

CITY OF CLIFTON, TENNESSEE

Notes to Financial Statements

June 30, 2015

(1) Summary of Significant Accounting Policies, Continued

Fund Balance

The City implemented GASB 54 which addresses issues related to how fund balances are reported. Fund balances are now reported in the following manner:

Nonspendable fund balances – amounts that are not in a spendable form, Restricted fund balance – amounts constrained to specific purposes by their providers, provisions, or by enabling legislation, Committed fund balance – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint, Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority, Unassigned fund balance – amounts that are available for any purpose; these amounts are reported only in the general fund.

Board approval (via ordinance) is required to establish, modify or rescind a fund balance requirement. Only by Board approval can fund balance amounts be classified as committed or assigned.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Financial instruments that potentially subject the City to significant concentrations of credit risk consist principally of cash and accounts receivable. The City places its cash with federally-insured financial institutions, institutions participating in the State collateral pool. With respect to accounts receivable, credit risk is dispersed across a large number of customers concentrated within one area of service.

Inventory

Inventory of the Utility Fund is valued at cost, using the first in first out method. Inventory of all the governmental funds consists of expendable supplies held for consumption and are recorded at cost under the consumption method.

Compensated Absences

The City has accrued a liability for unused sick and vacation pay which is earned but not taken by City employees.

	July 1, <u>2014</u>	Addi- <u>tions</u>	Retire- <u>ments</u>	June 30, <u>2015</u>
Governmental activities	<u>18,180</u>	<u>630</u>	<u>-</u>	<u>18,810</u>
Business-type activities	<u>12,527</u>	<u>-</u>	<u>4,474</u>	<u>8,053</u>

CITY OF CLIFTON, TENNESSEE

Notes to Financial Statements

June 30, 2015

(1) Summary of Significant Accounting Policies, Continued

Pension

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of Clifton's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from Clifton's fiduciary net position have been determined on the same basis as they are reported by the TCRS for the Public Employee Retirement Plan. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Public Employee Retirement Plan of TCRS. Investments are reported at fair value.

(2) Cash and Cash Equivalents

The City is authorized to invest funds in Federal treasury bills and notes, State of Tennessee Local Government Investment Pool and financial institution demand deposit accounts and certificates of deposit. During the year, the City invested funds that were not immediately needed in certificates of deposits, savings accounts and investments in the State of Tennessee Local Government Investment Pool. The City has deposit policies to minimize custodial credit risks. All deposits with financial institutions must be secured by one of two methods. One method involves financial institutions that participate in the bank collateral pool administered by the state treasurer. Participating banks determine the aggregate balance of their public fund accounts for the State of Tennessee and its political subdivisions. The amount of collateral required to secure these public deposits must equal at least 105 percent of the average daily balance of public deposits held. Collateral securities required to be pledged by the participating banks to protect their public fund accounts are pledged to the state treasurer on behalf of the bank collateral pool. The securities pledged to protect these accounts are pledged in the aggregate rather than against each account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure.

For deposits with financial institutions that do not participate in the bank collateral pool, state statutes require that all deposits be collateralized with collateral whose market value is equal to 105 percent of the uninsured amount of the deposits. The collateral must be placed by the depository bank in an escrow account in a second bank for the benefit of the city. The City's deposits with financial institutions are fully insured or collateralized by securities held in the government's name.

The City's component unit's deposits with financial institutions are fully insured or collateralized by securities held in the government's name.

CITY OF CLIFTON, TENNESSEE

Notes to Financial Statements

June 30, 2015

(3) Accounts Receivable

Accounts receivable at yearend, consist of the following:

<u>Fund</u>	<u>Other Government</u>	<u>Property Taxes</u>	<u>Customer Accounts</u>	<u>Total</u>
General Fund	\$ 157,537	113,408	-	270,945
Special Revenue Fund	25,438	-	-	25,438
Enterprise Fund	-	-	99,133	99,133
Less allowance for doubtful accounts	-	-	(2,820)	(2,820)
Total	\$ <u>182,975</u>	<u>113,408</u>	<u>96,313</u>	<u>392,696</u>

(4) Capital Assets

Primary Government:

A summary of changes in general capital assets as presented in the governmental activities column of the government-wide financial statement is as follows:

	<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2015</u>
Land, buildings and improvements	\$ 1,576,244	-	-	1,576,244
Equipment	<u>315,268</u>	-	-	<u>315,268</u>
Total	\$ <u>1,891,512</u>	<u>-</u>	<u>-</u>	<u>1,891,512</u>
Less Accumulated depreciation	<u>(785,512)</u>			<u>(845,423)</u>
Net capital assets in service	\$ <u>1,106,000</u>			<u>1,046,089</u>

All assets except land valued at \$193,000 are being depreciated.

Depreciation expense was charged to functions/programs of the primary government as follows:

General Fund:

General government administration	\$ 26,345
Police department	13,414
Fire department	2,127
Highways and Streets	17,475
Parks	<u>550</u>
Total	<u>59,911</u>

CITY OF CLIFTON, TENNESSEE

Notes to Financial Statements

June 30, 2015

(4) Capital Assets, Continued

Component Unit:

A summary of changes in capital assets by asset types follows:

	Balance <u>July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2015</u>
Land, buildings and improvements	\$ 1,897,507	118,751	-	2,016,258
Equipment	<u>171,755</u>	<u>-</u>	<u>-</u>	<u>171,755</u>
Total	\$ <u>2,069,262</u>	<u>118,751</u>	<u>-</u>	<u>2,188,013</u>
Less Accumulated depreciation	<u>(234,121)</u>			<u>(301,823)</u>
Net capital assets in service	\$ <u>1,835,141</u>			<u>1,886,190</u>

Land of \$47,113 is not being depreciated. Depreciation expense was charged to the Component Unit in the amount of \$67,702.

A summary of changes in Enterprise (Water and Sewer) Fund property, plant and equipment and related accumulated depreciation follows:

	Balance <u>July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2015</u>
Land and buildings	\$ 217,287	-	-	217,287
Utility plant	9,791,754	-	-	9,791,754
Construction in progress	-	44,725	-	44,725
Equipment	<u>177,031</u>	<u>-</u>	<u>-</u>	<u>177,031</u>
Total	<u>10,186,072</u>	<u>44,725</u>	<u>-</u>	<u>10,230,797</u>
Less accumulated depreciation	<u>(4,664,379)</u>			<u>(4,923,139)</u>
Net plant in service	\$ <u>5,521,693</u>			<u>5,307,658</u>

All assets except land and land rights of \$62,642 and Construction in progress of \$44,725 are being depreciated. Depreciation expense was \$258,760 in 2015.

CITY OF CLIFTON, TENNESSEE

Notes to Financial Statements

June 30, 2015

(4) Capital Assets, Continued

A summary of changes in Enterprise (Gas) Fund property, plant and equipment and related accumulated depreciation follows:

	Balance July 1, 2014	<u>Additions</u>	<u>Deletions</u>	Balance June 30, 2015
Utility plant	\$ 812,694	-	-	812,694
Buildings	15,585	-	-	15,585
Equipment	<u>91,211</u>	-	-	<u>91,211</u>
Total	<u>919,490</u>	<u>-</u>	<u>-</u>	<u>919,490</u>
Less accumulated depreciation	<u>(529,976)</u>			<u>(552,320)</u>
Net plant in service	\$ <u>389,514</u>			<u>367,170</u>

All assets are being depreciated. Depreciation expense was \$22,344 for the year ended.

(5) Long-Term Debt Payable and Other Obligations Payable

The following schedule reflects the changes in long-term debt, as shown in the General Obligation Debt during the fiscal year 2015.

Primary Government:

		Balance July 1, 2014	<u>Additions</u>	<u>Retirements</u>	Balance June 30, 2015
Capital Outlay Notes and Bonds Payable:					
1995 Bond Issue - Fire hall	2.75%	\$ -	320,000	-	320,000
Capital Outlay - Fire truck	4.00%	<u>50,000</u>	-	<u>(16,607)</u>	<u>33,393</u>
		\$ <u>50,000</u>	<u>320,000</u>	<u>(16,607)</u>	<u>353,393</u>

Component Unit:

	Balance July 1, 2014	<u>Additions</u>	<u>Retirements</u>	Balance June 30, 2015
Capital Outlay Note:				
Capital Outlay - Airport	<u>186,409</u>	-	<u>(15,522)</u>	<u>170,887</u>

The Airport has a line of credit (\$300,000 maximum) that is being used to fund capital improvements.

CITY OF CLIFTON, TENNESSEE

Notes to Financial Statements

June 30, 2015

(5) Long-Term Debt Payable and Other Obligations Payable, Continued

The following schedule reflects the changes in long-term debt, as shown in the Enterprise (Water and Sewer) Fund during the fiscal year 2015.

	<u>Interest Rates</u>	<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2015</u>
Bonds and Notes Payable:					
Rural Loan	4.25%	621,252	-	(9,723)	611,529
State Loan	4.00%	80,593	-	(11,335)	69,258
2002 Bonds	3.50%	<u>175,500</u>	-	<u>(31,500)</u>	<u>144,000</u>
Total		<u>877,345</u>	<u>-</u>	<u>(52,558)</u>	<u>824,787</u>

The following schedule reflects the changes in long-term debt, as shown in the Enterprise (Gas) Fund during the fiscal year 2015.

	<u>Interest Rates</u>	<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2015</u>
Bonds and Notes Payable:					
2002 Issue	3.50%	79,500	-	(13,500)	66,000
Total		\$ <u>79,500</u>	<u>-</u>	<u>(13,500)</u>	<u>66,000</u>

Principal and interest requirements to maturity on all outstanding bonds, loans and obligations as of June 30, 2015, are as follows:

Primary Government:

Year Ending	<u>General Long-Term Debt</u>	
	<u>Principal</u>	<u>Interest</u>
<u>June 30,</u> 2016	\$ 137,446	\$ 10,947
2017	106,979	6,021
2018	<u>108,968</u>	<u>3,038</u>
Total	\$ <u>353,393</u>	\$ <u>20,006</u>

CITY OF CLIFTON, TENNESSEE

Notes to Financial Statements

June 30, 2015

(5) Long-Term Debt Payable and Other Obligations Payable, Continued

Component Unit:

Principal and interest requirements to maturity on all outstanding bonds, loans and obligations as of June 30, 2015, are as follows:

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>
2016	<u>170,887</u>	<u>5,592</u>
Total	\$ <u>170,887</u>	<u>5,592</u>

Utility Funds

Year Ending June 30,	<u>Water and Sewer Fund</u>	
	<u>Principal</u>	<u>Interest</u>
2016	57,147	38,476
2017	58,421	34,901
2018	63,229	31,913
2019	61,752	29,010
2020	24,896	28,000
2021-2025	63,890	110,810
2026-2030	78,219	96,481
2031-2035	95,762	78,938
2036-2040	117,239	57,461
2041-2045	143,533	31,167
2046-2047	<u>60,698</u>	<u>3,793</u>
Total	\$ <u>824,787</u>	<u>540,949</u>

CITY OF CLIFTON, TENNESSEE

Notes to Financial Statements

June 30, 2015

(5) Long-Term Debt Payable and Other Obligations Payable, Continued

Principal and interest requirements to maturity on all outstanding bonds, loans and obligations as of June 30, 2015, are as follows:

<u>Year Ending June 30,</u>	<u>Gas Fund</u>	
	<u>Principal</u>	<u>Interest</u>
2016	13,500	3,016
2017	15,000	2,592
2018	15,000	1,872
2019	<u>22,500</u>	<u>1,152</u>
Total	\$ <u>66,000</u>	<u>8,632</u>

(6) Contributed Capital - Enterprise Funds

In accordance with GASB No. 33 the City no longer records contributed capital from customer tap fees and grants from other governments. The City has recorded these amounts in the net position section of the statement of Net Position.

(7) Interfund Transactions

Interfund receivables and payables at June 30, 2015 were as follows:

<u>Fund</u>	<u>Due From</u>	<u>Due To</u>
Natural Gas Fund	\$ 5,683	110,090
General Fund	103,219	-
Sanitation Fund	27,613	-
Water and Sewer Fund	<u>110,090</u>	<u>136,515</u>
Total	\$ <u>246,605</u>	<u>246,605</u>

The City will often make joint purchases among funds with one fund making the payment. The above balances represent such joint purchases. The City will reduce these balances during the year.

CITY OF CLIFTON, TENNESSEE

Notes to Financial Statements

June 30, 2015

(8) Pension Plan

General Information about the Pension Plan

Plan description. Employees of Clifton are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at www.treasury.tn.gov/tcrs.

Benefits provided. Tennessee Code Annotated Title 8, Chapter 34-37 established the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available at age 55 and vested. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

Employees covered by benefit terms. At the measurement date of June 30, 2014, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	4
Inactive employees entitled to but not yet receiving benefits	16
Active employees	<u>13</u>
Total	<u>33</u>

CITY OF CLIFTON, TENNESSEE

Notes to Financial Statements

June 30, 2015

(8) Pension Plan, Continued

Contributions. Contributions for employees are established in the statutes governing the TCRS and may only be charged by the Tennessee General Assembly. Employees contribute 5 percent of salary. Clifton makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2015, employer contributions for Clifton were (\$29,552) based on a rate of (6.64%) percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept Clifton's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability (Asset)

Clifton's net pension liability (asset) was measured as of June 30, 2014, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

Actuarial assumptions. The total pension liability as of June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation 3.0 percent

Salary increases Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation averaging 4.25 percent.

Investment rate of return 7.5 percent, net of pension plan investment expenses, including inflation.

Cost-of-Living Adjustment 2.5 percent

Mortality rates were based on actual experience from the June 30, 2012 actuarial experience study adjusted for some of the expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2014 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

CITY OF CLIFTON, TENNESSEE

Notes to Financial Statements

June 30, 2015

(8) Pension Plan, Continued

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012 actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding inflation of 3 percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<i>Long-term Expected</i> <u>Asset class</u>	<u>Real Rate of Return</u>	<u>Target Allocation</u>
U.S. equity	6.46%	33%
Developed market international equity	6.26%	17%
Emerging market international equity	6.40%	5%
Private equity and strategic lending	4.61%	8%
U.S. fixed income	0.98%	29%
Real Estate	4.73%	7%
Short-term securities	0.00%	<u>1%</u>
Total		<u>100%</u>

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the three factors described above.

Discount rate. The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from Clifton will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF CLIFTON, TENNESSEE

Notes to Financial Statements

(8) Pension Plan, Continued

Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) - (b)
Balance at 6/30/13	\$ 1,019,904	\$ 1,115,025	\$ (95,121)
Changes for the year:			
Service cost	33,516		33,516
Interest	78,285		78,285
Differences between expected and actual experience	4,810		4,810
Contributions- employer		29,290	(29,290)
Contributions- employees		21,922	(21,922)
Net investment income		187,439	(187,439)
Benefit payments, including refunds of employee contributions	(19,241)	(19,241)	-
Administrative expense		(545)	545
Net changes	97,370	218,865	(121,495)
Balance at 6/30/14	\$ 1,117,274	\$ 1,333,890	\$ (216,616)

Sensitivity of the net pension liability (asset) to changes in the discount rate. The following presents the net pension liability (asset) of Clifton calculated using the discount rate of 7.5 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Clifton's net pension Liability (asset)	(77,094)	(216,616)	(334,002)

CITY OF CLIFTON, TENNESSEE

Notes to Financial Statements

June 30, 2015

(8) Pension Plan, Continued

Pension Expense (income) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension income. For the year ended June 30, 2015, Clifton recognized pension income of \$17,971.

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2015, Clifton reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and Actual experience	4,123	-
Net difference between projected and Actual earning on pension plan Investments	-	82,107
Contributions subsequent to the Measurement date of June 30, 2015	<u>29,552</u>	<u>-</u>
Total	<u>33,675</u>	<u>82,107</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2016	(19,840)
2017	(19,840)
2018	(19,840)
2019	(19,840)
2020	687
Thereafter	687

In the table shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

CITY OF CLIFTON, TENNESSEE

Notes to Financial Statements

June 30, 2015

(9) Commitments and Contingencies

Litigation:

There are no pending lawsuits in which the City is involved.

Grants:

Amounts received from Grantor agencies are subject to audit and adjustment by Grantor agencies, principally the Federal government. Any disallowed claims including amounts already collected, could become a liability of the applicable fund.

(10) Risk Management

The City of Clifton is exposed to various risks to general liability and property and casualty losses. The City has decided it was more economically feasible to join a public entity risk pool as opposed to purchasing commercial insurance for general liability and property and casualty coverage. The City joined TML Insurance Pool which is a public entity risk pool established by the Tennessee Municipal League, an association of member cities. The City pays an annual premium to the TML for its general liability and property and casualty insurance coverage. The creation of the pool provides for it to be self-sustaining through member premiums. The pool reinsures through commercial insurance companies for claims in excess of \$130,000 for each insured event. The City has not had claims in excess of insurance coverage during the last three years.

(11) Major Customer

The City has a state prison within the City limits and provides water, sewer and gas services to this facility per the terms of written contracts. The prison accounts for over 40% of gas revenues and over 60% of water and sewer revenues.

(12) Restatement – Change in Accounting Principle

The City implemented GASB Statement 68 and GASB Statement 71 related to the accounting and financial reporting for pension plans and as a result has restated the government-wide financial statements.

REQUIRED SUPPLEMENTARY
INFORMATION

Schedules of Required Supplementary Information

Schedule of Changes in Clifton's Net Pension Liability (Asset) and Related Ratios Based on Participation in the Public Employee Pension Plan of TCRS Last Fiscal Year ending June 30

		2014
Total pension liability		
Service cost	\$	33,516
Interest		78,285
Changes in benefit terms		-
Differences between actual & expected experience		4,810
Change of assumptions		-
Benefit payments, including refunds of employee contributions		(19,241)
Net change in total pension liability		97,370
Total pension liability-beginning		1,019,904
Total pension liability-ending (a)	\$	1,117,274
Plan fiduciary net position		
Contributions-employer	\$	29,290
Contributions-employee		21,922
Net investment income		187,439
Benefit payments, including refunds of employee contributions		(19,241)
Administrative expense		(545)
Net change in plan fiduciary net position		218,865
Plan fiduciary net position-beginning		1,115,025
Plan fiduciary net position-ending (b)	\$	1,333,890
Net Pension Liability (asset)-ending (a) – (b)	\$	(216,616)
Plan fiduciary net position as a percentage of total pension liability		119.39%
Covered-employee payroll	\$	438,448
Net pension liability (asset) as a percentage of covered-employee payroll		49.41%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will added to this schedule in future fiscal years until 10 years of information is available.

CITY OF CLIFTON, TENNESSEE

**Schedule of Contributions Based on Participation in the
Public Employee Pension Plan of TCRS**

For the Year Ended June 30, 2015

	<u>2014</u>	<u>2015</u>
Actuarially determined contribution	29,290	29,552
Contributions in relation to the actuarially determined contribution	<u>29,290</u>	<u>29,552</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>
Covered-employee payroll	<u>438,448</u>	<u>445,164</u>
Contributions as a percentage covered-employee payroll	6.68%	6.64%

Notes to Schedule

Valuation date: Actuarially determined contribution rates for 2015 were calculated based on the July 1, 2013 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Frozen initial liability
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	1 year
Asset valuation	10-year smoothed within a 20 percent corridor to market value
Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment Rate of Return	7.5 percent, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of Living Adjustments	2.5 percent

SUPPLEMENTAL
INFORMATION

CITY OF CLIFTON, TENNESSEE

Capital Assets Used in the Operation of the Government Funds

Schedule of Changes in Capital Assets by Type

June 30, 2015

Primary government:

<u>Description</u>	<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2015</u>
Land	\$193,000	0	0	193,000
Buildings	158,942	0	0	158,942
Improvements other than buildings	732,697	0	0	732,697
Infrastructure	491,605	0	0	491,605
Equipment	315,268	0	0	315,268
Total Assets	\$1,891,512	0	0	1,891,512

Component Unit

<u>Description</u>	<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2015</u>
Land	\$47,113	0	0	47,113
Improvements	1,833,694	118,751	0	1,952,445
Buildings	16,700	0	0	16,700
Equipment	171,755	0	0	171,755
Total Assets	\$2,069,262	118,751	0	2,188,013

CITY OF CLIFTON, TENNESSEE

Capital Assets Used in the Operation of the Government Funds

Schedule of Capital Assets by Function and Activity

June 30, 2015

Primary government:

<u>Description</u>	<u>Land and Improvements</u>	<u>Buildings</u>	<u>Equipment</u>	<u>Total</u>
General government	\$763,224	148,000	15,833	927,057
Police department	39,822	0	131,973	171,795
Fire department	0	10,942	118,800	129,742
Street department	491,605	0	31,737	523,342
Parks and recreation	122,651	0	16,925	139,576
Total Assets	<u><u>\$1,417,302</u></u>	<u><u>158,942</u></u>	<u><u>315,268</u></u>	<u><u>1,891,512</u></u>

Component Unit

<u>Description</u>	<u>Land and Improvements</u>	<u>Buildings</u>	<u>Equipment</u>	<u>Total</u>
Airport	1,999,558	16,700	171,755	2,188,013
	<u><u>\$1,999,558</u></u>	<u><u>16,700</u></u>	<u><u>171,755</u></u>	<u><u>2,188,013</u></u>

CITY OF CLIFTON, TENNESSEE

**Schedule of Cash and Cash Equivalents and Certificate of Deposits
All Funds**

June 30, 2015

	<u>Carrying Value</u>
General Fund:	
Demand deposits	344,952
Certificate of deposits	15,233
Total General Fund	<u>360,185</u>
State Street Aid Fund:	
Demand deposits	191,176
Total State Street Aid Fund	<u>191,176</u>
Sanitation Fund:	
Demand deposits	111,981
Certificate of deposits	15,959
Total Sanitation Fund	<u>127,940</u>
Drug Fund - Demand deposits	<u>30,263</u>
Total Special Revenue Funds	<u>349,379</u>
Water and Sewer Fund:	
Demand deposits	283,426
Certificate of deposits	502,971
Total Water and Sewer Fund	<u>786,397</u>
Gas Fund:	
Demand deposits	338,542
Certificate of deposits	57,503
Total Gas Fund	<u>396,045</u>
Total Enterprise Funds	<u>1,182,442</u>
Component Unit	<u>28,942</u>
Total Cash and Cash Equivalents - All Funds	<u><u>\$1,920,948</u></u>

CITY OF CLIFTON, TENNESSEE

Schedule of Changes in Property Taxes Receivable

For the Year Ended June 30, 2015

<u>Tax Year</u>	<u>Balance July 1, 2014</u>	<u>Levy</u>	<u>Collections and Changes in Assessment</u>	<u>Balance June 30, 2015</u>
2015	\$ -	100,000	0	100,000
2014	100,000	(502)	91,883	7,615
2013	13,150	0	9,565	3,585
2012	6,539	0	4,414	2,125
2011	66	0	13	53
2010	30	0	0	30
	<u>\$119,785</u>	<u>99,498</u>	<u>105,875</u>	<u>113,408</u>

<u>Tax Year</u>	<u>Tax Rate</u>	<u>Tax Levy</u>	<u>Adjustment and Collections</u>	<u>Outstanding Delinquent Taxes</u>
2015	\$ 0.6469	\$ 100,000	\$ 0	\$ 0
2014	0.6469	99,498	91,883	7,615
2013	0.6469	102,122	98,537	3,585
2012	0.6469	102,288	100,163	2,125
2011	0.6469	102,099	102,046	53
2010	0.6469	98,975	98,945	30
2009	0.84	103,042	103,042	0
2008	0.84	96,951	96,951	0
2007	0.84	94,016	94,016	0
2006	0.84	92,122	92,122	0

All delinquent taxes except for the 2014 tax year have been turned over to the County.

CITY OF CLIFTON, TENNESSEE

Schedule of Debt Service Requirements -
General Obligation Debt

June 30, 2015

Year	CAPITAL OUTLAY FIRE TRUCK		CAPITAL OUTLAY PEOPLE'S BANK		TOTAL	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	33,393	2,000	104,053	8,947	137,446	10,947
2017	-	-	106,979	6,021	106,979	6,021
2018	-	-	108,968	3,038	108,968	3,038
	<u>\$33,393</u>	<u>\$2,000</u>	<u>\$320,000</u>	<u>\$18,006</u>	<u>\$353,393</u>	<u>\$20,006</u>

CITY OF CLIFTON, TENNESSEE

Schedule of Debt Service Requirements -
Component Unit

June 30, 2015

<u>Year</u>	<u>TOTAL Principal</u>	<u>TOTAL Interest</u>
2016	170,887	5,592
	<u>\$170,887</u>	<u>\$5,592</u>

CITY OF CLIFTON, TENNESSEE

Schedule of Debt Service Requirements-
Water and Sewer Fund

June 30, 2015

Year	2002 WATER AND SEWER REVENUE BONDS		RURAL DEVELOPMENT		WATER AND SEWER STATE LOAN		TOTAL	TOTAL
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2016	35,000	8,109	9,610	25,330	12,537	5,037	57,147	38,476
2017	35,000	5,808	10,007	24,933	13,414	4,160	58,421	34,901
2018	38,500	4,128	10,420	24,520	14,309	3,265	63,229	31,913
2019	35,500	2,748	10,851	24,089	15,401	2,173	61,752	29,010
2020	-	-	11,299	23,641	13,597	4,359	24,896	28,000
2021	-	-	11,765	23,175	-	-	11,765	23,175
2022	-	-	12,251	22,689	-	-	12,251	22,689
2023	-	-	12,757	22,183	-	-	12,757	22,183
2024	-	-	13,284	21,656	-	-	13,284	21,656
2025	-	-	13,833	21,107	-	-	13,833	21,107
2026	-	-	14,404	20,536	-	-	14,404	20,536
2027	-	-	14,999	19,941	-	-	14,999	19,941
2028	-	-	15,618	19,322	-	-	15,618	19,322
2029	-	-	16,263	18,677	-	-	16,263	18,677
2030	-	-	16,935	18,005	-	-	16,935	18,005
2031	-	-	17,634	17,306	-	-	17,634	17,306
2032	-	-	18,363	16,577	-	-	18,363	16,577
2033	-	-	19,121	15,819	-	-	19,121	15,819
2034	-	-	19,911	15,029	-	-	19,911	15,029
2035	-	-	20,733	14,207	-	-	20,733	14,207
2036	-	-	21,589	13,351	-	-	21,589	13,351
2037	-	-	22,481	12,459	-	-	22,481	12,459
2038	-	-	23,410	11,530	-	-	23,410	11,530
2039	-	-	24,376	10,564	-	-	24,376	10,564
2040	-	-	25,383	9,557	-	-	25,383	9,557
2041	-	-	26,431	8,509	-	-	26,431	8,509
2042	-	-	27,523	7,417	-	-	27,523	7,417
2043	-	-	28,660	6,280	-	-	28,660	6,280
2044	-	-	29,843	5,097	-	-	29,843	5,097
2045	-	-	31,076	3,864	-	-	31,076	3,864
2046	-	-	32,359	2,581	-	-	32,359	2,581
2047	-	-	28,339	1,212	-	-	28,339	1,212
	<u>144,000</u>	<u>20,793</u>	<u>611,529</u>	<u>501,162</u>	<u>69,258</u>	<u>18,994</u>	<u>824,787</u>	<u>540,949</u>

CITY OF CLIFTON, TENNESSEE

**Schedule of Debt Service Requirements -
Natural Gas Fund**

June 30, 2015

<u>Year</u>	<u>2002 WATER AND SEWER REVENUE BONDS</u>		<u>TOTAL</u>	<u>TOTAL</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2016	13,500	3,016	13,500	3,016
2017	15,000	2,592	15,000	2,592
2018	15,000	1,872	15,000	1,872
2019	22,500	1,152	22,500	1,152
<hr/>				
	<u>66,000</u>	<u>8,632</u>	<u>66,000</u>	<u>8,632</u>

CITY OF CLIFTON, TENNESSEE

Schedule of Insurance Coverage

June 30, 2015

<u>Type of Coverage</u>		<u>Amounts</u>
Commercial Property	Buildings and equipment	Various
Auto Liability	Per occurrence	350,000
	Personal injury	130,000
	Property	50,000
Public officials	Employee Dishonesty	50,000
	Forgery/theft	25,000
	Errors and Omissions	500,000
General liability	Per occurrence	350,000
	Personal injury	130,000
	Property	50,000
Worker's compensation		Statutory

CITY OF CLIFTON, TENNESSEE

Schedule of Bonds - Principal Officials

June 30, 2015

<u>Official</u>	<u>Title</u>	<u>Bond*</u>
Elected Officials:		
Randy Burns	Mayor	100,000
Tommy Boyd	Vice Mayor	100,000
David Primm	Commissioner	100,000
Eva Ruth Warren	Commissioner	100,000
Layton Packwood	Commissioner	100,000
Management:		
Byron Skelton	City Manager	100,000
Barbara Culp	City Recorder	100,000

* Coverage is thru the Tennessee Municipal League Insurance Pool.

CITY OF CLIFTON, TENNESSEE

Schedule of Utility Rates and Information

June 30, 2015

<u>Water Rates</u>	<u>Inside City</u>	<u>Outside City</u>
Up to 2,000 gallons	\$8.36 Minimum charge	\$16.70 Minimum charge
Over 2,000 gallons	\$4.18 per 1,000 gallons	\$8.35 per 1,000 gallons

Sewer Rates - Inside City Limits Only

Sewer rates are equal to the water rates as noted above.

Natural Gas Rates* - Inside City Limits Only

Minimum bill (300 cubic feet) \$4.50

Per MCF Residential \$7.24 Commercial \$6.74 Industrial \$ 6.09

There were approximately 665 water customers, 530 sewer customers and 400 natural gas customers at yearend.

*Due to current changes in natural gas prices, the City adjusts its price each month to capture the price changes.

CITY OF CLIFTON, TENNESSEE

Schedule of Federal and State Financial Assistance

For the Year Ended June 30, 2015

CFDA Number	State Grant Number	Program Name	Grantor Agency	Receivable (Deferred) Balance July 1, 2014	Grant Receipts	Other Receipts	Grant Expenditures	Receivable (Deferred) Balance June 30, 2015
Federal Program:								
14.288	GG-13-35311-00	Community Development Block Grant	U. S. Department of Housing & Urban Development	190,424	417,399	0	327,613	100,638
14.228	GG-10-37945-00	Community Development Block Grant - Enhancement	U.S. D. A thru Economic and Community Development	41,465	273,137	0	231,672	0
		Total 14.228		231,889	690,536	0	559,285	100,638
		Component Unit:	Total Primary Government	231,889	690,536	0	559,285	100,638
		State Program:						
N/A	AERO	Airport Maintenance	State of Tennessee Department of Transportation	0	14,826	0	14,826	0

CITY OF CLIFTON, TENNESSEE

Schedule of Federal Expenditures

June 30, 2015

<u>Federal Financial Assistance Program</u>	<u>Grantor Agency</u>	<u>CFDA Number</u>	<u>Expenditures</u>
<u>Primary Government</u>			
Community Development Block Grant	US Department of Housing and Urban Development	14.228	559,285

AWWA Free Water Audit Software: Reporting Worksheet

WAS v5.0
American Water Works Association
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Water Audit Report for: **City of Clifton, Tennessee**
Reporting Year: **2015** / **7/2014 - 6/2015**

Please enter data in the white cells below. Where available, metered values should be used; if metered values are unavailable please estimate a value. Indicate your confidence in the accuracy of the input data by grading each component (n/a or 1-10) using the drop-down list to the left of the input cell. Hover the mouse over the cell to obtain a description of the grades

All volumes to be entered as: **MILLION GALLONS (US) PER YEAR**

To select the correct data grading for each input, determine the highest grade where the utility meets or exceeds all criteria for that grade and all grades below it.

WATER SUPPLIED

Volume from own sources: MG/Yr
Water imported: MG/Yr
Water exported: MG/Yr

Master Meter and Supply Error Adjustments

Enter grading in column 'E' and 'J' → Pcnt: Value: MG/Yr
 MG/Yr
 MG/Yr
 MG/Yr

Enter negative % or value for under-registration
Enter positive % or value for over-registration

WATER SUPPLIED: MG/Yr

AUTHORIZED CONSUMPTION

Billed metered: MG/Yr
Billed unmetered: MG/Yr
Unbilled metered: MG/Yr
Unbilled unmetered: MG/Yr

Click here: for help using option buttons below

Pcnt: Value: MG/Yr

Default option selected for Unbilled unmetered - a grading of 5 is applied but not displayed

AUTHORIZED CONSUMPTION: MG/Yr

Use buttons to select percentage of water supplied OR value

WATER LOSSES (Water Supplied - Authorized Consumption)

MG/Yr

Apparent Losses

Unauthorized consumption: MG/Yr
Default option selected for unauthorized consumption - a grading of 5 is applied but not displayed

Pcnt: Value: MG/Yr

Customer metering inaccuracies: MG/Yr
Systematic data handling errors: MG/Yr

1.00% 0.25%

Default option selected for Systematic data handling errors - a grading of 5 is applied but not displayed

Apparent Losses: MG/Yr

Real Losses (Current Annual Real Losses or CARL)

Real Losses = Water Losses - Apparent Losses: MG/Yr

WATER LOSSES: MG/Yr

NON-REVENUE WATER

NON-REVENUE WATER: MG/Yr

= Water Losses + Unbilled Metered + Unbilled Unmetered

SYSTEM DATA

Length of mains: miles
Number of active AND inactive service connections:
Service connection density: conn./mile main

Are customer meters typically located at the curbstop or property line? (length of service line, beyond the property boundary, that is the responsibility of the utility)

Average length of customer service line: (length of service line, beyond the property boundary, that is the responsibility of the utility)
Average length of customer service line has been set to zero and a data grading score of 10 has been applied

Average operating pressure: psi

COST DATA

Total annual cost of operating water system: \$/Year
Customer retail unit cost (applied to Apparent Losses): \$/1000 gallons (US)
Variable production cost (applied to Real Losses): \$/Million gallons Use Customer Retail Unit Cost to value real losses

WATER AUDIT DATA VALIDITY SCORE:

*** YOUR SCORE IS: 84 out of 100 ***

A weighted scale for the components of consumption and water loss is included in the calculation of the Water Audit Data Validity Score

PRIORITY AREAS FOR ATTENTION:

Based on the information provided, audit accuracy can be improved by addressing the following components:

- 1: Volume from own sources
- 2: Unauthorized consumption
- 3: Systematic data handling errors

System Attributes and Performance Indicators

Water Audit Report for: City of Clifton, Tennessee
 Reporting Year: 2015 | 7/2014 - 6/2015

*** YOUR WATER AUDIT DATA VALIDITY SCORE IS: 84 out of 100 ***

System Attributes:

Apparent Losses:	2.194	MGYr
+ Real Losses:	4.506	MGYr
= Water Losses:	6.699	MGYr

? Unavoidable Annual Real Losses (UARL):	See limits in definition	MGYr
Annual cost of Apparent Losses:	\$9,170	
Annual cost of Real Losses:	\$3,267	

Valued at Variable Production Cost
 Return to Reporting Worksheet to change this assumption

Performance Indicators:

Financial:	Non-revenue water as percent by volume of Water Supplied:	12.4%
	Non-revenue water as percent by cost of operating system:	3.3%

Operational Efficiency:	Apparent Losses per service connection per day:		gallons/connection/day
	Real Losses per service connection per day:		gallons/connection/day
	Real Losses per length of main per day*:	N/A	
	Real Losses per service connection per day per psi pressure:		gallons/connection/day/psi

From Above, Real Losses = Current Annual Real Losses (CARL): 4.51 million gallons/year

? Infrastructure Leakage Index (ILI) [CARL/UARL]:

* This performance indicator applies for systems with a low service connection density of less than 32 service connections/mile of pipeline

COMPLIANCE AND
INTERNAL CONTROL

JOHN R. POOLE, CPA
CERTIFIED PUBLIC ACCOUNTANT

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HENDERSONVILLE, TN 37075

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INDEPENDENT AUDITOR'S REPORT ON
INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

I have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities and each major fund as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Clifton's basic financial statements, and have issued a report thereon dated December 15, 2015.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the City of Clifton's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Clifton's internal control. Accordingly, I do not express an opinion on the effectiveness of the City of Clifton's internal control.

My consideration of the internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, I identified a deficiency in internal control that I consider to be a material weakness (2001-001 Lack of segregation of Duties).

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. I consider the deficiency described below (2001-001) to be a material weakness.

Page 2

The material weakness is as follows:

2001-001 Separation of Duties

Due to the limited number of personnel employed by the City, several functions, which ideally should be performed by different individuals, are regularly performed by one or two persons. I recommend that the City strengthen its internal control in cash receipts, cash disbursements, and reconciliation of cash.

Management Response:

Due to the size of the office, a complete separation of duties is not possible. However we are continuing to monitor office responsibilities and segregate duties as needed.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Clifton's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of the financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of the audit and, accordingly, I do not express such an opinion. The results of the tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

I noted certain matters that I reported to management of the City of Clifton in a separate letter dated December 15, 2015.

Response to Findings

The City of Clifton's response to the finding identified in the audit is described above. The City of Clifton's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of the testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

John R. Poole, CPA

December 15, 2015

JOHN R. POOLE, CPA
CERTIFIED PUBLIC ACCOUNTANT

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE**

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

Report on Compliance for Each Major Federal Program

I have audited the City of Clifton's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015. The City's major federal programs are identified in the summary of the auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

My responsibility is to express an opinion on the compliance for each of City of Clifton's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted the audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, the audit does not provide a legal determination on the City's compliance.

Opinion on Each Major Federal Program

In my opinion, City of Clifton complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Other Matters

The results of the auditing procedures disclosed no instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing the audit of compliance, I considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with the types of compliance requirements of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

My consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of This Report

The purpose of this report on internal control over compliance is solely to describe the scope of the testing of internal control over compliance and the result of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Jch R Poole, CPA

December 15, 2015

CITY OF CLIFTON, TENNESSEE

Schedule of Findings and Questioned Costs

June 30, 2015

Section I - Summary of Auditor's Results

Financial Statements

The Auditor's Report on the Financial Statements was an unqualified opinion.

Internal control over financial reporting:

Material weakness identified ? Yes. 2001-001 Separation of Duties.

Significant deficiencies identified ? None reported

Noncompliance material to financial statements noted ? No.

Federal Awards

Internal control over major programs:

Material weakness identified ? No.

Significant deficiencies identified ? None reported

The auditor's report on compliance for major programs was unqualified.

There were no audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133.

The Major Program was:

Utility Improvements, CDBG 14.228

Type A programs have been distinguished as those programs with expenditures greater than \$300,000. The CFDA 14.228 program met this threshold.

The City of Clifton was not considered to be a low risk auditee.

Section II - Financial Statement Findings

There was one finding related to the financial statements which are required to be reported in accordance with Government Auditing Standards. 2001-001 - Separation of Duties.

Section III - Federal Award Findings and Questioned Costs

There were no findings related to Federal Awards.

The accompanying notes are an integral part of these statements.

CITY OF CLIFTON, TENNESSEE

Schedule of Disposition of Prior Year Comments

June 30, 2015

<u>Finding Number</u>	<u>Finding Title</u>	<u>Status</u>
2001 – 001	Separation of Duties	Continues