

**TOWN OF CLIFTON, ARIZONA**  
**FINANCIAL STATEMENTS AND**  
**SUPPLEMENTARY INFORMATION**  
**YEAR ENDED JUNE 30, 2013**

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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, 2013, 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, 2013, 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.

*Clifton Larson Allen LLP*

Phoenix, Arizona  
October 7, 2013

## **REQUIRED SUPPLEMENTARY INFORMATION**

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**TOWN OF CLIFTON, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2013**

We (the Town of Clifton, Arizona (Town)) are pleased to provide an overview of our financial activities for the fiscal year ended June 30, 2013. 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 \$5,352,016 (net position). Of this amount \$1,504,174 (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 \$3,120,303, an increase of \$393,777 in comparison with the prior year.
- ◆ At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2,028,741 or 97% of total General Fund expenditures.
- ◆ General Fund revenues (on a budgetary basis) exceeded budgeted revenues by \$262,784 for fiscal year 2013. Additionally, budgetary basis expenditures were only 86% (\$295,128(14%) in savings) of the final budget in the General Fund.
- ◆ General Fund budgetary revenues exceeded budgetary expenditures by \$182,363 which represented a positive variance of \$557,912 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, 2013**

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, 2013**

- ◆ *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, 2013 showing that assets exceeded liabilities by \$5,352,016.

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

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and Other Assets	\$ 2,799,074	\$ 2,377,562	\$ 7,461	\$ 8,848	\$ 2,806,535	\$ 2,386,410
Internal Balances	531,092	517,542	(531,092)	(517,542)	-	-
Capital Assets						
Non-depreciable	131,308	116,099	-	-	131,308	116,099
Depreciable	1,940,816	1,986,532	710,952	735,338	2,651,768	2,721,870
Total Assets	<u>5,402,290</u>	<u>4,997,735</u>	<u>187,321</u>	<u>226,644</u>	<u>5,589,611</u>	<u>5,224,379</u>
Other Liabilities	202,137	162,729	7,739	2,321	209,876	165,050
Non-current Liabilities:						
Due Within One Year	27,050	20,768	669	436	27,719	21,204
Total Liabilities	<u>229,187</u>	<u>183,497</u>	<u>8,408</u>	<u>2,757</u>	<u>237,595</u>	<u>186,254</u>
Net Position:						
Investment in Capital Assets	2,072,124	2,102,631	710,952	735,338	2,783,076	2,837,969
Restricted	1,064,766	302,011	-	-	1,064,766	302,011
Unrestricted	2,036,213	2,409,596	(532,039)	(511,451)	1,504,174	1,898,145
Total Net Position	<u>\$ 5,173,103</u>	<u>\$ 4,814,238</u>	<u>\$ 178,913</u>	<u>\$ 223,887</u>	<u>\$ 5,352,016</u>	<u>\$ 5,038,125</u>

**TOWN OF CLIFTON, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2013**

The net position of the Town is \$5,352,016 in fiscal year 2013 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 (52%) 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 (20%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$1,504,174) 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	
	2013	2012	2013	2012	2013	2012
<b>REVENUES</b>						
Program Revenues:						
Fees, Fines, and Charges for Services	\$ 329,862	\$ 342,752	\$ 101,323	\$ 92,267	\$ 431,185	\$ 435,019
Operating Grants and Contributions	486,595	323,295	-	-	486,595	323,295
Capital Grants and Contributions	41,649	231,486	-	-	41,649	231,486
General Revenues:						
Local Taxes	690,696	585,759	-	-	690,696	585,759
Property Taxes	250,901	263,253	-	-	250,901	263,253
Franchise Taxes	69,308	68,278	-	-	69,308	68,278
State Shared Revenues	882,609	809,432	-	-	882,609	809,432
Investment Earnings	661	13,257	-	-	661	13,257
Total Revenues	2,752,281	2,637,512	101,323	92,267	2,853,604	2,729,779
<b>EXPENSES</b>						
General Government	836,655	662,545	-	-	836,655	662,545
Public Safety	936,656	886,662	-	-	936,656	886,662
Highways and Streets	483,112	578,595	-	-	483,112	578,595
Culture and Recreation	136,993	143,663	-	-	136,993	143,663
Sewer	-	-	146,297	119,861	146,297	119,861
Total Expenses	2,393,416	2,271,465	146,297	119,861	2,539,713	2,391,326
<b>CHANGE IN NET POSITION</b>	358,865	366,047	(44,974)	(27,594)	313,891	338,453
Net Position - Beginning of Year	4,814,238	4,448,191	223,887	251,481	5,038,125	4,699,672
<b>NET POSITION - END OF YEAR</b>	\$ 5,173,103	\$ 4,814,238	\$ 178,913	\$ 223,887	\$ 5,352,016	\$ 5,038,125

**TOWN OF CLIFTON, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2013**

*Governmental Activities* – Governmental activities increased the Town's net position by \$358,865. Key factors contributing to the increase include an increase in state shared revenues as a result of an improving state economy and a conservative spending policy.

*Business-Type Activities* – Business-type activities decreased the Town's net position by \$44,974. This decrease was attributable to repairs made to the sewer system during fiscal year 2013.

**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 \$3,120,303, an increase of \$393,777 in comparison with the prior year. Approximately 87% of this total amount, \$2,707,817, constitutes General Fund balance, which is available for contribution to the committed, assigned and unassigned fund balance. At fiscal year-end 2012-2013 fund balances were as follows:

**Table A-3  
Fund Balances**

Fund	Balance	Increase (Decrease) From FY 2011-12
General Fund	\$ 2,707,817	\$ 283,302
Highway Users Revenue Fund	385,534	109,898
Nonmajor Governmental Funds	26,952	577

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 \$2,707,817, while total fund balance reached \$3,120,303. 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 130% of total General Fund expenditures, while total fund balance represents 149% of that same amount. The fund balance of the General Fund increased due to an increase in state shared revenues and sales tax as a result of an improving state economy. In addition, the Town received a \$125,000 contribution from a local donor that has been restricted to assist with funding the police department.

The fund balance of the Highway Users Revenue Fund increased by \$109,898 due to an increase in highway user revenue taxes and a conservative expenditure budget.

All nonmajor governmental funds of the Town are combined into one column on the governmental fund statements and the increase in fund balance of \$577 was not significant.

**TOWN OF CLIFTON, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2013**

**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 \$2,027,147, on a budgetary basis, were greater than budgeted revenues of \$1,764,363 by \$262,784 while budgetary basis expenditures of \$1,844,784 were only 86% of budgeted expenditures (savings of \$295,128). The budget savings was primarily due to the Town cutting expenditures 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, 2013 amounted to \$2,783,076 (net of accumulated depreciation), a net decrease of 1.93%. 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 2013 the annual depreciation expense for governmental activities was \$172,982 and depreciation expense for business-type activities was \$24,386. Additions to governmental activities capital assets during the fiscal year totaled \$142,475. 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 two trucks
- ◆ Purchase of a 4,000 gallon water truck
- ◆ Purchase of outfitting and extrication equipment for police and fire departments

The following table provides a breakdown of the capital assets of the Town at June 30, 2013 and 2012.

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

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 102,865	\$ 102,865	\$ -	\$ -	\$ 102,865	\$ 102,865
Construction in Progress	28,443	13,234	-	-	28,443	13,234
Land Improvements	47,046	54,710	-	-	47,046	54,710
Building and Improvements	722,710	743,584	-	-	722,710	743,584
Infrastructure	391,327	424,025	-	-	391,327	424,025
Sewer System	-	-	701,016	721,780	701,016	721,780
Furniture, Equipment, and Vehicles	779,733	764,213	9,936	13,558	789,669	777,771
<b>Total Capital Assets</b>	<b>\$ 2,072,124</b>	<b>\$ 2,102,631</b>	<b>\$ 710,952</b>	<b>\$ 735,338</b>	<b>\$ 2,783,076</b>	<b>\$ 2,837,969</b>

**TOWN OF CLIFTON, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2013**

**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**

- ◆ The Town is exploring the cost of expanding the North Clifton RV Park. Fiscal year 2014 budget includes possible revenue sources to accomplish the expansion.
- ◆ 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, 2013**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash	\$ 2,600,138	\$ -	\$ 2,600,138
Receivables, Net:			
Accounts Receivable	20,020	7,461	27,481
Property Taxes Receivable	10,729	-	10,729
Intergovernmental Receivable	168,187	-	168,187
Internal Balances	531,092	(531,092)	-
Capital Assets:			
Non-Depreciable	131,308	-	131,308
Depreciable	1,940,816	710,952	2,651,768
Total Assets	<u>5,402,290</u>	<u>187,321</u>	<u>5,589,611</u>
<b>LIABILITIES</b>			
Accounts Payable	111,107	2,287	113,394
Accrued Wages and Benefits	37,872	1,605	39,477
Intergovernmental Payable	22,691	239	22,930
Unearned Revenue	27,401	3,572	30,973
Customer Deposits Payable	3,066	36	3,102
Compensated Absences	27,050	669	27,719
Total Liabilities	<u>229,187</u>	<u>8,408</u>	<u>237,595</u>
<b>NET POSITION</b>			
Investment in Capital Assets	2,072,124	710,952	2,783,076
Restricted for:			
Highways and Streets	389,912	-	389,912
Culture and Recreation	15,480	-	15,480
Public Safety	122,609	-	122,609
Other Purposes	536,765	-	536,765
Unrestricted	2,036,213	(532,039)	1,504,174
Total Net Position	<u>\$ 5,173,103</u>	<u>\$ 178,913</u>	<u>\$ 5,352,016</u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF CLIFTON, ARIZONA  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2013**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
<b>Primary Government:</b>							
Governmental Activities:							
General Government	\$ 836,655	\$ 299,352	\$ 3,527	\$ -	\$ (533,776)		\$ (533,776)
Public Safety	936,656	4,809	140,911	-	(790,936)		(790,936)
Highways and Streets	483,112	-	315,281	12,092	(155,739)		(155,739)
Culture and Recreation	136,993	25,701	26,876	29,557	(54,859)		(54,859)
Total Governmental Activities	2,393,416	329,862	486,595	41,649	(1,535,310)		(1,535,310)
Business-Type Activities:							
Sewer	146,297	101,323	-	-		\$ (44,974)	(44,974)
Total Business-Type Activities	146,297	101,323	-	-		(44,974)	(44,974)
Total Primary Government	\$ 2,539,713	\$ 431,185	\$ 486,595	\$ 41,649	(1,535,310)	(44,974)	(1,580,284)
General Revenues:							
Taxes:							
Sales Taxes					690,696	-	690,696
Property Taxes					250,901	-	250,901
Franchise Taxes					69,308	-	69,308
State Revenue Sharing					338,211	-	338,211
State Sales Tax Revenue Sharing					271,011	-	271,011
Auto Lieu Tax Revenue Sharing					273,387	-	273,387
Investment Earnings					661	-	661
Total General Revenues					1,894,175	-	1,894,175
Change in Net Position					358,865	(44,974)	313,891
Net Position - Beginning of Year					4,814,238	223,887	5,038,125
Net Position - End of Year					\$ 5,173,103	\$ 178,913	\$ 5,352,016

See accompanying Notes to Basic Financial Statements.

**TOWN OF CLIFTON, ARIZONA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2013**

	<u>General Fund</u>	<u>Highway Users Revenue Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Totals</u>
<b>Assets</b>				
Cash	\$ 2,187,873	\$ 367,614	\$ 44,651	\$ 2,600,138
Receivables:				
Accounts Receivable, Net	20,020	-	-	20,020
Intergovernmental Receivable	127,490	30,091	10,606	168,187
Property Tax Receivable	10,729	-	-	10,729
Advance to Other Funds	531,092	-	-	531,092
<b>Total Assets</b>	<b><u>\$ 2,877,204</u></b>	<b><u>\$ 397,705</u></b>	<b><u>\$ 55,257</u></b>	<b><u>\$ 3,330,166</u></b>
 <b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts Payable	\$ 101,472	\$ 9,161	\$ 474	\$ 111,107
Accrued Wages and Benefits	34,861	2,616	395	37,872
Intergovernmental Payable	22,262	394	35	22,691
Unearned Revenue	-	-	27,401	27,401
Customer Deposits Payable	3,066	-	-	3,066
<b>Total Liabilities</b>	<b><u>161,661</u></b>	<b><u>12,171</u></b>	<b><u>28,305</u></b>	<b><u>202,137</u></b>
 <b>Deferred Inflows of Resources</b>				
Unavailable Revenues	<u>7,726</u>	<u>-</u>	<u>-</u>	<u>7,726</u>
 <b>Fund Balances:</b>				
Nonspendable	531,092	-	-	531,092
Restricted	121,188	385,534	26,952	533,674
Assigned	26,796	-	-	26,796
Unassigned	2,028,741	-	-	2,028,741
<b>Total Fund Balances</b>	<b><u>2,707,817</u></b>	<b><u>385,534</u></b>	<b><u>26,952</u></b>	<b><u>3,120,303</u></b>
 <b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>				
	<b><u>\$ 2,877,204</u></b>	<b><u>\$ 397,705</u></b>	<b><u>\$ 55,257</u></b>	<b><u>\$ 3,330,166</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 POSITION  
JUNE 30, 2013**

Total Fund Balances for Governmental Funds \$ 3,120,303

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. 7,726

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.

Governmental Capital Assets	3,391,731
Less Accumulated Depreciation	<u>(1,319,607)</u>
Capital Assets used in Governmental Activities	2,072,124

Long term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.

Compensated Absences	<u>(27,050)</u>
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Total Net Position of Governmental Activities \$ 5,173,103

**TOWN OF CLIFTON, ARIZONA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2013**

	<u>General Fund</u>	<u>Highway Users Revenue Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Totals</u>
Revenue:				
Taxes:				
Sales Taxes	\$ 690,696	\$ -	\$ -	\$ 690,696
Property Taxes	249,024	-	-	249,024
Franchise Taxes	69,308	-	-	69,308
Intergovernmental Revenue	894,701	302,545	73,307	1,270,553
Fines and Forfeitures	30,360	-	416	30,776
Licenses and Permits	38,036	-	-	38,036
Charges for Services	42,781	-	-	42,781
Rents and Royalties	197,393	-	-	197,393
Contributions and Donations	140,300	-	-	140,300
Investment Earnings	661	-	-	661
Other	20,876	-	-	20,876
Total Revenue	<u>2,374,136</u>	<u>302,545</u>	<u>73,723</u>	<u>2,750,404</u>
Expenditures:				
Current:				
General Government	838,462	-	-	838,462
Public Safety	910,892	-	22,515	933,407
Highways and Streets	278,156	192,647	-	470,803
Culture and Recreation	63,324	-	50,631	113,955
Total Expenditures	<u>2,090,834</u>	<u>192,647</u>	<u>73,146</u>	<u>2,356,627</u>
Net Change in Fund Balance	283,302	109,898	577	393,777
Fund Balance, Beginning of Year	2,424,515	275,636	26,375	2,726,526
Fund Balance, End of Year	<u>\$ 2,707,817</u>	<u>\$ 385,534</u>	<u>\$ 26,952</u>	<u>\$ 3,120,303</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, 2013**

Net Change in Fund Balances-Total Governmental Funds \$ 393,777

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	142,475
Less Current Year Depreciation	(172,982)
Excess Capital Expenditures Over Depreciation	<u>(30,507)</u>

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

Property Taxes	1,877
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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>(6,282)</u>
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Change in Net Position of Governmental Activities	<u><u>\$ 358,865</u></u>
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**TOWN OF CLIFTON, ARIZONA  
STATEMENT OF NET POSITION  
PROPRIETARY FUND  
JUNE 30, 2013**

	<u>Business-Type Activities Sewer Fund</u>
<b>ASSETS</b>	
Current Assets:	
Receivables, Net:	
Accounts Receivable	\$ 7,461
Total Current Assets	<u>7,461</u>
Noncurrent Assets:	
Capital Assets:	
Depreciable (net)	710,952
Total Noncurrent Assets	<u>710,952</u>
Total Assets	718,413
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts Payable	2,287
Accrued Wages and Benefits	1,605
Intergovernmental Payable	239
Unearned Revenue	3,572
Customer Deposits Payable	36
Advance from Other Funds	531,092
Compensated Absences	669
Total Liabilities	<u>539,500</u>
<b>NET POSITION</b>	
Invested in Capital Assets	710,952
Unrestricted	(532,039)
Total Net Position	<u>\$ 178,913</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, 2013**

	Business-Type Activities Sewer Fund
Operating Revenue:	
Charges for Services	\$ 101,323
Operating Expenses:	
Cost of Sales and Services	121,911
Depreciation	24,386
Total Operating Expenses	146,297
Change in Net Position	(44,974)
Net Position:	
Beginning of Year	223,887
End of Year	\$ 178,913

See accompanying Notes to Basic Financial Statements.

**TOWN OF CLIFTON, ARIZONA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2013**

	Business-Type Activities Sewer Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from Customers	\$ 106,282
Payments to Suppliers	(65,443)
Payments to Employees	(54,389)
Net Cash Flows Used by Operating Activities	(13,550)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Cash Received from Other Funds for Interfund Borrowing	13,550
Net Cash Flows from Noncapital Financing Activities	13,550
<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)	\$ (44,974)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (used by) Operating Activities:	
Depreciation	24,386
Change in Assets/Liabilities:	
Receivables, Net	1,387
Accounts Payable	1,933
Accrued Wages and Benefits	(20)
Intergovernmental Payable	(67)
Unearned Revenue	3,572
Compensated Absences	233
Net Cash Used by Operating Activities	\$ (13,550)

See accompanying Notes to Basic Financial Statements.

**TOWN OF CLIFTON, ARIZONA  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUND  
JUNE 30, 2013**

	Pension Trust
<b>ASSETS</b>	
Current Assets:	
Cash	\$ 93,988
Receivables, Net	1,304
Total Current Assets	95,292
 <b>Liabilities</b>	
Current Liabilities:	
Due to Other Entities	4,588
Total Current Liabilities	4,588
 <b>Net Position</b>	
Held In Trust	\$ 90,704

See accompanying Notes to Basic Financial Statements.

**TOWN OF CLIFTON, ARIZONA  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUND  
YEAR ENDED JUNE 30, 2013**

	<u>Pension Trust</u>
Additions:	
Contributions:	
Employer	\$ 652
Employee	652
Total Contributions	1,304
Investment Earnings:	
Interest	46
Total Additions	1,350
Deductions:	
Benefits	891
Change in Net Position	459
Net Position, Beginning of Year	90,245
Net Position, End of Year	\$ 90,704

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, 2013**

**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, 2013, the Town implemented the provisions of GASB Statements No. 62, 63 and 65. GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in FASB and AICPA Pronouncements issued on or before November 30, 1989 which does not conflict with or contradict GASB Pronouncements. GASB Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, provides financial reporting guidance for deferred outflows of resources and deferred inflows or resources. GASB Statement No. 65 *Items Previously Reported as Assets and Liabilities*, establishes accounting and financial reporting standards that were previously reported as assets and liabilities.

**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.

**TOWN OF CLIFTON, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

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

**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.

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, 2013**

**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, 2013**

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

**D. Assets, Liabilities, 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 \$5,206 in the General Fund and \$20,755 in the Sewer Fund. The Town includes all accounts outstanding greater than ninety days in its allowance for uncollectible accounts.

**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.

**TOWN OF CLIFTON, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

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

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

**4. Capital Assets (Continued)**

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

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

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

**5. 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.

**TOWN OF CLIFTON, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

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

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

**7. Fund Balance Classifications (Continued)**

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.

**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, 2013**

**NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)**

**A. Budgetary information (Continued)**

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.

**B. Excess of Expenditures Over Appropriations**

Expenditures exceeded appropriations in the following funds:

	Amount of Overexpenditure
General Fund:	
Administration	\$ 62,493
Waste/Sanitation	28,872
Chase Creek Building and Maintenance	5,628
Police	56,451

Cash was available to cover the overexpenditures listed above.

**TOWN OF CLIFTON, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 3 DETAILED NOTES ON ALL FUNDS**

**A. Assets**

**1. Cash**

Cash at June 30, 2013 consists of the following:

Deposits:	
Cash in Bank	\$ 2,600,138
Certificates of Deposit	93,988
Total Deposits	2,694,126
Less: Fiduciary Funds	(93,988)
Total Cash - Statement of Net Position	\$ 2,600,138

*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, 2013 was \$2,818,083 of which \$500,000 is covered by federal depository insurance and \$2,318,083 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, 2013**

**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	\$ 7,726	\$ -
Cash Payments not Meeting all Eligibility Requirements (Nonmajor Governmental Funds)	-	27,401
	\$ 7,726	\$ 27,401

**3. Capital Assets**

Capital asset activity for the year ended June 30, 2013 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
Capital Assets, Not Being Depreciated:				
Land	\$ 102,865	\$ -	\$ -	\$ 102,865
Construction in Progress	13,234	15,209	-	28,443
Total Capital Assets, Not Being Depreciated	116,099	15,209	-	131,308
Capital Assets, Being Depreciated:				
Land Improvements	173,277	-	-	173,277
Building and Improvements	999,061	-	-	999,061
Infrastructure	588,371	-	-	588,371
Furniture, Equipment, and Vehicles	1,372,448	127,266	-	1,499,714
Total Capital Assets, Being Depreciated	3,133,157	127,266	-	3,260,423
Accumulated Depreciation for:				
Land Improvements	(118,567)	(7,664)	-	(126,231)
Building and Improvements	(255,477)	(20,874)	-	(276,351)
Infrastructure	(164,346)	(32,698)	-	(197,044)
Furniture, Equipment, and Vehicles	(608,235)	(111,746)	-	(719,981)
Total Accumulated Depreciation	(1,146,625)	(172,982)	-	(1,319,607)
Total Capital Assets, Being Depreciated, Net	1,986,532	(45,716)	-	1,940,816
Governmental Activities Capital Assets, Net	\$ 2,102,631	\$ (30,507)	\$ -	\$ 2,072,124

**TOWN OF CLIFTON, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013**

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

**A. Assets (Continued)**

**3. Capital Assets (Continued)**

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-Type Activities:</b>				
Capital Assets, Being Depreciated:				
Equipment	\$ 24,966	\$ -	\$ -	\$ 24,966
Sewer System	1,020,552	-	-	1,020,552
	1,045,518	-	-	1,045,518
Total Capital Assets, Being Depreciated				
Accumulated Depreciation for:				
Equipment	(11,408)	(3,622)	-	(15,030)
Sewer System	(298,772)	(20,764)	-	(319,536)
	(310,180)	(24,386)	-	(334,566)
Total Accumulated Depreciation				
Total Capital Assets, Being Depreciated, Net	735,338	(24,386)	-	710,952
Business-Type Activities Capital Assets, Net	\$ 735,338	\$ (24,386)	\$ -	\$ 710,952

Depreciation expense was charged to functions/programs as follows:

**Governmental Activities:**

General Government	\$ 20,260
Public Safety	62,770
Highways and Streets	67,787
Culture and Recreation	22,165
Total Depreciation Expense	\$ 172,982

**Business-Type Activities:**

Sewer	\$ 24,386
-------	-----------

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

As of June 30, 2013 interfund receivable and payables were as follows:

Advance From	Advance To Sewer Fund
General Fund	\$ 531,092

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, 2013**

**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, 2013 are as follows:

	<u>July 1, 2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2013</u>	<u>Due Within One Year</u>
<b>Governmental Activities</b>					
Other Liabilities:					
Compensated Absences	\$ 20,768	\$ 33,361	\$ (27,079)	\$ 27,050	\$ 27,050
Governmental Activities Long-term Liabilities	<u>\$ 20,768</u>	<u>\$ 33,361</u>	<u>\$ (27,079)</u>	<u>\$ 27,050</u>	<u>\$ 27,050</u>
	<u>July 1, 2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2013</u>	<u>Due Within One Year</u>
<b>Business-Type Activities</b>					
Compensated Absences	\$ 436	\$ 2,471	\$ (2,238)	\$ 669	\$ 669
Business-Type Activities Long-Term Liabilities	<u>\$ 436</u>	<u>\$ 2,471</u>	<u>\$ (2,238)</u>	<u>\$ 669</u>	<u>\$ 669</u>

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

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

Nonspendable: The Town had an advance to other funds of \$531,092 in the General Fund that is classified as nonspendable funds as the advance is considered long-term in nature.

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 \$533,674, and represented \$385,534 for transportation, \$26,952 for grants and \$121,188 for public safety as stipulated by external resource providers.

Assigned:

At June 30, 2013, General Fund assigned fund balance totaled \$26,796. Town management assigned fund balance as follows:

**TOWN OF CLIFTON, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013**

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

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

<b>Assignment</b>	<b>Balance</b>
Abatement	\$ 13,391
Outreach	927
Festival of Lights	3,109
Fire Equipment	8,418
Magistrate	951
Total	\$ 26,796

Unassigned:

The unassigned fund balance in the General Fund is \$2,028,741.

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 a lawsuit. The suit is in its early stages and an estimate of the Town's potential liability is not available.

**TOWN OF CLIFTON, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**C. Subsequent Event**

Subsequent to June 30, 2013, the Town entered into a construction contract for the Town of Clifton Chase Creek Resurfacing Project. The project entails resurfacing approximately 3,100 linear feet of the Chase Creek Street. The contract price is \$317,303 and will be funded with a combination of grant and local funds.

**D. 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.

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. 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.

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, 2013, the Town and firefighters were not required to make contributions; however, the Town contributed \$652 and the firefighters contributed \$652.

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.

**TOWN OF CLIFTON, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**D. Retirement Plans (Continued)**

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

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

**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 year ended June 30, 2013, active plan members were required by statute to contribute at the actuarially determined rate of 11.14% (10.25% for retirement, 0.65% for health insurance premium, and 0.24% for long-term disability) of the members' annual covered payroll. The Town's contributions to the System for the years ended June 30, 2013 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>
2013	\$ 65,281	\$ 4,140	\$ 1,529
2012	54,983	3,510	1,337
2011	44,475	2,912	1,234

**TOWN OF CLIFTON, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**D. 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 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 7.04% 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.

**Annual Pension Cost and Other Post Employment Benefit (OPEB) Obligations** – During the year ended June 30, 2012 (the date of the latest available information), the Town of Clifton, Arizona's annual pension cost of \$19,429 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 \$1,877 for police and \$-0- 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, 2013**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**D. 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
2010	\$ 11,223	100.0 %	\$ -
2011	17,144	100.0	-
2012	19,429	100.0	-

Fiscal Year Ended June 30,	Annual OPEB Cost	Percent Contributed	Net Pension Obligation
2010	\$ 1,463	100.0 %	\$ -
2011	2,101	100.0	-
2012	1,877	100.0	-

**Fire**

Fiscal Year Ended June 30,	Annual Pension Cost (APC)	Percent Contributed	Net Pension Obligation
2010	\$ 1,204	100.0 %	\$ -
2011	-	100.0	-
2012	-	100.0	-

Fiscal Year Ended June 30,	Annual OPEB Cost	Percent Contributed	Net Pension Obligation
2010	\$ -	- %	\$ -
2011	-	-	-
2012	-	-	-

The required contribution was determined as part of the June 30, 2012 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 8.25% per year compounded annually, (b) projected salary increases ranging from 5.0 - 8.0% (including inflation at 5.0%) per year compounded annually, and (c) additional projected salary increases of 3.0% to 5.0% per year attributable to seniority/merit.

**TOWN OF CLIFTON, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**D. Retirement Plans (Continued)**

**Funding Status and Funding Progress** – As of June 30, 2012, the plan was 132.9% funded for police and 70.7% funded for fire. For police, the actuarial accrued liability for benefits was \$440,714, and the actuarial value of assets was \$585,778, resulting in an overfunded actuarial accrued liability (UAAL) of \$145,064. For fire, the actuarial accrued liability for benefits was \$248,681, and the actuarial value of assets was \$175,920 resulting in an underfunded actuarial accrued liability (UAAL) of \$72,761. The covered payroll (annual payroll of active employees covered by the plan) was \$304,069 for police and \$0 for fire, and the ratio of the UAAL to the covered payroll was 47.7% 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, 2012, was 24 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, 2013**

**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
2010	\$ 492,388	\$ 269,436	182.7 %	\$ 222,952	\$ 247,958	89.9 %
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

**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
2010	\$ -	\$ 2,224	- %	\$ (2,224)	\$ 247,958	(0.9)%
2011	-	7,445	-	(7,445)	280,201	(2.7)
2012	-	7,774	-	(7,774)	304,069	(2.6)

**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
2010	\$ 249,202	\$ 317,475	78.5 %	\$ (68,273)	\$ -	- %
2011	201,491	227,888	88.4	(26,397)	-	-
2012	175,920	248,681	70.7	(72,761)	-	-

**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
2010	\$ -	\$ 11,277	- %	\$ (11,277)	\$ -	- %
2011	-	10,660	-	(10,660)	-	-
2012	-	10,787	-	(10,787)	-	-

**TOWN OF CLIFTON, ARIZONA**  
**SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGE IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**GENERAL FUND – BUDGETARY BASIS**  
**YEAR ENDED JUNE 30, 2013**

	Original and Final Budget	Actual	Variance with Final Budget
<b>Revenue:</b>			
Taxes	\$ 819,000	\$ 1,009,028	\$ 190,028
Intergovernmental Revenue	867,763	894,701	26,938
Fines and Forfeitures	34,700	30,340	(4,360)
Licenses and Permits	5,000	38,036	33,036
Charges for Services	19,400	31,705	12,305
Rents and Royalties	9,600	1,800	(7,800)
Investment Earnings	400	661	261
Other	8,500	20,876	12,376
Total Revenue	<u>1,764,363</u>	<u>2,027,147</u>	<u>262,784</u>
<b>Expenditures:</b>			
<b>Current:</b>			
<b>General Government:</b>			
Administration	376,991	439,484	(62,493)
Mayor and Council	26,667	21,376	5,291
Waste/Sanitation	-	28,872	(28,872)
Magistrate	60,238	59,529	709
Chase Creek Building and Maintenance	23,600	29,228	(5,628)
Code Enforcement	53,545	42,338	11,207
Total General Government	<u>541,041</u>	<u>620,827</u>	<u>(79,786)</u>
<b>Public Safety:</b>			
Police	561,471	617,922	(56,451)
Dispatch/Communication	189,687	173,857	15,830
Animal Control	53,384	50,057	3,327
Fire Department	60,241	44,885	15,356
Total Public Safety	<u>864,783</u>	<u>886,721</u>	<u>(21,938)</u>
Highways and Streets	668,105	278,156	389,949
Culture and Recreation	65,983	59,080	6,903
Total Expenditures	<u>2,139,912</u>	<u>1,844,784</u>	<u>295,128</u>
Net Change in Fund Balance	(375,549)	182,363	557,912
Fund Balance, Beginning of Year	380,876	2,261,631	1,880,755
Fund Balance, End of Year	<u>\$ 5,327</u>	<u>\$ 2,443,994</u>	<u>\$ 2,438,667</u>

**TOWN OF CLIFTON, ARIZONA**  
**SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGE IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**HIGHWAY USERS REVENUE FUND**  
**YEAR ENDED JUNE 30, 2013**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenue:			
Intergovernmental Revenue	\$ 266,796	\$ 302,545	\$ 35,749
Expenditures:			
Current:			
Highways and Streets	<u>480,796</u>	<u>192,647</u>	<u>288,149</u>
Excess (Deficiency) of Revenue Over Expenditures	(214,000)	109,898	323,898
Fund Balance, Beginning of Year	214,000	275,636	61,636
Fund Balance, End of Year	<u>\$ -</u>	<u>\$ 385,534</u>	<u>\$ 385,534</u>

**TOWN OF CLIFTON, ARIZONA  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2013**

**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 Revenue	Total Expenditures	Change in Fund Balance	Fund Balance Beginning of Year	Fund Balance End of Year
Statement of Revenue, Expenditures, and Changes in Fund Balance	\$ 2,374,136	\$ 2,090,834	\$ 283,302	\$ 2,424,515	\$ 2,707,817
Adjustments	(346,989)	(246,050)	(100,939)	(162,884)	(263,823)
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual	<u>\$ 2,027,147</u>	<u>\$ 1,844,784</u>	<u>\$ 182,363</u>	<u>\$ 2,261,631</u>	<u>\$ 2,443,994</u>