funding Status and Funding Progress** – As of June 30, 2010, the plan was 182.7% funded for police and 78.5% funded for fire. For police, the actuarial accrued liability for benefits was \$269,436, and the actuarial value of assets was \$492,388, resulting in an overfunded actuarial accrued liability (UAAL) of \$222,952. For fire, the actuarial accrued liability for benefits was \$317,475, and the actuarial value of assets was \$249,202 resulting in an underfunded actuarial accrued liability (UAAL) of \$68,273. The covered payroll (annual payroll of active employees covered by the plan) was \$247,958 for police and \$0 for fire, and the ratio of the UAAL to the covered payroll was 89.9% 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, 2010, was 27 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  
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**TOWN OF CLIFTON, ARIZONA  
CLIFTON POLICE AND FIRE  
SCHEDULE OF FUNDING PROGRESS  
JUNE 30, 2011**

**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
2008	\$ 437,102	\$ 205,804	212.4 %	\$ 231,298	\$ 65,562	352.8 %
2009	554,917	343,687	161.5	211,230	242,872	87.0
2010	492,388	269,436	182.7	222,952	247,958	89.9

**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
2008	\$ -	\$ 1,540	- %	\$ (1,540)	\$ 65,562	(2.3)%
2009	-	6,726	-	(6,726)	242,872	(2.8)
2010	-	2,224	-	(2,224)	247,958	(0.9)

**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
2008	\$ 331,114	\$ 288,851	114.6 %	\$ 42,263	\$ -	- %
2009	310,593	303,879	102.2	6,714	-	-
2010	249,202	317,475	78.5	(68,273)	-	-

**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
2008	\$ -	\$ 16,837	- %	\$ (16,837)	\$ -	- %
2009	-	12,008	-	(12,008)	-	-
2010	-	11,277	-	(11,277)	-	-

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