

CITY OF CLIFTON, TENNESSEE

Annual Financial Report

For the Year Ended June 30, 2016

CITY OF CLIFTON, TENNESSEE

Table of Contents

	<u>Page Number</u>
INTRODUCTORY SECTION:	
Officials of the City of Clifton, Tennessee	I
FINANCIAL SECTION:	
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-10
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	11
Statement of Activities	12
Fund Financial Statements:	
Balance Sheet - Governmental Funds	14
Reconciliation of Balance Sheet to Statement of Net Position of Governmental Activities	15
Statement of Revenues, Expenditures and Changes in Fund Balance- Governmental Fund	16
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance Of Governmental Funds to the Statement of Activities	17
Statement of Net Position - Proprietary Funds	18
Statement of Revenues, Expenses and Changes in Fund Net Position- Proprietary Funds	19
Statement of Cash Flows - Proprietary Funds	20
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (GAAP Basis) And Actual -	
General Fund	21-24
State Street Aid Fund	25
Sanitation Fund	26
Drug Fund	27
Notes to Financial Statements	28-47

CITY OF CLIFTON, TENNESSEE

Table of Contents, Continued

	<u>Page Number</u>
REQUIRED SUPPLEMENTAL INFORMATION:	
Schedule of Changes in Net Pension Liability (Asset)	48
Schedule of Contributions to the Employee Pension Plan	49
Supplemental Information	
Capital Assets Used in the Operation of the Governmental Funds:	
Schedule of Changes in Capital Assets - By Type	50
Schedule of Capital Assets by Function and Activity	51
Schedule of Cash and Cash Equivalents and Certificate of Deposit - All Funds	52
Schedule of Changes in Property Taxes Receivable	53
Schedule of Debt Service Requirements - General Obligation Debt	54
Schedule of Debt Service Requirements - Component Unit	55
Schedule of Debt Service Requirements - Water and Sewer Fund	56
Schedule of Debt Service Requirements - Natural Gas Fund	57
Schedule of Insurance Coverage	58
Schedule of Bonds - Principal Officials	59
Schedule of Utility Rates and Information	60
Schedule of State and Federal Financial Assistance	61
Schedule of Unaccounted for Water	62-63
COMPLIANCE AND INTERNAL CONTROL:	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	65-66
Schedule of Disposition of Prior Year Comments	67

INTRODUCTORY SECTION

CITY OF CLIFTON, TENNESSEE

Officials of the City of Clifton, Tennessee

June 30, 2016

Name

Title

Elected Officials:

Randy Burns

Mayor

Tommy Boyd

Vice Mayor

David Primm

Commissioner

Eva Ruth Warren

Commissioner

Layton Packwood

Commissioner

Management:

Byron Skelton

City Manager - Interim

Barbara Culp

City Recorder - CMFO

FINANCIAL SECTION

JOHN R. POOLE, CPA
CERTIFIED PUBLIC ACCOUNTANT

134 NORTHLAKE DRIVE
HENDERSONVILLE, TN 37075

(615) 822-4177

Independent Auditor's Report

Mayor and Board of Commissioners of the
City of Clifton, Tennessee
Clifton, Tennessee

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business type activities, and each major fund, the discretely presented component unit of the City of Clifton, Tennessee as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City'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.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted the audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 auditor's 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 entity'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 entity's internal control. Accordingly, I 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.

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

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business - type activities, and each major fund, the discretely presented component unit of the City of Clifton, Tennessee as of June 30, 2016, and the respective changes in financial position and, where applicable, the cash flows thereof and the respective budgetary comparison for the General Fund, State Street Aid Fund, Sanitation Fund, and the Drug Fund 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 Required Supplementary Information which includes the Management's Discussion and Analysis and the Schedule of Changes in Net Pension Liability (Asset) and the Schedule of Contributions to the Employee Pension Plan 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. I 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 my inquiries, the basic financial statements and other knowledge we obtained during the audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Matters -Other Information

The audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Introductory Section and the Supplementary Information, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The Introductory Section and the Supplementary Information (except for the Schedule of Unaccounted for Water) have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Introductory Section and the Supplementary Information (except for the Schedule of Unaccounted for Water), are fairly stated in all material respects in relation to the basic financial statements as a whole.

The Schedule of Unaccounted for Water has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, I do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated October 31, 2016 on the consideration of the City of Clifton's internal control over financial reporting and the tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of the testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control over financial reporting and compliance.

John R Poole, CPA

October 31, 2016

MANAGEMENT'S DISCUSSION
AND ANALYSIS

CITY OF CLIFTON, TENNESSEE

Management's Discussion and Analysis

As management of the City of Clifton, Tennessee (the City) we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2016. The analysis focuses on significant financial position, budget changes and variances from the budget, and specific issues related to funds and the economic factors affecting the City. Management's Discussion and Analysis (MD&A) focuses on current year activities and resulting changes.

Financial Highlights:

The assets of the City of Clifton exceeded its liabilities at the close of the most recent fiscal year by \$8,179,686. Of this amount, \$2,040,648 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors. The government's total net position increased by \$543,082 due to decreases in expenses in governmental funds. Overall expenses were \$802,892 less in the current year as the City had decreased repair and maintenance and capital expenses. The governmental funds showed a net increase in net position of \$339,188 and the business-type net position increased by \$203,894.

As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$878,429, an increase of \$7,001 in comparison to the prior year. The increase was the result of the City receiving loan proceeds of \$328,000 during the current year. During the year the City made governmental debt repayments of \$336,433.

At the end of the current fiscal year, unassigned fund balance of the General Fund was \$590,995 or 50% of the total general fund expenditures.

The City made capital improvements of \$35,522 for utility improvements. The City's utility debt decreased by \$72,147. The City's governmental funds repaid \$336,433 in debt. All debts are paying as scheduled.

Overview of the Financial Statements:

This discussion and analysis is intended to serve as an introduction to the City of Clifton's basic financial statements. The City's basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

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

The Statement of Net Position presents information on all the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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 tax).

Both of the government-wide financial statements distinguish functions of the City 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 City of Clifton include general government, personnel, finance, parks, planning, police, fire, disposal service, streets and public works. The government-wide financial statements can be found on pages 11-12 of this report.

Fund financial statements. A Fund is a grouping of related accounts that is used to maintain control over resources that have been segregated from specific activities or objectives. The City of Clifton, 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 City are governmental funds.

Governmental Funds. Governmental Funds are funds 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 resources, as well as on balances of resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the funds all of which are considered to be major funds.

The City of Clifton adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic financial statements can be found on pages 14-20 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 28-47 of this report.

Financial Analysis of the Financial Statements

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Clifton, assets exceeded liabilities by \$8,179,686 at the close of the most recent fiscal year.

By far the largest portion of the City's assets reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure) less any related debt use to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City'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.

City of Clifton's Net Position-2016

	Governmental <u>Activities</u>	Business -Type <u>Activities</u>
Current and other assets	\$1,131,204	1,679,559
Capital assets	<u>1,373,863</u>	<u>5,413,162</u>
Total assets	2,505,067	7,092,721
Deferred outflows	32,469	45,291
Long-term liabilities outstanding	344,960	818,640
Other liabilities	<u>76,400</u>	<u>67,405</u>
Total liabilities	421,360	886,045
Deferred Inflows	133,614	54,843
Net position:		
Net investment in capital assets	1,028,903	4,594,522
Restricted	376,164	139,449
Unrestricted	<u>577,495</u>	<u>1,463,153</u>
Total net position	\$ 1,982,562	6,197,124

City of Clifton's Net Position-2015

	Governmental <u>Activities</u>	Business -Type <u>Activities</u>
Current and other assets	\$ 1,214,591	1,321,958
Capital assets	<u>1,046,089</u>	<u>5,674,828</u>
Total assets	2,260,680	6,996,786
Deferred outflows	13,050	20,624
Long-term liabilities outstanding	353,393	890,787
Other liabilities	<u>147,470</u>	<u>80,779</u>
Total liabilities	500,863	971,566
Deferred Inflows :	129,493	52,614
Net position:		
Net investment in capital assets	692,696	4,784,041
Restricted	396,443	13,011
Unrestricted	<u>554,235</u>	<u>1,196,178</u>
Total net position	\$ 1,643,374	5,993,230

At the end to the current fiscal year, the City is able to report positive balances in all categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior year.

Comparison of 2016 and 2015 revenues and expenses

	2016	2015	Change Between Years
Revenues:			
Program revenues:			
Charges for services	1,712,782	1,622,128	90,654
Operating grants and contributions	378,462	655,735	(277,273)
Capital grants and contributions	0	77,710	(77,710)
General revenues:			
Property taxes	156,605	137,130	19,475
Sales taxes	305,167	336,036	(30,869)
Beer taxes	49,688	53,461	(3,773)
Business taxes	37,924	35,390	2,534
Other state shared taxes	7,095	3,514	3,581
Other	47,563	12,601	34,962
Total revenues	<u>2,695,286</u>	<u>2,933,705</u>	<u>(238,419)</u>
Expenses:			
General government	268,504	635,476	(366,972)
Police department	323,831	329,714	(5,883)
Fire department	37,024	28,171	8,853
Highways and streets	146,758	409,962	(263,204)
Sanitation	114,019	84,239	29,780
Library	7,496	6,588	908
Parks and recreations	61,480	69,851	(8,371)
Natural gas	200,871	315,648	(114,777)
Water and Sewer	1,045,109	1,128,335	(83,226)
Total expenses	<u>2,205,092</u>	<u>3,007,984</u>	<u>(802,892)</u>
Increases in Net Position	<u>490,194</u>	<u>(74,279)</u>	<u>564,473</u>

The assets of the City of Clifton exceeded its liabilities at the close of the most recent fiscal year by \$8,179,686. Of this amount, \$2,040,648 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors. The government's total net position increased by \$543,082 due to decreases in expenses in governmental funds. Overall expenses were \$802,892 less in the current year as the City had decreased repair and maintenance and capital expenses. The governmental funds showed a net increase in net position of \$339,188 and the business-type net position increased by \$203,894.

Governmental Budgetary Highlights

The City maintained its total budgeted departmental expenditures during the year; however certain departmental budgets were exceeded. See pages 21-27 for an analysis of the budgets.

Capital Assets

The City of Clifton's investment in capital assets from its governmental activities at June 30, 2016, amounts to \$1,373,863 (net of accumulated depreciation) and its business-type activities amounts to \$5,413,162. This investment in capital assets is in land, buildings, improvements, machinery and equipment.

City of Clifton's Capital Assets-2016

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>
Land, buildings and improvement	\$ 1,950,776	\$ 10,895,568
Equipment	<u>311,728</u>	<u>290,241</u>
Less accumulated depreciation	(888,641)	(5,772,647)
Net Capital Assets	\$ <u>1,373,863</u>	\$ <u>5,413,162</u>

City of Clifton's Capital Assets-2015

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>
Land, buildings and improvement	\$ 1,576,244	\$ 10,882,045
Equipment	<u>315,268</u>	<u>268,242</u>
Less accumulated depreciation	(845,423)	(5,475,459)
Net Capital Assets	\$ <u>1,046,089</u>	\$ <u>5,674,828</u>

Additional information on the City of Clifton's capital assets can be found in the notes to the financial statements section of this report.

Debt

The City has debt totaling \$1,163,600. The General obligation debt of the City is \$344,960 Water and Sewer fund debt of \$767,640 and Natural Gas fund debt of \$51,000. All loans are paying down as scheduled.

Economic Factors and Next Year's Budget and Rates

In the 2016-2017 budget, General fund revenues are budgeted to increase from the 2015-2016 budget year primarily due to increases in local tax revenues and user charges which will be partially reduced by a reduction in the state shared revenues. The City's budget has benefited by an expanding commercial and retail base producing increased local sales tax receipts.

All of these factors were considered in preparing the City's budget for the 2016-2017 fiscal year.

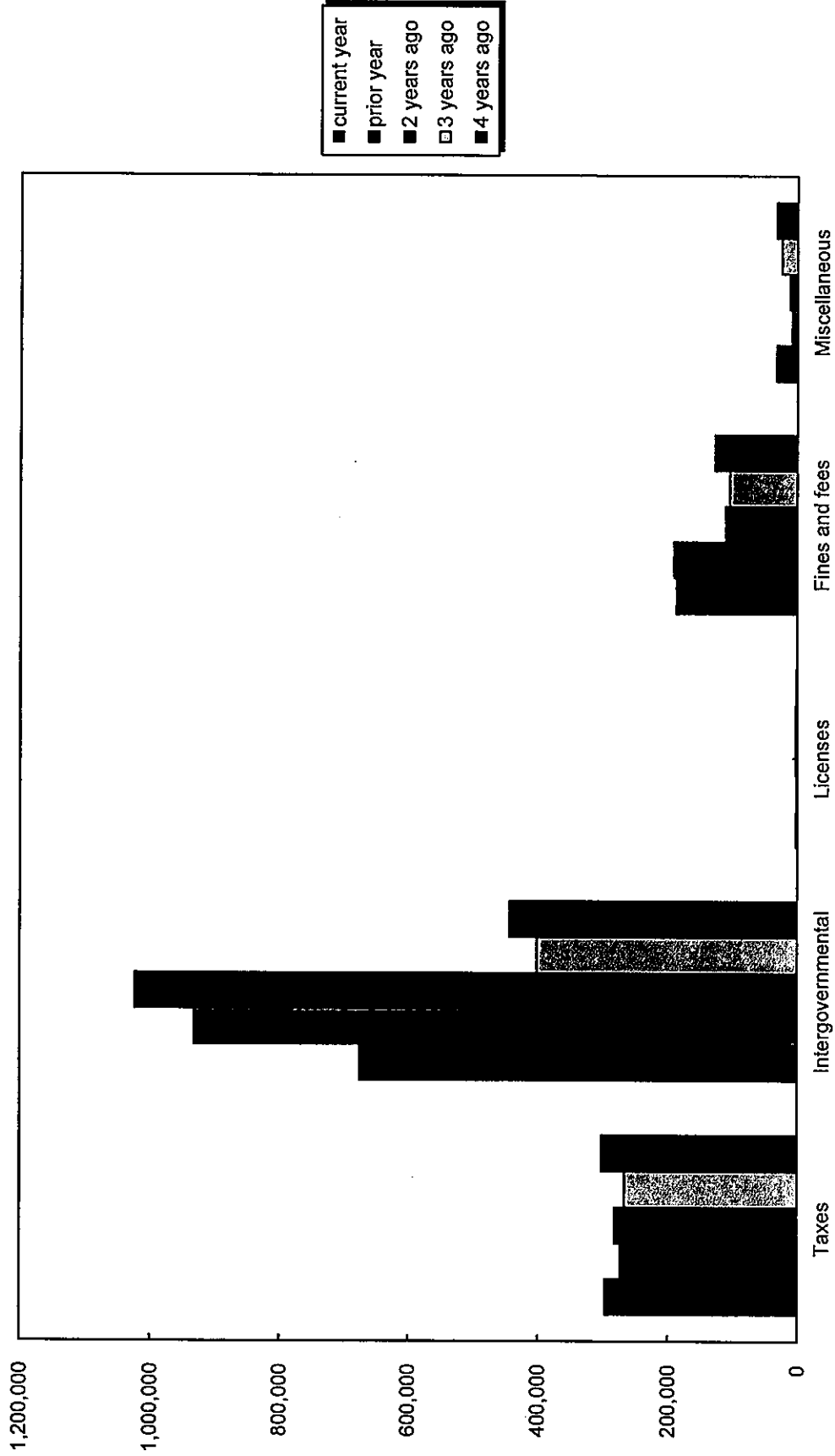
Requests for Information

This financial report is designed to provide a general overview of the City of Clifton, Tennessee's finances for all those with an interest in the governments' finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Mayor Randy Burns
City of Clifton

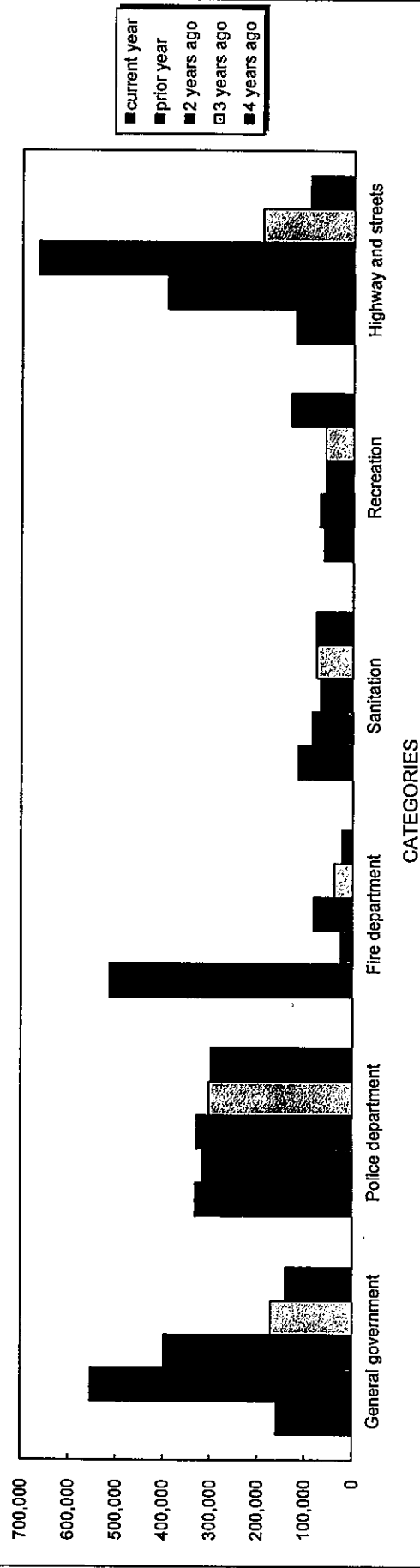
CITY OF CLIFTON, TENNESSEE

GOVERNMENTAL FUND REVENUES



CITY OF CLIFTON, TENNESSEE

GOVERNMENTAL FUND EXPENDITURES



BASIC FINANCIAL
STATEMENTS

CITY OF CLIFTON, TENNESSEE
Statement of Net Position
June 30, 2016

Assets and Deferred Outflows	Governmental	Business-type	Total	Component
	Activities	Activities		Unit
				Governmental
				Fund- Airport
Cash and cash equivalents	696,284	977,923	1,674,207	31,271
Cash and cash equivalents - restricted	0	13,011	13,011	0
Certificate of deposits	31,427	564,704	596,131	0
Receivables	192,278	106,146	298,424	0
Inventory	0	9,652	9,652	0
Net Pension asset	83,348	135,990	219,338	0
Internal balances	127,867	(127,867)	0	0
Capital assets not being depreciated	193,000	107,367	300,367	76,228
Capital assets, net of accumulated depreciation	1,180,863	5,305,795	6,486,658	1,787,875
Total Assets	<u>2,505,067</u>	<u>7,092,721</u>	<u>9,597,788</u>	<u>1,895,374</u>
Deferred Outflows of Resources	32,469	45,291	77,760	0
Deferred outflow of resources - pension	<u>32,469</u>	<u>45,291</u>	<u>77,760</u>	<u>0</u>
Total Deferred Outflows				
Liabilities, Deferred Inflows, and Net Position				
Liabilities				
Accounts payable	28,049	24,172	52,221	1,749
Accrued expenses	48,351	16,750	65,101	0
Customer deposits	0	26,483	26,483	0
Long-term liabilities:				
Due within one year	104,053	73,421	177,474	204,017
Due in more than one year	240,907	745,219	986,126	0
Total Liabilities	<u>421,360</u>	<u>885,045</u>	<u>1,307,405</u>	<u>205,766</u>
Deferred Inflows				
Deferred inflow of resources - property taxes	100,000	0	100,000	0
Deferred inflow of resources - pension	33,614	54,843	88,457	0
Total Deferred Inflows	<u>133,614</u>	<u>54,843</u>	<u>188,457</u>	<u>0</u>
Net Position:				
Net Investment in Capital Assets	1,028,903	4,594,522	5,623,425	1,660,086
Restricted - Sanitation	209,604	0	209,604	0
Restricted - State street aid	52,003	0	52,003	0
Restricted - Drug fund	32,354	0	32,354	0
Restricted - Pension	82,203	126,438	208,641	0
Restricted - Debt service	0	13,011	13,011	0
Unrestricted	577,495	1,463,153	2,040,648	29,522
Total Net Position	<u>1,982,562</u>	<u>6,197,124</u>	<u>8,179,686</u>	<u>1,689,608</u>

See accompanying notes to financial statements.

CITY OF CLIFTON, TENNESSEE

Statement of Activities

For the Year Ended June 30, 2016

Function/Programs	Program Revenues			Net (Expenses) Revenue and Changes in Net Position		Component Unit Governmental Fund	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities		Business-Type Activities
Government Activities:							
General government	189,766	63,987	239,943	0	114,164	0	114,164
Police department	323,831	26,761	3,000	0	(294,070)	0	(294,070)
Fire department	37,024	1,350	26,664	0	(9,010)	0	(9,010)
Parks and recreations	61,480	0	0	0	(61,480)	0	(61,480)
Library	7,496	0	0	0	(7,496)	0	(7,496)
Sanitation	114,019	160,018	0	0	45,999	0	45,999
Highways and streets	146,758	0	84,305	0	(62,453)	0	(62,453)
Total Governmental Activities	880,374	252,116	353,912	0	(274,346)	0	(274,346)
Business - type Activities:							
Natural Gas	200,871	250,544	0	0	0	49,673	49,673
Water and Sewer	1,045,109	1,208,822	0	0	0	163,713	163,713
Total Business Type Activities	1,245,980	1,459,366	0	0	0	213,386	213,386
Component Unit - Airport	78,738	1,300	24,550	0	0	0	0
Total	2,205,092	1,712,782	378,462	0	(274,346)	213,386	(60,960)
General Revenues:							
Property taxes					98,691	0	98,691
Public utility taxes					57,914	0	57,914
Sales taxes					305,167	0	305,167
Beer taxes					49,688	0	49,688
Business taxes					37,924	0	37,924
State income and excise taxes					7,095	0	7,095
Interest income					3,116	6,613	9,729
Other					27,639	10,195	37,834
Total general revenues					587,234	16,808	604,042
Transfers - in lieu of property taxes					26,300	(26,300)	0
Changes in Net Position					339,188	203,894	543,082
Net Position - beginning of year					1,643,374	5,993,230	7,636,604
Net Position - ending of year					1,982,562	6,197,124	8,179,686
							1,689,608

See accompanying notes to financial statements.

FUND FINANCIAL
STATEMENTS

CITY OF CLIFTON, TENNESSEE

Balance Sheet

Governmental Funds

June 30, 2016

<u>Assets</u>	<u>General Fund</u>	<u>State Street Aid Fund</u>	<u>Sanitation Fund</u>	<u>Drug Fund</u>	<u>Total Governmental Funds</u>
Cash and cash equivalents	<u>\$467,659</u>	<u>\$38,949</u>	<u>\$157,322</u>	<u>\$32,354</u>	<u>\$696,284</u>
Certificate of deposits	<u>15,348</u>	<u>0</u>	<u>16,079</u>	<u>0</u>	<u>31,427</u>
Accounts receivable:					
Taxes receivable	116,294	0	0	0	116,294
Other receivables	<u>49,449</u>	<u>13,054</u>	<u>13,481</u>	<u>0</u>	<u>75,984</u>
	<u>165,743</u>	<u>13,054</u>	<u>13,481</u>	<u>0</u>	<u>192,278</u>
Due from other funds	<u>104,768</u>	<u>0</u>	<u>23,099</u>	<u>0</u>	<u>127,867</u>
Total Assets	<u>\$753,518</u>	<u>\$52,003</u>	<u>\$209,981</u>	<u>\$32,354</u>	<u>\$1,047,856</u>
<u>Liabilities, Deferred Inflows and Fund Balance</u>					
Liabilities:					
Accounts payable	<u>\$27,672</u>	<u>\$0</u>	<u>\$377</u>	<u>\$0</u>	<u>\$28,049</u>
Total Liabilities	<u>27,672</u>	<u>0</u>	<u>377</u>	<u>0</u>	<u>28,049</u>
Deferred Inflow of Resources:					
Deferred current property taxes	\$100,000	\$0	\$0	\$0	\$100,000
Deferred delinquent property taxes	16,294	0	0	0	16,294
Other deferred/unavailable- other governments	<u>18,557</u>	<u>6,527</u>	<u>0</u>	<u>0</u>	<u>25,084</u>
Total Deferred Inflow of Resources	<u>134,851</u>	<u>6,527</u>	<u>0</u>	<u>0</u>	<u>141,378</u>
Fund balance:					
Restricted	0	45,476	209,604	32,354	287,434
Unassigned	<u>590,995</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>590,995</u>
Total Fund Balance	<u>590,995</u>	<u>45,476</u>	<u>209,604</u>	<u>32,354</u>	<u>878,429</u>
Total Liabilities, Deferred Inflows and Fund Balance	<u>\$753,518</u>	<u>\$52,003</u>	<u>\$209,981</u>	<u>\$32,354</u>	<u>\$1,047,856</u>

The notes accompanying the financial statements are an integral part of these financial statements.

CITY OF CLIFTON, TENNESSEE

Reconciliation of the Balance Sheet to the Statement of Net Position
of Governmental Activities

June 30, 2016

Amounts reported for fund balance - total governmental funds	\$	878,429
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds		1,373,863
Other long term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds		41,378
Pension related accounts - governmental funds to not record these post-benefit obligations		
Net pension asset		83,348
Deferred outflow - pension		32,469
Deferred inflow - pension		(33,614)
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not recorded in the funds		
Accrued vacation		(48,351)
Loans payable		<u>(344,960)</u>
Net Position of governmental activities	\$	<u><u>1,982,562</u></u>

See accompanying notes to financial statements.

CITY OF CLIFTON, TENNESSEE

Governmental Funds
 Statement of Revenues, Expenditures and Changes in Fund Balances
 For the Year Ended June 30, 2016

	General Fund	State Street Aid Fund	Sanitation Fund	Drug Fund	Total Governmental Funds
Revenues:					
Taxes	297,331	0	0	0	297,331
Intergovernmental	596,034	78,823	0	0	674,857
Licenses and permits	2,190	0	0	0	2,190
Fines and fees	23,622	0	160,018	3,139	186,779
Miscellaneous	30,902	645	558	0	32,105
Total Revenues	950,079	79,468	160,576	3,139	1,193,262
Expenditures:					
Current:					
General government	159,401	0	0	0	159,401
Police department	314,717	0	0	1,048	315,765
Fire department	25,098	0	0	0	25,098
Library	7,496	0	0	0	7,496
Parks and recreation	60,930	0	0	0	60,930
Sanitation	0	0	114,019	0	114,019
Highway and streets	121,247	0	0	0	121,247
Capital outlay:					
Police department	15,841	0	0	0	15,841
Fire department	142,133	0	0	0	142,133
Highway and streets	0	232,399	0	0	232,399
Debt service:					
Principal	336,433	0	0	0	336,433
Interest	9,799	0	0	0	9,799
Total Expenditures	1,193,095	232,399	114,019	1,048	1,540,561
Excess (deficiency) of revenues over expenditures	(243,016)	(152,931)	46,557	2,091	(347,299)
In lieu of taxes:	26,300	0	0	0	26,300
Loan proceeds:	328,000	0	0	0	328,000
Net change in fund balance	111,284	(152,931)	46,557	2,091	7,001
Fund Balance, Beginning of year	479,711	198,407	163,047	30,263	871,428
Fund Balance, End of Year	590,995	45,476	209,604	32,354	878,429

See accompanying notes to financial statements.

CITY OF CLIFTON, TENNESSEE

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance
of Governmental Funds to the Statement of Activities

For the Year Ended June 30, 2016

Net change in fund balances - total governmental funds:	\$	7,001
Amounts reported for governmental activities in the statement of net position 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.		
Acquisition of capital assets		390,373
Depreciation expense		(62,599)
Expenses reported in the statement of activities that affect accrued liabilities that are not reported as expenditures in the governmental funds		
Change in pension plan accrual		20,834
Change in employee vacation accrual		(29,541)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Deferred revenues		4,687
Loan proceeds		(328,000)
Expenses reported in the statement of governmental funds that reduce long-term liabilities		
Principal debt repayments		<u>336,433</u>
Change in Net Position of governmental activities	\$	<u><u>339,188</u></u>

See accompanying notes to financial statements.

CITY OF CLIFTON, TENNESSEE

Statement of Net Position

Enterprise Funds

June 30, 2016

	Water and Sewer Fund	Natural Gas Fund	Total
Assets and Deferred Outflows			
Current Assets:			
Cash and cash equivalents	\$684,463	293,460	977,923
Certificate of deposits	506,767	57,937	564,704
Customer accounts receivable, net of allowance	97,730	8,416	106,146
Inventory- natural gas	0	9,652	9,652
Total Current Assets	<u>1,288,960</u>	<u>369,465</u>	<u>1,658,425</u>
Restricted Assets:			
Cash and cash equivalents	13,011	0	13,011
Total Restricted Assets	<u>13,011</u>	<u>0</u>	<u>13,011</u>
Capital Assets:			
Utility plant in service	10,266,319	919,490	11,185,809
Less accumulated depreciation	(5,200,108)	(572,539)	(5,772,647)
Total Capital Assets, Net	<u>5,066,211</u>	<u>346,951</u>	<u>5,413,162</u>
Net Pension asset	<u>105,282</u>	<u>30,708</u>	<u>135,990</u>
Total Assets	<u>\$6,473,464</u>	<u>\$747,124</u>	<u>\$7,220,588</u>
Deferred Outflows - Pension	<u>36,461</u>	<u>8,830</u>	<u>45,291</u>
Liabilities, Deferred Inflows, and Net Position			
Current Liabilities (payable from current assets):			
Accounts payable	\$20,773	3,399	24,172
Accrued expenses	13,122	3,628	16,750
Due to other funds	108,200	19,667	127,867
Current maturities - long-term debt	58,421	15,000	73,421
Total Current Liabilities (payable from current assets)	<u>200,516</u>	<u>41,694</u>	<u>242,210</u>
Other Liabilities:			
Customer deposits	15,755	10,728	26,483
Total Other Liabilities	<u>15,755</u>	<u>10,728</u>	<u>26,483</u>
Long-Term Debt	<u>709,219</u>	<u>36,000</u>	<u>745,219</u>
Total Liabilities	<u>925,490</u>	<u>88,422</u>	<u>1,013,912</u>
Deferred Inflows - Pension	<u>42,459</u>	<u>12,384</u>	<u>54,843</u>
Net Position:			
Net Investment in Capital Assets	4,298,571	295,951	4,594,522
Restricted - Debt Service	13,011	0	13,011
Restricted - Pension	99,284	27,154	126,438
Unrestricted	1,131,110	332,043	1,463,153
Total Net Position	<u>\$5,541,976</u>	<u>\$655,148</u>	<u>\$6,197,124</u>

The notes accompanying the financial statements are an integral part of these financial statements.

CITY OF CLIFTON, TENNESSEE

**Statement of Revenues, Expenses
and Changes in Net Position**

Enterprise Funds

For the Year Ended June 30, 2016

	<u>Water and Sewer Fund</u>	<u>Natural Gas Fund</u>	<u>Total</u>
Operating Revenues:			
Metered sales	\$1,190,782	\$247,255	\$1,438,037
Tap and installation revenues	14,264	3,289	17,553
Other revenue	<u>3,776</u>	<u>0</u>	<u>3,776</u>
Total Operating Revenues	<u>1,208,822</u>	<u>250,544</u>	<u>1,459,366</u>
Operating Expenses:			
Salaries	245,040	27,591	272,631
Payroll taxes	18,175	1,563	19,738
Employee benefits	29,590	2,139	31,729
Fees	8,445	1,085	9,530
Office expense	11,303	3,927	15,230
Utilities	115,084	4,232	119,316
Professional services	37,660	21,372	59,032
Gas purchased	0	93,192	93,192
Insurance	47,268	4,000	51,268
Repair and maintenance	75,133	2,380	77,513
Supplies	164,159	15,955	180,114
Depreciation	<u>276,969</u>	<u>20,219</u>	<u>297,188</u>
Total Operating Expenses	<u>1,028,826</u>	<u>197,655</u>	<u>1,226,481</u>
Operating income (loss)	<u>179,996</u>	<u>52,889</u>	<u>232,885</u>
Nonoperating Revenues (Expenses):			
Interest expense	(16,283)	(3,216)	(19,499)
Sale of assets	10,195	0	10,195
Interest income	<u>5,290</u>	<u>1,323</u>	<u>6,613</u>
Total Nonoperating Revenues (Expenses)	<u>(798)</u>	<u>(1,893)</u>	<u>(2,691)</u>
Operating transfer: In lieu of tax:	(18,000)	(8,300)	(26,300)
Net change in Net Position	161,198	42,696	203,894
Net Position, July 1, 2015	<u>5,380,778</u>	<u>612,452</u>	<u>5,993,230</u>
Net Position, June 30, 2016	<u>\$5,541,976</u>	<u>\$655,148</u>	<u>6,197,124</u>

The notes accompanying the financial statements are an integral part of these financial statements.

CITY OF CLIFTON, TENNESSEE

Statement of Cash Flows

Proprietary Fund Type

Water and Sewer And Natural Gas Funds

For the Year Ended June 30, 2016

	<u>Water and Sewer Fund</u>	<u>Natural Gas Fund</u>	<u>Total</u>
Cash Flows from Operating Activities:			
Cash received from customers	1,208,822	250,544	1,459,366
Cash paid to suppliers	(394,511)	(247,006)	(641,517)
Cash paid to employees	(292,805)	(31,293)	(324,098)
Net Cash Provided (Used) by Operating Activities	<u>521,506</u>	<u>(27,755)</u>	<u>493,751</u>
Cash Flows from Capital and Related Financing Activities:			
Purchase of capital assets	(35,522)	0	(35,522)
Interest paid	(16,283)	(3,216)	(19,499)
Repayment of debt	(57,147)	(15,000)	(72,147)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(108,952)</u>	<u>(18,216)</u>	<u>(127,168)</u>
Cash Flows from Investing Activities:			
Redemption (purchase) of certificate of deposit	(3,796)	(434)	(4,230)
Interest received	5,290	1,323	6,613
Net Cash Flows Provided (Used) from Investing Activities:	<u>1,494</u>	<u>889</u>	<u>2,383</u>
Net Change in Cash	414,048	(45,082)	368,966
Cash and Cash Equivalents, July 1, 2015	283,426	338,542	621,968
Cash and Cash Equivalents, June 30, 2016	<u>697,474</u>	<u>293,460</u>	<u>990,934</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities			
Operating income (loss)	179,996	52,889	232,885
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
In lieu of taxes	(18,000)	(8,300)	(26,300)
Depreciation	276,969	20,219	297,188
Sale of Assets	10,195	0	10,195
Change in assets (increase) decrease:			
Accounts receivable	(9,460)	(373)	(9,833)
Inventory	0	4,458	4,458
Prepaid expenses	35,530	0	35,530
Due from other funds	115,773	0	115,773
Deferred outflows	(19,928)	(4,739)	(24,667)
Net pension asset	(8,180)	(3,415)	(11,595)
Change in liabilities increase (decrease):			
Accounts payable and accrued expenses	(12,914)	115	(12,799)
Customer deposits	(350)	(225)	(575)
Due to other funds	(28,315)	(90,423)	(118,738)
Deferred inflows	190	2,039	2,229
Net Cash Provided (Used) by Operating Activities	<u>521,506</u>	<u>(27,755)</u>	<u>493,751</u>

See accompanying notes to financial statements.

CITY OF CLIFTON, TENNESSEE

**Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget (GAAP Basis) and Actual**

General Fund

For the Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Budget</u>
Revenues:				
Taxes:				
Property taxes	\$104,696	\$104,696	\$98,691	(6,005)
Public utilities tax	28,900	28,900	26,300	(2,600)
Local beer tax	52,450	52,450	46,030	(6,420)
Local sales tax	80,680	80,680	88,386	7,706
Franchise taxes	2,400	2,400	2,172	(228)
Business taxes	40,380	40,380	35,752	(4,628)
Total Taxes	<u>309,506</u>	<u>309,506</u>	<u>297,331</u>	<u>(12,175)</u>
Intergovernmental:				
TVA in lieu	31,000	31,000	31,614	614
State sales tax	200,750	200,750	216,781	16,031
State income tax	2,780	2,780	2,907	127
State alcohol taxes	2,230	2,230	1,768	(462)
State police supplement	3,000	3,000	3,000	0
State gasoline tax - special petroleum tax	5,500	5,500	5,482	(18)
Grants	722,496	722,496	266,607	(455,889)
River resort	72,080	72,080	63,687	(8,393)
Corporate excise tax	3,800	3,800	4,188	388
Total Intergovernmental Revenue	<u>1,043,636</u>	<u>1,043,636</u>	<u>596,034</u>	<u>(447,602)</u>
Licenses and permits:				
Building permits	200	200	300	100
Beer permits	1,750	1,750	1,890	140
Total License and Permits Revenue	<u>1,950</u>	<u>1,950</u>	<u>2,190</u>	<u>240</u>
Fines:				
Police citation	31,110	31,110	23,622	(7,488)
Total Fines Revenue	<u>31,110</u>	<u>31,110</u>	<u>23,622</u>	<u>(7,488)</u>
Miscellaneous:				
Miscellaneous	9,580	9,580	4,148	(5,432)
Sale of assets	22,300	22,300	12,168	(10,132)
Insurance recoveries	0	0	11,323	11,323
Special fire protection	1,500	1,500	1,350	(150)
Interest income	1,864	1,864	1,913	49
Total Miscellaneous Revenue	<u>35,244</u>	<u>35,244</u>	<u>30,902</u>	<u>(4,342)</u>
Total Revenues	<u>1,421,446</u>	<u>1,421,446</u>	<u>950,079</u>	<u>(471,367)</u>

The notes accompanying the financial statements are an integral part of these financial statements.

CITY OF CLIFTON, TENNESSEE

**Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget (GAAP Basis) and Actual**

General Fund

For the Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Budget</u>
Expenditures:				
General Government:				
Current:				
Salaries	0	0	4,725	4,725
Payroll taxes	0	0	362	362
Employee benefits	0	0	13	13
Advertising	1,100	1,100	1,357	257
Dues and subscriptions	2,700	2,700	2,849	149
Utilities	8,675	8,675	9,820	1,145
Professional services	13,630	13,630	12,301	(1,329)
Repair and maintenance	13,300	13,300	13,557	257
Supplies	9,850	9,850	10,230	380
Travel and mileage	2,700	2,700	1,082	(1,618)
Insurance	0	0	2,992	2,992
Donations	20,000	20,000	19,905	(95)
Airport	22,500	22,500	22,500	0
Grant projects	211,500	211,500	36,583	(174,917)
Tourism	12,000	12,000	9,792	(2,208)
Other	4,850	4,850	4,563	(287)
	<u>322,805</u>	<u>322,805</u>	<u>152,631</u>	<u>(170,174)</u>
Capital outlay	0	0	0	0
Total General Government	<u>322,805</u>	<u>322,805</u>	<u>152,631</u>	<u>(170,174)</u>
Board of Commissioners:				
Salaries	5,156	5,156	3,170	(1,986)
Travel	300	300	0	(300)
Miscellaneous	200	200	0	(200)
	<u>5,656</u>	<u>5,656</u>	<u>3,170</u>	<u>(2,486)</u>
Capital outlay	0	0	0	0
Total Board of Commissioners	<u>5,656</u>	<u>5,656</u>	<u>3,170</u>	<u>(2,486)</u>
Judicial - Judge's fee	<u>3,600</u>	<u>3,600</u>	<u>3,600</u>	<u>0</u>
Total General Government	<u>332,061</u>	<u>332,061</u>	<u>159,401</u>	<u>(172,660)</u>

The notes accompanying the financial statements are an integral part of these financial statements.

CITY OF CLIFTON, TENNESSEE

**Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget (GAAP Basis) and Actual**

General Fund

For the Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Budget</u>
Public Safety:				
Police Department:				
Salaries	246,612	246,612	222,095	(24,517)
Payroll taxes	18,345	18,345	15,982	(2,363)
Employee benefits	52,070	52,070	47,117	(4,953)
Training	5,300	5,300	1,388	(3,912)
Fees	2,685	2,685	1,909	(776)
Utilities	2,800	2,800	2,694	(106)
Repair and maintenance	3,200	3,200	4,863	1,663
Travel	2,500	2,500	1,230	(1,270)
Supplies	4,700	4,700	4,113	(587)
Vehicle expense	19,000	19,000	8,705	(10,295)
Insurance	11,354	11,354	4,536	(6,818)
Miscellaneous	0	0	0	0
	<u>368,566</u>	<u>368,566</u>	<u>314,632</u>	<u>(53,934)</u>
Debt service	0	0	0	0
Capital outlay	20,840	20,840	15,841	(4,999)
Total Police Department	<u>389,406</u>	<u>389,406</u>	<u>330,473</u>	<u>(58,933)</u>
Fire Department:				
Current:				
Salaries	5,100	5,100	5,349	249
Payroll taxes	407	407	449	42
Repair and maintenance	1,600	1,600	573	(1,027)
Gas and oil	500	500	317	(183)
Supplies	1,900	1,900	2,293	393
Utilities	4,100	4,100	3,042	(1,058)
Volunteer firemen	6,500	6,500	6,075	(425)
Insurance	4,500	4,500	7,000	2,500
Miscellaneous	0	0	0	0
	<u>24,607</u>	<u>24,607</u>	<u>25,098</u>	<u>491</u>
Debt service	0	0	346,232	346,232
Capital outlay	654,334	654,334	142,133	(512,201)
Total Fire Department	<u>678,941</u>	<u>678,941</u>	<u>513,463</u>	<u>(165,478)</u>
Animal Control:				
Supplies	400	400	85	(315)
Miscellaneous	0	0	0	0
	<u>400</u>	<u>400</u>	<u>85</u>	<u>(315)</u>
Capital outlay	0	0	0	0
Total Animal Control	<u>400</u>	<u>400</u>	<u>85</u>	<u>(315)</u>
Total Public Safety	<u>1,068,747</u>	<u>1,068,747</u>	<u>844,021</u>	<u>(224,726)</u>

Continued on next page

The notes accompanying the financial statements are an integral part of these financial statements.

CITY OF CLIFTON, TENNESSEE

Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget (GAAP Basis) and Actual

General Fund

For the Year Ended June 30, 2016

	Original Budget	Original Budget	Actual	Actual Over (Under) Budget
Streets:				
Salaries	0	0	0	0
Employee benefits	0	0	0	0
Inmate lunches	2,050	4,000	5,270	1,270
Repair and maintenance	2,660	2,660	1,002	(1,658)
Vehicle expense	400	400	863	463
Supplies	4,570	4,570	3,168	(1,402)
Professional services	2,500	2,500	0	(2,500)
Street lighting	40,000	45,000	45,731	731
Insurance	7,045	7,045	7,381	336
Grant expense	142,500	158,500	57,832	(100,668)
Miscellaneous	0	0	0	0
	<u>201,725</u>	<u>224,675</u>	<u>121,247</u>	<u>(103,428)</u>
Capital outlay	0	0	0	0
Total Streets Department	<u>201,725</u>	<u>224,675</u>	<u>121,247</u>	<u>(103,428)</u>
Parks and Recreation:				
Current:				
Salaries	29,550	29,550	29,897	347
Employee benefits	11,561	11,561	8,527	(3,034)
Inmate lunches	1,900	1,900	1,969	69
Repair and maintenance	3,190	3,190	3,192	2
Supplies	7,395	7,395	4,138	(3,257)
Vehicle expense	5,000	5,000	3,609	(1,391)
Insurance	4,200	4,200	867	(3,333)
Utilities	6,000	6,000	6,153	153
Miscellaneous	150	150	2,578	2,428
	<u>68,946</u>	<u>68,946</u>	<u>60,930</u>	<u>(8,016)</u>
Capital outlay	29,300	4,300	0	(4,300)
Total Parks and Recreation	<u>98,246</u>	<u>73,246</u>	<u>60,930</u>	<u>(12,316)</u>
Library	<u>9,610</u>	<u>9,610</u>	<u>7,496</u>	<u>(2,114)</u>
Total Expenditures	<u>1,710,389</u>	<u>1,708,339</u>	<u>1,193,095</u>	<u>(515,244)</u>
Excess (deficiency) of Revenues over Expenditures	<u>(288,943)</u>	<u>(286,893)</u>	<u>(243,016)</u>	<u>43,877</u>
In lieu of taxes	<u>0</u>	<u>0</u>	<u>26,300</u>	<u>26,300</u>
Loan proceeds:	<u>328,000</u>	<u>328,000</u>	<u>328,000</u>	<u>0</u>
Change in fund balance	39,057	41,107	111,284	70,177
Fund Balance, July 1, 2015	<u>479,711</u>	<u>479,711</u>	<u>479,711</u>	<u>0</u>
Fund Balance, June 30, 2016	<u>\$518,768</u>	<u>\$520,818</u>	<u>\$590,995</u>	<u>\$70,177</u>

The notes accompanying the financial statements are an integral part of these financial statements.

CITY OF CLIFTON, TENNESSEE

**Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual**

State Street Aid Fund

For the Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Budget</u>
Revenues:				
Intergovernmental:				
Gasoline .03 tax	\$15,899	\$15,899	\$17,151	1,252
Gasoline 1989 tax	7,300	7,300	9,964	2,664
Gasoline and motor fuel	47,000	47,000	51,708	4,708
Miscellaneous:				
Interest	474	474	645	171
Total Revenues	<u>70,673</u>	<u>70,673</u>	<u>79,468</u>	<u>8,795</u>
Expenditures:				
Streets:				
Maintenance and repair	0	0	0	0
Debt service	56,875	56,875	0	(56,875)
Capital outlay	250,000	250,000	232,399	(17,601)
Total Expenditures	<u>306,875</u>	<u>306,875</u>	<u>232,399</u>	<u>(74,476)</u>
Excess (deficiency) of revenues over expenditures	<u>(236,202)</u>	<u>(236,202)</u>	<u>(152,931)</u>	<u>83,271</u>
Loan proceeds:	150,000	150,000	0	0
Change in fund balance	<u>(86,202)</u>	<u>(86,202)</u>	<u>(152,931)</u>	<u>83,271</u>
Fund Balance, July 1, 2015	<u>198,407</u>	<u>198,407</u>	<u>198,407</u>	<u>-</u>
Fund Balance, June 30, 2016	<u><u>\$112,205</u></u>	<u><u>\$112,205</u></u>	<u><u>\$45,476</u></u>	<u><u>\$83,271</u></u>

The notes accompanying the financial statements are an integral part of these financial statements.

CITY OF CLIFTON, TENNESSEE

**Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual**

Sanitation Fund

For the Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Budget</u>
Revenues:				
Fees	170,068	170,068	160,018	(10,050)
Miscellaneous:				
Interest	<u>703</u>	<u>703</u>	<u>558</u>	<u>(145)</u>
Total Revenues	<u>170,771</u>	<u>170,771</u>	<u>160,576</u>	<u>(10,195)</u>
Expenditures:				
Sanitation:				
Salaries	31,373	31,373	28,864	(2,509)
Payroll taxes	2,380	2,380	2,185	(195)
Employee benefits	9,490	9,490	7,648	(1,842)
Utility	955	955	444	(511)
Professional services	2,500	2,500	435	(2,065)
Supplies and maintenance	680	680	364	(316)
Collection fees	79,202	79,202	74,046	(5,156)
Insurance	8,462	8,462	0	(8,462)
Miscellaneous	<u>300</u>	<u>300</u>	<u>33</u>	<u>(267)</u>
	135,342	135,342	114,019	(21,323)
Capital outlay	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenditures	<u>135,342</u>	<u>135,342</u>	<u>114,019</u>	<u>(21,323)</u>
Excess (deficiency) of revenues over expenditures	35,429	35,429	46,557	11,128
Fund Balance, July 1, 2015	<u>163,047</u>	<u>163,047</u>	<u>163,047</u>	<u>0</u>
Fund Balance, June 30, 2016	<u>\$198,476</u>	<u>\$198,476</u>	<u>209,604</u>	<u>11,128</u>

The notes accompanying the financial statements are an integral part of these financial statements.

CITY OF CLIFTON, TENNESSEE

**Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual**

Drug Fund

For the Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Budget</u>
Revenues:				
Fines and Fees:				
Drug related	6,531	6,531	3,139	(3,392)
Miscellaneous:				
Interest	<u>469</u>	<u>469</u>	<u>0</u>	<u>(469)</u>
Total Revenues	<u>7,000</u>	<u>7,000</u>	<u>3,139</u>	<u>(3,861)</u>
Expenditures:				
Program costs	7,000	7,000	1,048	(5,952)
Capital outlay	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total expenses	<u>7,000</u>	<u>7,000</u>	<u>1,048</u>	<u>(5,952)</u>
Excess (deficiency) of revenues over expenditures	0	0	2,091	2,091
Fund Balance, July 1, 2015	<u>30,263</u>	<u>30,263</u>	<u>30,263</u>	<u>0</u>
Fund Balance, June 30, 2016	<u><u>\$30,263</u></u>	<u><u>\$30,263</u></u>	<u><u>32,354</u></u>	<u><u>2,091</u></u>

The notes accompanying the financial statements are an integral part of these financial statements.

NOTES TO THE FINANCIAL
STATEMENTS

CITY OF CLIFTON, TENNESSEE

Notes to Financial Statements

June 30, 2016

(1) Summary of Significant Accounting Policies

The City of Clifton, Tennessee, was incorporated by the Private Act of the Tennessee General Assembly. The City provides the following services, as authorized by its charter and duly passed ordinances: public safety (Police and Fire), water and sewerage, natural gas, streets, sanitation, recreations, public improvements, planning and zoning, and general administrative services. The accounting policies of the City of Clifton, Tennessee conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

Reporting Entity:

In evaluating the City as a reporting entity, management follows all applicable GASB statements and has addressed all potential component units (traditionally separate reporting entities) for which the City may be financially accountable and, as such, should be included within the City's financial statements. The City (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefit or to impose specific financial burden on the City. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The City has one component unit at yearend – Clifton Airport Authority. The financial statements of the Clifton Airport Authority can be found at City Hall.

Accounting Pronouncements:

Effective July 1, 2003, the City adopted GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis for State and Local Governments: Omnibus, an amendment of GASB Statements No. 21 and 34, Statement No. 38, Certain Financial Statement Note Disclosures and Interpretation No. 6, Recognition and measurement of Certain Liabilities and Expenditures in Government Fund Financial Statements. The requirements of these statements represent a significant change in the financial reporting model used by the City. The financial statements now include government-wide financial statements prepared on the accrual basis of accounting and the economic measurement focus for all funds. The fund financial statements present information for individual major funds rather than by fund type. Nonmajor funds are presented in one column. Other significant changes include the reporting of capital assets, infrastructure and depreciation, the elimination of account groups, and the inclusion of management's discussion and analysis. The government-wide financial statements present the City's programs between business-type and governmental activities.

CITY OF CLIFTON, TENNESSEE

Notes to Financial Statements

June 30, 2016

(1) Summary of Significant Accounting Policies, Continued

Government -Wide and Fund Financial Statements

The Government-wide financial statements, the statement of Net Position and the statement of changes in Net Position, report information on all of the nonfiduciary activities of the primary government and its component units. For the most part the effect of the interfund activity has been removed from these statements. Government activities, which normally are 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 (i) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and (ii) 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 as general revenues.

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

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, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund revenues are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they become both measurable and collectable within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers property taxes and most governmental revenues as available if received within 45 days of years end. Expenditures generally when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

Property taxes, state shared revenues, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period using the criteria specified in the paragraph above. All other revenue items are considered to be measurable and available only when cash is received by the government.

CITY OF CLIFTON, TENNESSEE

Notes to Financial Statements

June 30, 2016

(1) Summary of Significant Accounting Policies, Continued

The government reports the following major funds:

General Fund - The General Fund is the general operating fund of the City. It is used to account for all financial resources of the general government except those required to be accounted for in another fund.

State Street Aid Fund - To account for the receipt and usage of the City's share of State gasoline taxes. State law requires these gasoline taxes to be used to maintain streets.

Sanitation Fund - To account for the revenues and expenditures of the City's Sanitation Department.

Drug Fund - To account for the police department's drug enforcement activities.

The government reports the following major proprietary funds:

The Utility Funds are used to account for water, sewer and natural gas operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments- in-lieu taxes and other charges between the government's utilities and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include (i) charges to customers or applicants for goods, services, or privileges provided, (ii) operating grants and contributions, and (iii) capital grants and contributions. General revenues include all taxes and internally dedicated resources. 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 various utility funds are charges to customers for sales and services. The Utility Fund also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed. When unrestricted funds are used the City uses committed, assigned then unassigned funds.

CITY OF CLIFTON, TENNESSEE

Notes to Financial Statements

June 30, 2016

(1) Summary of Significant Accounting Policies, Continued

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of savings accounts, certificates of deposit with original maturities three months or less and amounts held by the State Local Government Investment Pool.

Receivables and Payables

Activity between funds that are representative of lending/ borrowing arrangements outstanding at the end of the fiscal year are referred to as either due from/ due to other funds (i.e. the current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available resources. All trade receivables are shown net of an allowance for uncollectible, if applicable.

Property Tax

The City's property tax is levied each November 1 on the assessed value listed as of the prior January 1 for all real and personal property located in the City's legal boundaries. All City taxes on real estate are declared to be a lien on such realty from January 1 of the year assessments are made.

Assessed values are established by the State of Tennessee at the following rates of appraised market value:

Public Utility Property	55%
Industrial and Commercial Property	
- Real	40%
- Personal	30%
Farm and Residential Property	25%

Taxes were levied at a rate of \$0.6469 per \$100 of assessed valuation for the fiscal year.

Payments may be made during the period from November 1 through March 31. Current tax collections of \$90,782 for the fiscal year ended June 30, 2016 were approximately 90 percent of the tax levy.

Delinquent taxes are turned over to the City Attorney for collection as required by the City Municipal Code.

Restricted Assets

Certain proceeds of the Enterprise Fund bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on their respective balance sheets because they are maintained in separate bank accounts and their use is either limited by applicable bond covenants or represent proceeds from bond issues that are restricted for use in construction.

CITY OF CLIFTON, TENNESSEE

Notes to Financial Statements

June 30, 2016

(1) Summary of Significant Accounting Policies, Continued

Capital Assets

Capital assets, which include property, plant and equipment, and certain improvements other than buildings, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an individual cost of \$5,000 and an estimated useful life in excess of three years. All fixed assets are valued at historical cost or estimated useful life in excess of three years. All fixed assets are valued at historical cost or estimated historical cost, if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Depreciation is provided over the estimated useful lives using the straight line method.

The estimated useful lives are as follows:

Infrastructure	40-50 years
Buildings	10-50 years
Utility Plant in Service	10-50 years
Furniture and Equipment	5-10 years

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has deferred outflows related to its pension plan reporting.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has items that qualify for reporting in this category. Accordingly, the items are reported in the government-wide Statement of Net Position and the governmental funds balance sheet. These revenues are from the following sources: current and delinquent property taxes and various receivables for intergovernmental shared revenues, which do not meet the availability criteria in governmental funds. The City has deferred inflows related to pension plan reporting. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

CITY OF CLIFTON, TENNESSEE

Notes to Financial Statements

June 30, 2016

(1) Summary of Significant Accounting Policies, Continued

Budgets and Budgetary Accounting

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

- a. Formal budgets are adopted and approved by Council vote on an annual basis for the General and Special Revenue Funds. These budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
- b. The City Council approves, by ordinance, total budget appropriations by department only. The Mayor is authorized to transfer budget amounts between line items within each department; however, any revisions that alter the total appropriations of any fund must be approved by the City Council.
- c. The budget amounts shown in the financial statements are the final authorized amounts as amended during the year.

Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of Net Position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds and are presented in the accompanying financial statements as other assets.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.