

TOWN OF CLIFTON, ARIZONA

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2023

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TOWN OF CLIFTON, ARIZONA
ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2023

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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Clifton, Arizona (the "Town"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town, as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

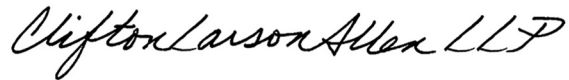
- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the pension schedules and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



CliftonLarsonAllen LLP

Phoenix, Arizona
January 31, 2024

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MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
(REQUIRED SUPPLEMENTARY INFORMATION)

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TOWN OF CLIFTON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2023

We (the Town of Clifton, Arizona (Town)) are pleased to provide an overview of our financial activities for the fiscal year ended June 30, 2023. The intended purpose of Management's Discussion and Analysis (MD&A) is to provide an introduction to the basic financial statements and notes, that provides an objective and easy to read analysis of our financial activities based on currently known facts, decisions, and conditions, by providing an easily readable summary of operating results and reasons for changes, which will help to determine if our financial position improved or deteriorated over the past year. This report addresses current operational activities, the sources, uses, and changes in resources, adherence to budget, service levels, limitations, significant economic factors, and the status of infrastructure and its impact on our debt and operations.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the Town of Clifton, Arizona exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$13,743,950 (net position). Of this amount, \$5,581,348 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the Town of Clifton, Arizona's governmental funds reported combined ending fund balances of \$7,039,389, an increase of \$1,252,276 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$6,471,118 or 230% of total General Fund expenditures.
- General Fund revenues (on a budgetary basis) were more than budgeted revenues by \$288,944 for fiscal year 2023. Additionally, budgetary basis expenditures were \$825,818 less than the final budget in the General Fund.
- General Fund budgetary revenue exceeded budgetary expenditures by \$1,009,905, which represented a positive variance of \$1,114,762 from the original budget.

OVERVIEW OF FINANCIAL STATEMENTS

The financial section of these Financial Statements for the Town of Clifton, Arizona consists of this discussion and analysis, the basic financial statements and the required supplementary schedules presented after the basic financial statements. The basic financial statements include the government-wide financial statements, fund financial statements, and notes to basic financial statements.

Government-Wide Financial Statements

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

The statement of net position presents information on all of the Town of Clifton, Arizona's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as useful indicators of whether the financial position of the Town of Clifton, Arizona is improving or deteriorating.

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

TOWN OF CLIFTON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2023

Both of the government-wide financial statements distinguish functions of the Town of Clifton, Arizona that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town of Clifton, Arizona include general government, public safety, highways and streets, and culture and recreation. The business-type activities include sewer operations.

The government-wide financial statements can be found on pages 17 through 18 of this report.

Fund Financial Statements

Also presented are the traditional fund financial statements for governmental funds. The fund financial statements focus on major funds of the Town. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Clifton, Arizona, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town of Clifton, Arizona can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

- *Governmental funds* - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Since the governmental fund financial statements focus on near-term spendable resources, while the governmental activities on the government-wide financial statements have a longer term focus, a reconciliation of the differences between the two is provided with the fund financial statements.

The basic governmental fund financial statements can be found on pages 19 through 22 of this report.

- *Proprietary Funds* - The Town of Clifton, Arizona maintains one type of proprietary funds. Proprietary funds are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town of Clifton, Arizona uses an enterprise fund to account for its sewer operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the sewer fund, which is considered to be a major fund of the Town of Clifton, Arizona.

The basic proprietary fund financial statements can be found on pages 23 through 26 of this report.

- *Fiduciary funds* - Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the Town of Clifton, Arizona's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 27 through 28 of this report.

TOWN OF CLIFTON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2023

Notes to Basic Financial Statements

The notes to basic financial statements (pages 29 through 51) provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements and should be read with the financial statements.

Required Supplementary Information other than MD&A

Governments have an option of including the budgetary comparison statements for the General Fund and major special revenue funds as either part of the fund financial statements within the basic financial statements, or as required supplementary information after the footnotes. The Town has chosen to present these budgetary statements as part of required supplementary information on pages 54 through 56. Additionally, governments are required to disclose certain information about employee pensions. The Town has disclosed this information on pages 57 through 62.

Government-Wide Financial Analysis

Net position may serve over time as a useful indicator of a government's financial position. The following table reflects the condensed Statement of Net Position of the Town for June 30, 2023 showing that assets and deferred outflow of resources exceeded liabilities and deferred inflows of resources by \$13,743,950.

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

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
ASSETS						
Current and Other Assets	\$ 8,398,153	\$ 6,577,137	\$ 510,978	\$ 400,487	\$ 8,909,131	\$ 6,977,624
Capital Assets:						
Nondepreciable	672,424	373,755	1,412,862	854,734	2,085,286	1,228,489
Depreciable	<u>4,711,833</u>	<u>3,642,191</u>	<u>693,409</u>	<u>748,089</u>	<u>5,405,242</u>	<u>4,390,280</u>
Total Assets	<u>13,782,410</u>	<u>10,593,083</u>	<u>2,617,249</u>	<u>2,003,310</u>	<u>16,399,659</u>	<u>12,596,393</u>
DEFERRED OUTFLOW OF RESOURCES	<u>695,733</u>	<u>682,646</u>	<u>7,900</u>	<u>7,749</u>	<u>703,633</u>	<u>690,395</u>
LIABILITIES						
Other Liabilities	1,265,116	694,056	33,022	18,845	1,298,138	712,901
Noncurrent Liabilities						
Due Within One Year	105,189	94,447	898	656	106,087	95,103
Due in More Than One Year	<u>1,754,136</u>	<u>1,229,648</u>	<u>45,271</u>	<u>20,026</u>	<u>1,799,407</u>	<u>1,249,674</u>
Total Liabilities	<u>3,124,441</u>	<u>2,018,151</u>	<u>79,191</u>	<u>39,527</u>	<u>3,203,632</u>	<u>2,057,678</u>
DEFERRED INFLOW OF RESOURCES	<u>153,535</u>	<u>582,613</u>	<u>2,175</u>	<u>7,510</u>	<u>155,710</u>	<u>590,123</u>
NET POSITION						
Investment in Capital Assets	5,384,257	4,015,946	2,106,271	1,602,824	7,490,528	5,618,770
Restricted	625,244	419,956	46,830	31,220	672,074	451,176
Unrestricted	<u>5,190,666</u>	<u>4,239,063</u>	<u>390,682</u>	<u>329,978</u>	<u>5,581,348</u>	<u>4,569,041</u>
Total Net Position	<u>\$ 11,200,167</u>	<u>\$ 8,674,965</u>	<u>\$ 2,543,783</u>	<u>\$ 1,964,022</u>	<u>\$ 13,743,950</u>	<u>\$ 10,638,987</u>

TOWN OF CLIFTON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2023

The net position of the Town is \$13,743,950 in fiscal year 2023 in the governmental and business-type activities.

Net position consists of three components. The largest portion of the Town of Clifton, Arizona's net position (55%) reflects its investment in capital assets (e.g., land, buildings, sewer collection system, furniture, equipment and vehicles) less any related debt used to acquire those assets that are still outstanding. The Town of Clifton, Arizona uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Clifton, Arizona's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town of Clifton, Arizona's net position (5%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position \$5,581,348 may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Town of Clifton, Arizona is able to report positive balances in all three categories of net position for the government as a whole.

Table A-2
Change in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
REVENUES						
Program Revenues:						
Fees, Fines, and Charges for Services	\$ 264,379	\$ 295,552	\$ 348,074	\$ 340,186	\$ 612,453	\$ 635,738
Operating Grants and Contributions	910,530	581,267	-	-	910,530	581,267
Capital Grants and Contributions	1,225,579	28,195	563,881	251,302	1,789,460	279,497
General Revenues:						
Local Taxes	1,182,442	1,015,107	-	-	1,182,442	1,015,107
Property Taxes	550,416	542,340	-	-	550,416	542,340
Franchise Taxes	81,871	78,341	-	-	81,871	78,341
State Shares Revenues	1,647,708	1,382,819	-	-	1,647,708	1,382,819
Investment Earnings	660	626	-	-	660	626
Gain on Disposal of Capital Assets	-	112,148	-	-	-	112,148
Total Revenues	<u>5,863,585</u>	<u>4,036,395</u>	<u>911,955</u>	<u>591,488</u>	<u>6,775,540</u>	<u>4,627,883</u>
EXPENSES						
General Government	1,046,755	939,594	-	-	1,046,755	939,594
Public Safety	1,181,807	997,742	-	-	1,181,807	997,742
Highways and Streets	741,917	704,508	-	-	741,917	704,508
Culture and Recreation	367,904	332,589	-	-	367,904	332,589
Sewer	-	-	332,194	238,996	332,194	238,996
Total Expenses	<u>3,338,383</u>	<u>2,974,433</u>	<u>332,194</u>	<u>238,996</u>	<u>3,670,577</u>	<u>3,213,429</u>
CHANGE IN NET POSITION BEFORE TRANSFERS	2,525,202	1,061,962	579,761	352,492	3,104,963	1,414,454
Transfers	-	(14,006)	-	14,006	-	-
CHANGE IN NET POSITION	2,525,202	1,047,956	579,761	366,498	3,104,963	1,414,454
Net Position - Beginning of Year	<u>8,674,965</u>	<u>7,627,009</u>	<u>1,964,022</u>	<u>1,597,524</u>	<u>10,638,987</u>	<u>9,224,533</u>
NET POSITION - END OF YEAR	<u>\$ 11,200,167</u>	<u>\$ 8,674,965</u>	<u>\$ 2,543,783</u>	<u>\$ 1,964,022</u>	<u>\$ 13,743,950</u>	<u>\$ 10,638,987</u>

Governmental Activities - The Town's net position in governmental activities increased by \$2,525,202. This increase was attributable to the capital contribution from ADOT and the increase in the state-share revenues.

TOWN OF CLIFTON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2023

Business-Type Activities - Business-type activities increased the Town's net position by \$579,761. This increase was attributable to capital grant and contributions related to the expansion of the wastewater treatment plant.

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of resources that are available for spending. Such information is useful in assessing the Town's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Types of governmental funds reported by the Town include the General Fund and Special Revenue Funds.

As of the end of the current fiscal year the Town's governmental funds reported combined ending fund balances of \$7,039,389, an increase of \$1,252,276 in comparison with the prior year. Approximately 97% of this total amount, \$6,823,507, constitutes General Fund balance, which is available for contribution to the committed, assigned, and unassigned fund balance. At fiscal year-end 2022-2023 fund balances were as follows:

**Table A-3
Fund Balances**

Fund	Balance	Increase (Decrease) From 2022-23
General Fund	\$ 6,823,507	\$ 1,178,072
Highway User Revenue Fund	160,440	106,224
Nonmajor Governmental Funds	55,442	(32,020)

The General Fund is the chief operating fund of the Town of Clifton, Arizona. At the end of the current fiscal year, the fund balance of the General Fund was \$6,823,507, while total fund balance reached \$7,039,389. As a measure of the General Fund's liquidity, it may be useful to compare both General Fund balance and total fund balance to total fund expenditures. General Fund balance represents 242% of total General Fund expenditures, while total fund balance represents 207% of that amount. The fund balance of the General Fund increased due to a surplus of revenue over expenditures in the current year.

The fund balance of the Highway User Revenue Fund increased by \$106,224 due to the refund of the Town contribution to the ADOT project.

All nonmajor governmental funds of the Town combined into one column on the governmental fund statements and the decrease of \$(32,020) was mainly due to the expenditures incurred for various lectrical works for the parks during the fiscal year.

BUDGETARY HIGHLIGHTS

The Town's annual budget is the legally adopted expenditure control document of the Town. Budgetary comparison statements are required for the General Fund and the Highway Users Revenue Fund and are found on pages 54 and 55. These statements compare the original adopted budget, the budget if amended throughout the fiscal year, and the actual expenditures prepared on a budgetary basis.

General Fund revenues of \$3,499,321 on a budgetary basis, were higher than the budgeted revenues of \$3,210,377 by \$288,944 while budgetary basis expenditures of \$2,489,416 were only 75% of budgeted expenditures (savings of \$825,818). The budget savings was primarily due to the Town experiencing a cost savings across all departments and vacant budgeted positions during the fiscal year.

TOWN OF CLIFTON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2023

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Town's capital assets for its governmental and business-type activities as of June 30, 2023 amounted to \$7,490,528 (net of accumulated depreciation), a net increase of 33%. For government-wide financial statement presentation, all depreciable capital assets were depreciated from acquisition date to the end of the current fiscal year. Fund financial statements record capital asset purchases as expenditures. See Note 3.A.3 in the Notes to the Basic Financial Statements for further information regarding capital assets.

Capital assets include land, land improvements, buildings and improvements, infrastructure, sewer system, and furniture, equipment, and vehicles. During fiscal year 2023 the annual depreciation expense for governmental activities was \$374,840 and depreciation expense for business-type activities was \$54,680. Additions to governmental activities capital assets during the fiscal year totaled \$1,743,151. Additions to the business-type activities capital assets during the fiscal year totaled \$558,128.

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

- Zorilla street bridge contributed by ADOT
- Town's matching contribution to Frisco Avenue Bridget project
- Chase Creek Lighting project construction
- Sewer lift station improvement project

The following schedule presents capital assets of the Town at June 30, 2023 and 2022:

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

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Land	\$ 102,865	\$ 102,865	\$ -	\$ -	\$ 102,865	\$ 102,865
Construction in progress	569,559	270,890	1,412,862	854,734	1,982,421	1,125,624
Land Improvements	24,969	32,753	-	-	24,969	32,753
Buildings and Improvements	1,117,471	1,162,387	-	-	1,117,471	1,162,387
Infrastructure	2,514,236	1,353,393	-	-	2,514,236	1,353,393
Sewer System	-	-	641,733	683,193	641,733	683,193
Furniture, Equipment, and Vehicles	<u>1,055,157</u>	<u>1,093,658</u>	<u>51,676</u>	<u>64,896</u>	<u>1,106,833</u>	<u>1,158,554</u>
Total Capital Assets	<u>\$ 5,384,257</u>	<u>\$ 4,015,946</u>	<u>\$ 2,106,271</u>	<u>\$ 1,602,823</u>	<u>\$ 7,490,528</u>	<u>\$ 5,618,769</u>

Additional information on the Town's capital assets can be found in Note 3.A.3.

Debt Administration

The Town did not have any long-term debt obligations outstanding at year-end.

TOWN OF CLIFTON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2023

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- In the event of emergency expenditures or revenue shortfalls, unfilled positions will not be replaced immediately or will be replaced with part-time employees as a cost savings mechanism.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Town's finances for all of those with an interest and to demonstrate accountability for the use of public funds. Questions about any of the information provided in this report, or requests for additional financial information should be addressed to:

Town of Clifton, Arizona
Accounting Department
P.O. Box 1415
Clifton, AZ 85533
(928) 865-4146

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BASIC FINANCIAL STATEMENTS

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TOWN OF CLIFTON, ARIZONA
STATEMENT OF NET POSITION
JUNE 30, 2023

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash	\$ 8,023,036	260,390	\$ 8,283,426
Receivables, Net:			
Accounts Receivable	29,139	\$ 34,233	63,372
Property Taxes Receivable	13,166	-	13,166
Intergovernmental Receivable	244,479	169,525	414,004
Restricted Assets	-	46,830	46,830
Net OPEB Asset	88,333	-	88,333
Capital Assets:			
Nondepreciable	672,424	1,412,862	2,085,286
Depreciable	<u>4,711,833</u>	<u>693,409</u>	<u>5,405,242</u>
Total Assets	<u>13,782,410</u>	<u>2,617,249</u>	<u>16,399,659</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pensions	685,758	7,900	693,658
OPEB	<u>9,975</u>	<u>-</u>	<u>9,975</u>
Total Deferred Outflows of Resources	<u>695,733</u>	<u>7,900</u>	<u>703,633</u>
LIABILITIES			
Accounts Payable	47,915	13,071	60,986
Accrued Wages and Benefits	58,912	2,352	61,264
Intergovernmental Payable	10,932	661	11,593
Unearned Revenue	1,145,816	4,003	1,149,819
Customer Deposits Payable	1,541	12,935	14,476
Noncurrent Liabilities:			
Due Within One Year			
Compensated Absences	105,189	898	106,087
Due in More Than One Year			
Net pension liability	<u>1,754,136</u>	<u>45,271</u>	<u>1,799,407</u>
Total Liabilities	<u>3,124,441</u>	<u>79,191</u>	<u>3,203,632</u>
DEFERRED INFLOWS OF RESOURCES			
Pensions	126,453	2,175	128,628
OPEB	<u>27,082</u>	<u>-</u>	<u>27,082</u>
Total Deferred Inflows of Resources	<u>153,535</u>	<u>2,175</u>	<u>155,710</u>
NET POSITION			
Investment in Capital Assets	5,384,257	2,106,271	7,490,528
Restricted for:			
Payment of OPEB Benefits	88,333	-	88,333
Highways and Streets	160,440	-	160,440
Culture and Recreation	652	-	652
Public Safety	349,146	-	349,146
Debt Service	-	46,830	46,830
Other Purposes	26,673	-	26,673
Unrestricted	<u>5,190,666</u>	<u>390,682</u>	<u>5,581,348</u>
Total Net Position	<u>\$ 11,200,167</u>	<u>\$ 2,543,783</u>	<u>\$ 13,743,950</u>

See accompanying notes to financial statements.

TOWN OF CLIFTON, ARIZONA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government:							
Governmental Activities:							
General Government	\$ 1,046,755	\$ 257,762	\$ 80,300	-	\$ (708,693)	-	\$ (708,693)
Public Safety	1,181,807	-	180,000	-	(1,001,807)	-	(1,001,807)
Highways and Streets	741,917	1,085	630,530	\$ 1,210,916	1,100,614	-	1,100,614
Culture and Recreation	<u>367,904</u>	<u>5,532</u>	<u>19,700</u>	<u>14,663</u>	<u>(328,009)</u>	-	<u>(328,009)</u>
Total Governmental Activities	3,338,383	264,379	910,530	1,225,579	(937,895)	-	(937,895)
Business-Type Activities:							
Sewer	<u>332,194</u>	<u>348,074</u>	<u>-</u>	<u>563,881</u>	-	\$ <u>579,761</u>	<u>579,761</u>
Total Primary Government	<u>\$ 3,670,577</u>	<u>\$ 612,453</u>	<u>\$ 910,530</u>	<u>\$ 1,789,460</u>	(937,895)	579,761	(358,134)
GENERAL REVENUES							
Taxes:							
Sales Taxes					1,182,442	-	1,182,442
Property Taxes					550,416	-	550,416
Franchise Taxes					81,871	-	81,871
State Revenue Sharing					729,782	-	729,782
State Sales Tax Revenue Sharing					568,667	-	568,667
Vehicle License Tax Revenue Sharing					349,259	-	349,259
Investment Earnings					<u>660</u>	-	<u>660</u>
Total General Revenues					<u>3,463,097</u>	-	<u>3,463,097</u>
CHANGE IN NET POSITIONS					2,525,202	579,761	3,104,963
Net position - Beginning of Year					<u>8,674,965</u>	<u>1,964,022</u>	<u>10,638,987</u>
NET POSITION - END OF YEAR					<u>\$ 11,200,167</u>	<u>\$ 2,543,783</u>	<u>\$ 13,743,950</u>

See accompanying notes to basic financial statements.

TOWN OF CLIFTON, ARIZONA
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2023

	General Fund	Highway Users Revenue Fund	Nonmajor Governmental Funds	Totals
ASSETS				
Cash	\$ 7,838,969	\$ 124,138	\$ 59,929	\$ 8,023,036
Receivables:				
Accounts Receivable, Net	29,139	-	-	29,139
Intergovernmental Receivable	189,889	42,263	12,327	244,479
Property Tax Receivable	13,166	-	-	13,166
Total Assets	\$ 8,071,163	\$ 166,401	\$ 72,256	\$ 8,309,820
LIABILITIES				
Accounts Payable	\$ 41,893	\$ 420	\$ 5,602	\$ 47,915
Accrued Wages and Benefits	54,207	4,705	-	58,912
Intergovernmental Payable	10,096	836	-	10,932
Unearned Revenue	1,134,604	-	11,212	1,145,816
Customer Deposits Payable	1,541	-	-	1,541
Total liabilities	1,242,341	5,961	16,814	1,265,116
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenues	5,315	-	-	5,315
FUND BALANCES				
Restricted	316,877	160,440	59,594	536,911
Assigned	35,512	-	-	35,512
Unassigned	6,471,118	-	(4,152)	6,466,966
Total Fund Balances	6,823,507	160,440	55,442	7,039,389
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 8,071,163	\$ 166,401	\$ 72,256	\$ 8,309,820

See accompanying notes to basic financial statements.

TOWN OF CLIFTON, ARIZONA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION
JUNE 30, 2023

Total Fund Balances for Governmental Funds \$ 7,039,389

Amounts reported for governmental activities in the Statement of
Activities are different because:

Property taxes not collected within 60 days subsequent to fiscal
year-end are not recognized as revenue in the governmental funds. 5,315

Net pension assets held in trust for future benefits are not available
for operations and, therefore, are not reported in the funds. 88,333

Capital assets used in governmental activities are not current
financial resources and therefore, are not reported in the funds.
Governmental capital assets \$ 10,166,870
Less: accumulated depreciation (4,782,613)
5,384,257

Deferred outflows and inflows of resources related to pensions and
other postemployment benefits are applicable to future periods
and, therefore, are not reported in the funds.

Deferred Outflows of Resources Related to Pensions 685,758
Deferred Outflows of Resources Related to OPEB 9,975
Deferred Inflows of Resources Related to Pensions (126,453)
Deferred Inflows of Resource Related to OPEB (27,082)
542,198

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

Compensated Absences (105,189)
Net Pension Liability (1,754,136)
(1,859,325)

Net Position of Governmental Activities \$ 11,200,167

See accompanying notes to financial statements.

TOWN OF CLIFTON, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2023

	General Fund	Highway Users Revenue Fund	Nonmajor Governmental Funds	Totals
REVENUES				
Taxes:				
Sales Taxes	\$ 1,182,442			\$ 1,182,442
Property Taxes	550,618			550,618
Franchise Taxes	81,871			81,871
Intergovernmental Revenue	1,735,289	\$ 424,850	\$ 133,986	2,294,125
Fines and Forfeitures	4,818		185	5,003
Licenses and Permits	5,781			5,781
Charges for Services	6,432			6,432
Rents and Royalties	235,695			235,695
Contributions and Donations	189,905			189,905
Investment Earnings	660			660
Other	2,962	104,084		107,046
Total Revenues	<u>3,996,473</u>	<u>528,934</u>	<u>134,171</u>	<u>4,659,578</u>
EXPENDITURES				
Current:				
General Government	1,009,842		26,592	1,036,434
Public Safety	958,632		3,587	962,219
Highways and Streets	616,190	422,710	100,000	1,138,900
Culture and Recreation	233,737		36,012	269,749
Total Expenditures	<u>2,818,401</u>	<u>422,710</u>	<u>166,191</u>	<u>3,407,302</u>
NET CHANGE IN FUND BALANCES	1,178,072	106,224	(32,020)	1,252,276
Fund Balances - Beginning of Year	<u>5,645,435</u>	<u>54,216</u>	<u>87,462</u>	<u>5,787,113</u>
FUND BALANCES - END OF YEAR	<u>\$ 6,823,507</u>	<u>\$ 160,440</u>	<u>\$ 55,442</u>	<u>\$ 7,039,389</u>

See accompanying notes to basic financial statements.

TOWN OF CLIFTON, ARIZONA
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2023

Net Change in Fund Balances - Total Governmental Funds \$ 1,252,276

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Expenditures for Capital Assets	\$ 1,743,151	
Less: Current Year Depreciation	<u>(374,840)</u>	1,368,311

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

Property Taxes	202
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Governmental funds report Town pension contributions as expenditures when made. However, in the Statement of Activities, pension and OPEB expense is the cost of benefits earned, adjusted for member contributions, the recognition of changes in deferred outflows and inflows or resources related to pensions.

Pension Contributions	138,837	
Pension Expense	(225,303)	
OPEB Expense	<u>1,621</u>	(84,845)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.

Net change in Compensated Absences	<u>(10,742)</u>
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Change in net position of governmental activities	<u><u>\$ 2,525,202</u></u>
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TOWN OF CLIFTON, ARIZONA
STATEMENT OF NET POSITION - PROPRIETARY FUND
JUNE 30, 2023

	Business-type Activities
ASSETS	Sewer Fund
CURRENT ASSETS	
Cash and cash equivalents	\$ 260,390
Restricted cash	46,830
Receivables, Net:	
Accounts	34,233
Intergovernmental	169,525
Total current assets	510,978
NONCURRENT ASSETS	
Capital assets:	
Non-depreciable	1,412,862
Depreciable, net	693,409
Total noncurrent assets	2,106,271
Total assets	2,617,249
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred outflows related to pensions	7,900
Total deferred outflows of resources	7,900
CURRENT LIABILITIES	
Accounts payable	13,071
Accrued payroll and employee benefits	2,352
Intergovernmental payable	661
Unearned revenue	4,003
Customer deposits payable	12,935
Compensated absences	898
Total current liabilities	33,920
NONCURRENT LIABILITIES	
Net pension liabilities	45,271
Total noncurrent liabilities	45,271
Total liabilities	79,191
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	2,175
Total deferred inflows of resources	2,175
NET POSITION	
Net investment in capital assets	2,106,271
Restricted for debt service	46,830
Unrestricted	390,682
Total net position	\$ 2,543,783

See accompanying notes to financial statements.

TOWN OF CLIFTON, ARIZONA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2023

	Business-type Activities
	Sewer Fund
OPERATING REVENUES	
Charges for services	\$ 348,074
Total operating revenues	348,074
OPERATING EXPENSES	
Cost of sales and services	277,514
Depreciation	54,680
Total operating expenses	332,194
OPERATING INCOME	15,880
INCOME BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	15,880
CAPITAL CONTRIBUTIONS	563,881
CHANGE IN NET POSITION	579,761
Net Position - Beginning of Year	1,964,022
NET POSITION - END OF YEAR	\$ 2,543,783

See accompanying notes to financial statements.

TOWN OF CLIFTON, ARIZONA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2023

	Business-type Activities
	Sewer Fund
Cash flows from operating activities:	
Receipts from customers	\$ 349,770
Payments to suppliers	(212,206)
Payments to employees	(31,130)
Net cash provided by operating activities	106,434
Cash flows from capital and related financing activities:	
Purchase of capital assets	(558,128)
Capital grants and contributions	394,356
Net cash provided by capital and related financing activities	(163,772)
Net decrease in cash and cash equivalents	(57,338)
Cash and cash equivalents, beginning of year	364,558
Cash and cash equivalents, end of year	\$ 307,220

See accompanying notes to financial statements.

TOWN OF CLIFTON, ARIZONA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2023

(CONTINUED)

	Business-type Activities
	Sewer Fund
Reconciliation of operating income to net cash (used) provided by operating activities:	
Operating income	\$ 15,880
Adjustments to reconcile operating income to net cash (used) provided by operations:	
Depreciation	54,680
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:	
Receivables, Net	1,696
Deferred Outflow of Resources	(151)
Accounts Payable	12,346
Accrued Wages and Benefits	1,036
Compensated Absences	242
Customer Deposits Payable	795
Deferred Inflow of Resources	(5,335)
Net Pension Liability	25,245
Net cash provided by operating activities	\$ 106,434
Cash and investments:	
Unrestricted cash and investments	260,390
Restricted cash	46,830
Total cash and investments at June 30, 2023	\$ 307,220

See accompanying notes to financial statements.

TOWN OF CLIFTON, ARIZONA
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2023

	<u>Pension Trust</u>
ASSETS	
CURRENT ASSETS	
Cash	\$ <u>120,523</u>
LIABILITIES AND NET POSITION	
NET POSITION	
Restricted for Pensions	\$ <u>120,523</u>

See accompanying notes to financial statements.

TOWN OF CLIFTON, ARIZONA
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 YEAR ENDED JUNE 30, 2023

	<u>Pension Trust</u>
ADDITIONS	
Investment earnings:	
Interest	\$ 853
Contributions	<u>4,614</u>
Total additions	<u>5,467</u>
 DEDUCTIONS	
Benefits	<u>1,200</u>
 CHANGE IN NET POSITION	 4,267
Net Position - Beginning of Year	<u>116,256</u>
 NET POSITION - END OF YEAR	 \$ <u><u>120,523</u></u>

See accompanying notes to financial statements.

TOWN OF CLIFTON, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Town of Clifton, Arizona (the Town) have been prepared in conformity with accounting principles generally accepted in the United States of America applicable to governmental units adopted by the Governmental Accounting Standards Board (GASB). A summary of the Town's significant accounting policies follows:

A. Financial Reporting Entity

The Town is a municipal government that is governed by a separately elected governing body. It is legally separate from and fiscally independent of other state and local governments. In evaluating how to define the Town, for financial reporting purposes, management has identified no potential component units. The decision to include a potential component unit in the reporting entity would have been made by applying criteria set forth in accounting principles generally accepted in the United States of America. Generally, component units are legally separate organizations for which the elected officials of the primary government (i.e. the Town) are financially accountable. The primary government is financially accountable for a potential component unit if it: appoints a voting majority of the potential component unit or there is a possibility of the potential component unit to provide specific financial benefits to, or impose specific financial burdens on the primary government. In addition, a primary government may be financially accountable for a potential component unit even though the potential component unit may have a separately elected governing board, a board appointed by another government, or a jointly appointed board if the potential component unit is fiscally dependent on the primary government (e.g., the primary government must approve the potential component unit's budget, tax rates, etc.). Because no potential component units were identified in defining the Town's reporting entity, none have been included.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. The effect of interfund activity has been eliminated from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

TOWN OF CLIFTON, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. However, intergovernmental grants and aid, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting, except expenditures related to compensated absences and claims and judgments, which are recorded only when payment is due.

The Town reports the following major governmental funds:

Major Governmental Funds

General Fund

The General Fund is the Town's primary operating fund. It accounts for all financial resources of the Town, except those required to be accounted for in another fund.

Highway Users Revenue Fund (HURF)

The Highway Users Revenue Fund (HURF) is a special revenue fund, accounts for the Town's share of motor fuel tax revenues and lottery proceeds.

The Town reports the following major proprietary fund:

Sewer Fund

The Sewer Fund, a proprietary fund, accounts for the activity of the Town's sewer operations.

Additionally, the government reports the following fund type:

Pension Trust Fund

The Pension Trust Fund accounts for the activities of the Volunteer Firefighters' Relief and Pension Fund, which accumulates resources for pension benefit payments to qualified firemen.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the sewer fund are charges for services. Operating expenses for the sewer fund include the cost of sales and services and depreciation. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, governmental activities it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed. For business-type activities, the use of restricted resources is governed by the applicable bond covenants.

TOWN OF CLIFTON, ARIZONA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity

1. Deposits and Investments

The Town's cash and cash equivalents is considered to be cash on hand, demand deposits, cash and investments held by the State Treasurer, and highly liquid investments with maturities of three months or less from the date of acquisition.

State statutes authorize the Town to invest in obligations of the U.S. Treasury and U.S. agencies, certificates of deposit in eligible depositories, repurchase agreements, obligations of the State of Arizona or any of its counties or incorporated cities, towns or duly organized school districts, improvement districts in this state and the State Treasurer's Local Government Investment Pool. Investments are stated at fair value.

2. Receivables

All receivables are shown net of an allowance for uncollectible accounts of \$0 in the General Fund and \$199,429 in the Sewer Fund. The Town includes all accounts outstanding greater than ninety days in its allowance for uncollectible accounts.

3. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the government-wide and fund financial statements.

4. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the governmental activities column in the government-wide financial statements and the Sewer Proprietary Fund financial statement. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$2,000 and an estimated useful life in excess of one year.

Property, plant and equipment purchased or acquired is carried at actual cost or estimated historical cost. Contributed assets are recorded at acquisition value as of the date received. Additions, improvements and other capital outlays that significantly extended the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance re expensed as incurred.

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

<u>Assets</u>	<u>Estimated useful life</u>
Buildings and Improvements	15 - 80 Years
Land Improvements	15 - 20 Years
Sewer System	50 Years
Furniture, Equipment and Vehicles	5 - 15 Years
Infrastructure	15 Years

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

TOWN OF CLIFTON, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

5. Deferred Outflows of Resources

The Town recognizes the consumption of net position that is applicable to a future reporting period as a deferred outflow of resources. Reported amounts are related to the requirements of accounting and financial reporting for pensions and other misemployment benefits.

6. Compensated Absences

The liability for compensated absences reported in the government-wide and proprietary statements consists of unpaid, accumulated leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments, and other employees who are expected to become eligible in the future to receive such payments upon termination, are included.

7. Pension Plans

For purposes of measuring the net pension and other postemployment benefits (OPEB) assets and liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the plans' fiduciary net position of Arizona State Retirement System (ASRS) and Public Safety Personnel Retirement System (PSPRS) and additions to/deductions from ASRS/PSPRS's fiduciary net position have been determined on the same basis as they are reported by ASRS/PSPRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

8. Deferred Inflows of Resources

The Town recognizes the acquisition of net position that is applicable to a future reporting period as a deferred inflow of resources. Reported amounts are related to the requirements of accounting and financial reporting for pensions and other postemployment benefits.

9. Net Position

In the government-wide financial statements, net position is reported in three categories: net investment in capital assets, restricted net position; and unrestricted net position. Net investment in capital assets is separately reported because the Town reports all Town assets which make up a significant portion of total net position. Restricted net position accounts for the portion of net position restricted by parties outside the Town. Unrestricted net position is the remaining net position not included in the previous two categories.

10. Fund Balance Classifications

Fund balances of the governmental funds are reported separately within classifications based on a hierarchy of the constraints placed on the use of those resources. The classifications are based on the relative strength of the constraints that control how the specific amounts can be spent. The classifications are nonspendable, restricted, committed, assigned, and unassigned fund balance classifications.

The nonspendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form such as inventories, or are legally or contractually required to be maintained intact.

TOWN OF CLIFTON, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

10. Fund Balance Classifications (Continued)

Restricted fund balances are those that have externally imposed restrictions on their usage by creditors (such as through debt covenants), grantors, contributors, or laws and regulations.

The committed fund balances are self-imposed limitations approved by the Town's council, which is the highest level of decision-making authority within the Town. Only the Town Council can remove or change the constraints placed on committed fund balances.

Assigned fund balances are resources constrained by the Town's intent to be used for specific purposes, but are neither restricted nor committed. The Town Council has authorized the Town Manager to make assignments of resources for a specific purpose.

The unassigned fund balance is the residual classification for the General Fund, and includes all spendable amounts not reported in the other classifications. Also, deficits in fund balances of the other governmental funds are reported as unassigned.

When the an expenditure is incurred that can be paid from either restricted or unrestricted fund balances, it is the Town's policy to use restricted fund balances first. For the disbursement of unrestricted fund balances, it is the Town's policy to use committed amounts first, followed by assigned amounts, and lastly unassigned amounts.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The Town Council follows these procedures in establishing the budgetary data reflected in the required supplementary information:

1. In accordance with Arizona Revised Statutes, the Town Manager submits a proposed budget for the fiscal year commencing the following July 1 to the Town Council. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.
2. Public hearings are conducted to obtain taxpayer comment.
3. Expenditures may not legally exceed the expenditure limitation described below of all fund types as a whole. For management purposes, the Town adopts a budget by department for the General Fund and initial by fund for other funds, The Town Manager, subject to Town Council approval, may at any time transfer any encumbered appropriation balance or portion thereof between a department or activity. The adopted budget cannot be amended in any way without Town Council approval.

TOWN OF CLIFTON, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

A. Budgetary Information (Continued)

4. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds on essentially the same modified accrual basis of accounting used to record actual revenues and expenditures

The Town is subject to the State of Arizona's Spending Limitation Law for Towns and Cities. This law does not permit the Town to spend more than budgeted revenues plus the carryover unrestricted cash balance from the prior fiscal year. The limitation is applied to the total of the combined funds. The Town complied with this law during the year.

No supplementary budgetary appropriations were necessary during the year.

NOTE 3 - DETAILED NOTES ON ALL FUNDS

A. Assets

1. Cash

Cash at June 30, 2023, consists of the following:

Deposits:	
Cash in Bank	\$ 8,330,491
Certificates of Deposit	<u>120,288</u>
Total Deposits	8,450,779
Less: Restricted Assets	(46,830)
Less: Fiduciary Fund	<u>(120,523)</u>
Total Cash - Statement of Net Position	<u>\$ 8,283,426</u>

Restricted assets of \$46,830 consist of debt service reserves for the Water Infrastructure Finance Authority of Arizona loan. To date, the Town has only drawn down the forgivable portion of the loan.

Custodial Credit Risk – This is the risk that in the event of a failure by a counterparty, the Town will not be able to recover its deposits or collateralized securities that are in possession of an outside party. The Town does not have a formal policy regarding custodial credit risk. However, the bank balance of deposits at June 30, 2023 was \$8,664,830 of which \$500,000 is covered by federal depository insurance and \$8,044,542 is collateralized by collateral held by the Town's custodial bank in the Town's name and \$120,288 is uncollateralized.

2. Receivables

The Greenlee County Treasurer is responsible for collecting property taxes for all governmental entities within the County. The County levies property taxes due to the Town in August. Two equal installments, payable in October and March, become delinquent after the first business day in November and May. During the year, the County also levies various personal property taxes that are due the second Monday of the month following receipt of the tax notice, and become delinquent 30 days later. A lien assessed against real and personal property attaches on the first day of January preceding the assessment levy.

TOWN OF CLIFTON, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 3 - DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

2. Receivables (Continued)

Property taxes are recognized as revenues in the fiscal year they are levied in the government-wide financial statements and represent a reconciling item between the government-wide and fund financial statements. In the fund financial statements, property taxes are recognized as revenues in the fiscal year they are levied and collected, or if they are collected within 60 days subsequent to fiscal year-end. Property taxes not collected within 60 days subsequent to fiscal year-end, or collected in advance of the fiscal year for which they are levied are reported as unavailable revenues.

Governmental funds report unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental fund also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of unavailable revenue and unearned revenue reported in the governmental funds were as follows:

	Unavailable	Unearned
Delinquent Property Taxes Receivable		
General Fund	\$ 5,315	
Cash Payments Not Meeting All Eligibility Requirements		
General Fund		\$ 1,134,604
Nonmajor Governmental Funds		<u>11,212</u>
Total	<u>\$ 5,315</u>	<u>\$ 1,145,816</u>

TOWN OF CLIFTON, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 3 - DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

3. Capital Assets

Capital asset activity for the year ended June 30, 2023, was as follows:

<u>Governmental activities:</u>	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 102,865			\$ 102,865
Construction in progress	<u>270,890</u>	\$ <u>413,731</u>	\$ <u>(115,062)</u>	<u>569,559</u>
Total capital assets not being depreciated	<u>373,755</u>	<u>413,731</u>	<u>(115,062)</u>	<u>672,424</u>
Capital assets being depreciated:				
Land improvements	232,674			232,674
Buildings and improvements	1,733,612			1,733,612
Infrastructure	2,606,270	1,319,271		3,925,541
Furniture, equipment and vehicles	<u>3,477,408</u>	<u>125,211</u>		<u>3,602,619</u>
Total capital assets being depreciated	<u>8,049,964</u>	<u>1,444,482</u>		<u>9,494,446</u>
Less accumulated depreciation for:				
Land improvements	(199,921)	(7,784)		(207,705)
Buildings and improvements	(571,225)	(44,916)		(616,141)
Infrastructure	(1,252,877)	(158,428)		(1,411,305)
Furniture, equipment and vehicles	<u>(2,383,750)</u>	<u>(163,712)</u>		<u>(2,547,462)</u>
Total accumulated depreciation	<u>(4,407,773)</u>	<u>(374,840)</u>		<u>(4,782,613)</u>
Total capital assets being depreciated, net	<u>3,642,191</u>	<u>1,069,642</u>		<u>4,711,833</u>
Governmental activities capital assets, net	<u>\$ 4,015,946</u>	<u>\$ 1,483,373</u>	<u>\$ (115,062)</u>	<u>\$ 5,384,257</u>
<u>Business-Type activities:</u>	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Construction in progress	\$ 854,734	\$ 558,128		\$ 1,412,862
Total capital assets not being depreciated	<u>854,734</u>	<u>558,128</u>		<u>1,412,862</u>
Capital assets being depreciated:				
Equipment	130,972			130,972
Sewer system	<u>1,342,621</u>			<u>1,342,621</u>
Total capital assets being depreciated	<u>1,473,593</u>			<u>1,473,593</u>
Less accumulated depreciation for:				
Equipment	(66,076)	(13,220)		(79,296)
Sewer system	<u>(659,428)</u>	<u>(41,460)</u>		<u>(700,888)</u>
Total accumulated depreciation	<u>(725,504)</u>	<u>(54,680)</u>		<u>(780,184)</u>
Total capital assets being depreciated, net	<u>748,089</u>	<u>(54,680)</u>		<u>693,409</u>
Business-type activities capital assets, net	<u>\$ 1,602,823</u>	<u>\$ 503,448</u>	<u>\$</u>	<u>\$ 2,106,271</u>

TOWN OF CLIFTON, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 3 - DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

3. Capital Assets (Continued)

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 27,548
Public safety	216,678
Highways and streets	40,843
Culture and recreation	<u>89,771</u>
Total Depreciation Expense	<u>\$ 374,840</u>
Business-Type activities:	
Sewer	<u>\$ 54,680</u>

The Town had a major contractual commitment for the construction of the Wastewater Treatment Plant. At June 30, 2023, the County had spent \$1,412,862 on this project and had remaining contractual commitments with contractors of \$2,199,638.

B. Long-Term Obligation

Compensated absences are paid by the applicable fund where each employee is regularly paid, primarily the General Fund.

Changes in long-term obligations for the year ended June 30, 2023 are as follows:

	July 1, 2022	Increases	Decreases	June 30, 2023	Due Within One Year
Governmental Activities					
Other liabilities:					
Compensated absences	\$ 94,447	\$ 53,930	\$ (43,188)	\$ 105,189	\$ 105,189
Total Other Liabilities	<u>94,447</u>	<u>53,930</u>	<u>(43,188)</u>	<u>105,189</u>	<u>105,189</u>
Governmental Activities Long-Term Liabilities	<u>\$ 94,447</u>	<u>\$ 53,930</u>	<u>\$ (43,188)</u>	<u>\$ 105,189</u>	<u>\$ 105,189</u>
	July 1, 2022	Increases	Decreases	June 30, 2023	Due Within One Year
Business-Type Activities:					
Other liabilities:					
Compensated absences	\$ 656	\$ 242	\$ _____	\$ 898	\$ 898
Total Other Liabilities	<u>656</u>	<u>242</u>	<u>_____</u>	<u>898</u>	<u>898</u>
Business-Type Activities Long-Term Liabilities	<u>\$ 656</u>	<u>\$ 242</u>	<u>\$ _____</u>	<u>\$ 898</u>	<u>\$ 898</u>

TOWN OF CLIFTON, ARIZONA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2023

NOTE 3 - DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Fund Balance Classification of Governmental Funds

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

Restricted for Transportation Purposes, Grants, and Contributions:

Arizona Revised Statutes title 28, chapter 18, article 2 dictates, state transportation revenues received by the Town be used solely for authorized transportation purposes. Other funds are restricted by the granting agency or donor. The restricted fund balances totaled \$536,911 and represented \$160,440 for transportation, \$652 for culture and recreation, \$349,146 for public safety, and \$26,673 for other purposes as stipulated by external resource providers.

Assigned:

At June 30, 2023, General Fund assigned fund balance totaled \$35,512. Town management assigned fund balance as follows:

Assignment	Balance
Abatement	\$ 13,391
Outreach	985
Festival of Lights	9,851
Town General Plan Update	6,791
Magistrate	4,494
Total	\$ 35,512

Unassigned:

The unassigned fund balance in the General Fund is \$6,471,118.

Minimum Fund Balance Policy:

It is the goal of the Town to achieve and maintain an unassigned fund balance in the General Fund equal to 3% of expenditures.

NOTE 4 - OTHER INFORMATION

A. Risk Management

The Town of Clifton, Arizona, is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The Town’s insurance protection is provided by the Arizona Municipal Risk Retention Pool, of which the Town is a participating member. The limit for basic coverage is for \$3,000,000 per occurrence on a claims made basis. No significant reduction in insurance coverage occurred during the year and no settlements exceeded insurance coverage during any of the past three fiscal years.

The Arizona Municipal Risk Retention Pool is structured such that member premiums are based on an actuarial review that will provide adequate reserves to allow the pool to meet its expected financial obligations. The Pool has the authority to assess its members' additional premiums should reserves and annual premiums be insufficient to meet the pool’s obligations.

TOWN OF CLIFTON, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 4 - OTHER INFORMATION (CONTINUED)

A. Risk Management (Continued)

The Town is also insured by the Arizona Municipal Workers Compensation Fund for potential worker related accidents.

B. Retirement Plans

Firefighters' Relief and Pension Fund

The Town of Clifton, Arizona's Volunteer Firefighters' Relief and Pension Fund is a defined contribution pension plan administered by the Town and a board of trustees for the Town's volunteer firefighters. The board of trustees established the plan and may amend the active plan members' and Town contribution rates.

The plan covers the Town's volunteer firefighters. For the year ended June 30, 2023, there were 20 active plan members and 3 retirees.

A defined contribution pension plan provides benefits in return for services rendered provides an individual account for each participant, and specifies how contributions to the individual's account are to be determine instead of specifying the amount of benefit the individual is to receive. According to state statute, a volunteer firefighter who has served for 25 years or more or has reached 60 years of age and has served 20 years or more shall be eligible to receive a monthly retirement not to exceed \$400 per month based on the benefits available to members of the Town's volunteer firefighters, as determine by the board of trustees. Such pension, if paid, may be increased or decreased in amount, or discontinued at the discretion of the board of trustees. A firefighter who leaves the service without being eligible for retirement benefits is entitled to all previous deductions from his salary plus interest at a rate determined by the board of trustees. As established by state statute, in lieu of another acceptable pension plan, all volunteer firefighters must participate in the pension plan from the date they enter service.

Each volunteer must contribute 5.0% of covered compensation which is equally matched by the Town. In addition, the state of Arizona is required by statute to contribute a portion of the annual tax received on fire insurance premiums. During the fiscal year ended June 30, 2023, the Town and firefighters were not required to make contributions.

No pension provision changes occurred during the year that affected the required contributions made by the Town or its volunteer firefighters.

The Firefighters' Relief and Pension Fund held no securities of the Town or other related parties during the fiscal years or as of the close of the fiscal year.

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

Cost-Sharing and Agent Multiple Employer Pension Plans

The Town contributes to the Arizona State Retirement System (ASRS), the Public Safety Personnel Retirement System (PSPRS) for police officers, and the PSPRS for firefighters. The plans are component units of the State of Arizona.

TOWN OF CLIFTON, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 4 - OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

At June 30, 2023, the Town reported the following aggregate amounts related to pensions for all plans to which it contributes:

Statement of Net Position and Statement of Activities	Government Activities	Business-Type Activities	Total
Net pension liabilities	1,754,136	45,271	1,799,407
Deferred outflows of resources	685,758	7,900	693,658
Deferred inflows of resources	126,453	2,175	128,628
Pension expense	225,303	24,507	249,810

The Town reported no accrued payroll and employee benefits includes for outstanding pension contribution amounts payable to all pension plans for the year ended June 30, 2023. The Town reported \$138,837 of pension contributions as expenditures in the governmental funds related to all pension plans to which it contributes.

Disclosures related to the OPEB plans for both ASRS and PSPRS are not included as the assets, liabilities, deferred inflows of resources, deferred outflows of resources, and OPEB expense are not significant to the Town's financial statements.

Arizona State Retirement System

Plan Description - Town employees not covered by the other pension plans described below participate in the Arizona State Retirement System (ASRS). The ASRS administers a cost-sharing multiple-employer defined benefit pension plan, a cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plan, and a cost-sharing multiple-employer defined benefit long-term disability (OPEB) plan. The Arizona State Retirement System Board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, Articles 2 and 2.1. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on its website at www.azasrs.gov.

Benefits Provided - The ASRS provides retirement, health insurance premium supplement, long-term disability, and survivor benefits. State statute establishes benefits terms.

TOWN OF CLIFTON, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 4 - OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Retirement benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

ASRS	Retirement Initial membership date:	
	Before July 1, 2011	On or after July 1, 2011
Years of service and age required to receive benefit	Sum of years and age equals 80 10 years, age 62 5 years, age 50* Any years, age 65	30 years, age 55 25 years, age 60 10 years, age 62 5 years, age 50* Any years, age 65
Final average salary is based on	Highest 36 consecutive months of last 120 months	Highest 60 consecutive months of last 120 months
Benefit percent per year of service	2.1% to 2.3%	2.1% to 2.3%

*With actuarially reduced benefits.

Retirement benefits for members who joined the ASRS prior to September 13, 2013, are subject to automatic cost-of-living adjustments based on excess investment earning. Members with a membership date on or after September 13, 2013, are not eligible for cost-of-living adjustments. Survivor benefits are payable upon a member's death. For retired members, the retirement benefit option chosen determines the survivor benefit. For all other members, the beneficiary is entitled to the member's account balance that includes the member's contributions and employer's contributions, plus interest earned.

Contributions - In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2023, active ASRS members were required by statute to contribute at the actuarially determined rate of 12.17 percent (12.03 percent for retirement and 0.14 percent for long-term disability) of the members' annual covered payroll, and statute required the Town to contribute at the actuarially determined rate of 12.17 percent (11.92 percent for retirement, 0.11 percent for health insurance premium benefit, and 0.14 percent for long-term disability) of the active members' annual covered payroll.

In addition, the Town was required by statute to contribute at the actuarially determined rate of 9.68 percent (9.62 percent for retirement, 0.06 percent for long-term disability) of annual covered payroll of retired members who worked for the Town in positions that an employee who contributes to the ASRS would typically fill. The Town's contributions to the pension plan for the year ended June 30, 2023, were \$99,318.

During the fiscal year ended June 30, 2023, the Town paid for ASRS pension and OPEB contributions as follows: 86% from the General Fund, 10% from the Highway Users Revenue Fund, and 4% from the Sewer Fund.

TOWN OF CLIFTON, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 4 - OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Pension Liability - At June 30, 2023, the Town reported a liability of \$1,131,130 for its proportionate share of the ASRS' net pension liability.

The net asset and net liabilities were measured as of June 30, 2022. The total liability used to calculate the net asset or net liability was determined using update procedures to roll forward the total liability from an actuarial valuation as of June 30, 2021, to the measurement date of June 30, 2022.

The Town's proportion of the net pension liability was based on the Town's actual contributions to the plan relative to the total of all participating employer contributions for the year ended June 30, 2022. The Town's proportion measured as of June 30, 2022 was 0.00693 percent, which is an increase of 0.00013 percent from its proportions measured as of June 30, 2021.

Pension Expense — For the year ended June 30, 2023, the Town recognized pension expense for ASRS of \$108,752.

Pension Deferred Outflows/Inflows of Resources — At June 30, 2023, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

ASRS	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 9,638	-
Changes of assumptions or other inputs	56,140	-
Net difference between projected and actual earnings on pension plan investments	-	\$ 29,795
Changes in proportion and differences between Town contributions and proportionate share of contributions	13,000	24,580
Town contributions subsequent to the measurement date	99,318	-
Total	\$ 178,096	\$ 54,375

The \$99,318 reported as deferred outflows of resources related to ASRS pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized in pension expense as follows:

Year ending June 30,	Amount
2024	\$ 35,842
2025	(7,396)
2026	(51,731)
2027	47,688

TOWN OF CLIFTON, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 4 - OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Actuarial Assumptions - The significant actuarial assumptions used to measure the total pension/OPEB liability are as follows:

ASRS

Actuarial valuation date	June 30, 2021
Actuarial roll forward date	June 20, 2022
Actuarial cost method	Entry age normal
Investment rate of return	7%
Projected salary increases	2.9-8.4%
Inflation	2.3%
Permanent benefit increase	Included
Mortality rates	2017 SRA Scale U-MP

Actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2020.

The long-term expected rate of return on ASRS plan investments was determined to be 7 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce 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 expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

ASRS	Target	Long-Term Expected
Asset Class	Allocation	Geometric Real Rate of Return
Equity	50%	3.90%
Fixed income - credit	20%	5.30%
Fixed income - interest rate sensitive	10%	(0.20)%
Real estate	20%	6.00%
Total	<u>100%</u>	

Discount Rate - At June 30, 2022, the discount rate used to measure the ASRS total pension liability was 7 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board's funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

TOWN OF CLIFTON, ARIZONA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2023

NOTE 4 - OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Sensitivity of the Town’s Proportionate Share of the ASRS Net Pension Liability to Changes in the Discount Rate - The following table presents the Town’s proportionate share of the net pension liability calculated using the discount rate of 7 percent, as well as what the Town’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6 percent) or 1 percentage point higher (8 percent) than the current rate:

ASRS	1% Decrease (6%)	Current Discount Rate (7%)	1% Increase (8%)
Town's proportionate share of the net pension liability	\$ 1,668,949	\$ 1,131,130	\$ 682,673

Plan Fiduciary Net Position - Detailed information about the pension plans' fiduciary net position is available in the separately issued ASRS financial report.

Public Safety Personnel Retirement System

Plan Description - Town police employees and Town firefighters who are regularly assigned hazardous duty participate in the Public Safety Personnel Retirement System (PSPRS) or employees who became members on or after July 1, 2017, may participate in the Public Safety Personnel Retirement Defined Contribution Retirement Plan (PSPDCRP). PSPRS administers an agent and cost-sharing multiple-employer defined benefit pension plans. A nine-member board known as the board of trustees and the participating local boards govern the PSPRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 4. Employees who were PSPRS members before July 1, 2017, participate in the agent plans, and those who became PSPRS members on or after July 1, 2017, participate in the cost-sharing plans (PSPRS Tier 3 Risk Pool) which are not further disclosed because of their relative insignificance to the Town's financial statements.

The PSPRS issues a publicly available financial report that includes their financial statements and required supplementary information for the PSPRS plan. The report is available on the PSPRS website at www.psprs.com.

Benefits Provided - The PSPRS provides retirement, health insurance premium supplement, disability, and survivor benefits. State statute establishes benefits terms. State statute establishes benefit terms. Retirement, disability, and survivor benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

TOWN OF CLIFTON, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 4 - OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

PSPRS	Initial membership date:	
	Before January 1, 2012	On or after January 1, 2012 and before July 1, 2017
Retirement and Disability:		
Years of service and age required to receive benefit	20 years of service, any age 15 years of service, age 62	25 years of service or 15 years of credited service, age 52.5
Final average salary is based on	Highest 36 months consecutive of last 20 years	Highest 60 months consecutive of last 20 years
Benefit percent:		
Normal Retirement	50% less 2.0% for each year of credited service less than 20 years OR plus 2.0% to 2.5% for each year of credited service over 20 years, not to exceed 80%	1.5% to 2.5% per year of credited service, not to exceed 80%
Accidental Disability Retirement	50% or normal retirement, whichever is greater	
Catastrophic Disability Retirement	90% for the first 60 months then reduced to either 62.5% or normal retirement, whichever is greater	
Ordinary Disability Retirement	Normal retirement calculated with actual years of credited service or 20 years of credited service, whichever is greater, multiplied by years of credited service (not to exceed 20 years) divided by 20	
Survivor Benefit:		
Retired Members	80% to 100% of retired member's pension benefit	
Active Members	80% to 100% of accidental disability retirement benefit or 100% of average monthly compensation if death was the result of injuries received on the job	

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on inflation. PSPRS also provides temporary disability benefits of 50 percent of the member's compensation for up to 12 months.

Employees Covered by Benefit Terms - At June 30, 2023, the following employees were covered by the agent pension plans' benefit terms:

	PSPRS Police Pension	PSPRS Fire Pension
Inactive employees or beneficiaries currently receiving benefits	2	1
Inactive employees entitled to but not yet receiving benefits	1	-
Active employees	2	-
Total	5	1

TOWN OF CLIFTON, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 4 - OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Contributions - State statutes establish the pension contribution requirements for active PSPRS employees. In accordance with state statutes, annual actuarial valuations determine employer contribution requirements for PSPRS pension and health insurance premium benefits. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. Contributions rates for the year ended June 30, 2023, are indicated below. Rates are a percentage of active members' annual covered payroll.

	PSPRS Police	PSPRS Fire
Active members—Pension		
PSPRS members with an initial membership date both prior to and after July 19, 2011	7.65% - 14.65%	0.00%
Town:		
PSPRS Tier 1/2	27.21%	0.00%
PSPRS Tier 3	9.12%	0.00%

During the year, the Town made a voluntary contribution to the Firefighters Plan. For the agent plans, the Town's contributions to the pension plan for the year ended June 30, 2023, were:

	Pension: Contributions Made
PSPRS Police	\$ 22,277
PSPRS Firefighters	21,990

During fiscal year 2023, the Town paid for PSPRS pension contributions 100 percent from the General Fund.

Pension Liability - At June 30, 2023, the Town reported the following net pension liabilities:

	Net Pension Liability
PSPRS Police	\$ 447,232
PSPRS Firefighters	221,045

The net pension liabilities were measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total liabilities as of June 30, 2022, reflect changes of actuarial assumptions, including decreasing the investment rate of return from 7.3 percent to 7.2 percent, changing the wage inflation from 3.5 percent to a range of 3.0 - 6.25 percent, and increasing the cost-of-living adjustment from 1.75 percent to 1.85 percent.

TOWN OF CLIFTON, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 4 - OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Pension Actuarial Assumptions - The significant actuarial assumptions used to measure the total pension/OPEB liability are as follows:

Actuarial valuation date	June 30, 2022
Actuarial cost method	Entry age normal
Investment rate of return	7.2%
Wage inflation	3.0 - 6.25%
Price inflation	2.5%
Cost-of-living adjustment	1.85%
Mortality rates	PubS-2010 tables

Actuarial assumptions used in the June 30, 2022, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2021.

The long-term expected rate of return on PSPRS plan investments was determined to be 7.2 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Geometric Real Rate of Return</u>
U.S. public equity	24%	3.49%
International public equity	16%	4.47%
Global private equity	20%	7.18%
Other assets (capital appreciation)	7%	4.83%
Core bonds	2%	0.45%
Private credit	20%	5.10%
Diversifying strategies	10%	2.68%
Cash - Mellon	1%	-0.35%
Total	<u>100%</u>	

Pension Discount Rates - At June 30, 2022, the discount rate used to measure the PSPRS total pension liability was 7.2 percent, which was an decrease of 0.1 percent from the discount rate used as of June 30, 2021. The projection of cash flows used to determine the PSPRS discount rates assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the actuarially determined contribution rate and the member rate. Based on those assumptions, the PSPRS Police plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments for these plans to determine the total pension liability. In addition, based on those assumptions, the Fiduciary Net Position for Clifton Firefighters was projected to be available to make projected future benefit payments of current plan members for 36 years. These payments were discounted using the Long-Term Expected Rate of Return on Pension Plan investments. Future benefit payments beyond 36 years were discounted using a high-quality municipal bond rate.

TOWN OF CLIFTON, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 4 - OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Changes in the Agent Plans Net Pension Liability (Asset) - The following tables present changes in the net pension liability (asset) for PSPRS Police and PSPRS Firefighter plans as follows for the year ended June 30, 2023:

PSPRS - Police:

	Total Pension Liability (Asset) (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) – (b)
Balances at June 30, 2022	\$ 1,249,378	\$ 1,099,747	\$ 149,631
Changes for the year:			
Service cost	25,826	-	25,826
Interest on the total liability	90,681	-	90,681
Differences between expected and actual experience in the measurement of the liability	179,713	-	179,713
Changes of assumptions or other inputs	32,197	-	32,197
Contributions—employer	-	54,228	(54,228)
Contributions—employee	-	21,262	(21,262)
Net investment income	-	(43,883)	43,883
Benefit payments, including refunds of employee contributions	(65,990)	(65,990)	-
Administrative expense	-	(791)	791
Net changes	262,427	(35,174)	297,601
Balances at June 30, 2023	\$ 1,511,805	\$ 1,064,573	\$ 447,232

TOWN OF CLIFTON, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 4 - OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

PSPRS - Fire:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension (Asset) Liability (a) - (b)
Balances at June 30, 2022	\$ 271,933	\$ 66,773	\$ 205,160
Changes for the year:			
Service cost	-	-	-
Interest on the total pension liability	18,640	-	18,640
Changes of benefit terms	-	-	-
Differences between expected and actual experience in the measurement of the liability	8,647	-	8,647
Changes of assumptions or other inputs	9,797	-	9,797
Contributions—employer	-	23,429	(23,429)
Contributions—employee	-	-	-
Net investment income	-	(2,190)	2,190
Benefit payments, including refunds of employee contributions	(33,177)	(33,177)	-
Administrative expense	-	(40)	40
Other changes	-	-	-
Net changes	3,907	(11,978)	15,885
Balances at June 30, 2023	\$ 275,840	\$ 54,795	\$ 221,045

Sensitivity of the Town's Net Pension/OPEB (Asset) Liability to Changes in the Discount Rate - The following table presents the Town's net pension/OPEB (asset) liabilities calculated using the discount rates noted above, as well as what the Town's net pension/OPEB (asset) liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
PSPRS - Police:			
Rate	6.2%	7.2%	8.2%
Net pension liability	\$ 713,159	\$ 447,232	\$ 239,822
PSPRS - Fire:			
Rate	6.2%	7.2%	8.2%
Net pension liability	\$ 237,644	\$ 221,045	\$ 206,075

Plan Fiduciary Net Position - Detailed information about the plans' fiduciary net position is available in the separately issued PSPRS financial reports.

TOWN OF CLIFTON, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 4 - OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Expense - For the year ended June 30, 2023, the Town recognized the following pension and OPEB expense:

	Pension Expense
PSPRS - Police	\$ 115,581
PSPRS - Fire	33,113

Deferred Outflows/Inflows of Resources - At June 30, 2023, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

PSPRS - Police	Pension	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 412,778	\$ 74,253
Changes of assumptions	40,660	-
Net difference between projected and actual earnings on pension plan investments	16,654	-
Town contributions subsequent to the measurement date	22,277	-
Total	\$ 492,369	\$ 74,253

PSPRS - Fire	Pension	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	-	-
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	\$ 1,203	-
Town contributions subsequent to the measurement date	21,990	-
Total	\$ 23,193	\$ -

TOWN OF CLIFTON, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 4 - OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

The amounts reported as deferred outflows of resources related to pensions and OPEB resulting from Town contributions subsequent to the measurement date will be recognized as an increase in the net asset or a reduction of the net liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be recognized as expenses as follows:

Year ending June 30,	PSPRS Police	PSPRS Fire
	Pension	Pension
2024	\$ 95,505	\$ 406
2025	92,394	75
2026	83,108	(619)
2027	129,111	1,341
2028	(4,279)	

NOTE 5 - SUBSEQUENT EVENTS

The Town has evaluated subsequent events through **REPORT DATE, 2023**, the date which the financial statements were available to be issued, and has concluded that no events have occurred since the year ended June 30, 2023 that would require an adjustment to or disclosure in the financial statements.

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OTHER REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF CLIFTON, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND - BUDGETARY BASIS
YEAR ENDED JUNE 30, 2023

	Original and Final Budget	Actual	Variance with Final Budget
REVENUES:			
Taxes	\$ 1,421,000	\$ 1,814,931	\$ 393,931
Intergovernmental revenue	1,746,484	1,662,820	(83,664)
Fines and forfeits	13,143	4,462	(8,681)
Licenses and permits	10,700	5,781	(4,919)
Charges for services	1,300	900	(400)
Rents and royalties	2,000	6,805	4,805
Investment income	750	660	(90)
Miscellaneous	15,000	2,962	(12,038)
Total revenues	<u>3,210,377</u>	<u>3,499,321</u>	<u>288,944</u>
EXPENDITURES:			
Current:			
General Government:			
Administration	542,053	499,423	42,630
Mayor and Council	165,183	72,318	92,865
Magistrate	155,880	104,446	51,434
Code Enforcement	82,442	58,694	23,748
Total General Government	<u>945,558</u>	<u>734,881</u>	<u>210,677</u>
Public Safety:			
Police	558,856	519,816	39,040
Dispatch/Communication	282,394	238,216	44,178
Animal Control	70,448	67,977	2,471
Fire Department	236,780	85,456	151,324
Total Public Safety	<u>1,148,478</u>	<u>911,465</u>	<u>237,013</u>
Highways and Streets			
Public Works	925,434	616,190	309,244
Culture and Recreation:			
Parks and Recreation	166,807	127,386	39,421
Library	128,957	99,494	29,463
Total culture and recreation	<u>295,764</u>	<u>226,880</u>	<u>68,884</u>
Total expenditures	<u>3,315,234</u>	<u>2,489,416</u>	<u>825,818</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(104,857)</u>	<u>1,009,905</u>	<u>1,114,762</u>
Net changes in fund balance	(104,857)	1,009,905	1,114,762
Fund balances, July 1, 2022	<u>5,430,216</u>	<u>5,430,216</u>	<u>5,430,216</u>
Fund balances, June 30, 2023	<u>\$ (104,857)</u>	<u>\$ 6,440,121</u>	<u>\$ 6,544,978</u>

See accompanying notes to the Required Supplementary Information.

TOWN OF CLIFTON, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
HIGHWAY USERS REVENUE FUND
YEAR ENDED JUNE 30, 2023

	Original and Final Budget	Actual	Variance with Final Budget
REVENUES:			
Intergovernmental revenue	\$ 453,073	\$ 424,850	\$ (28,223)
Miscellaneous	<u> </u>	<u>104,084</u>	<u>104,084</u>
Total revenues	<u>453,073</u>	<u>528,934</u>	<u>75,861</u>
EXPENDITURES:			
Current:			
Highway and streets	<u>493,959</u>	<u>422,710</u>	<u>71,249</u>
Total expenditures	<u>493,959</u>	<u>422,710</u>	<u>71,249</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(40,886)</u>	<u>106,224</u>	<u>147,110</u>
Net changes in fund balance	(40,886)	106,224	147,110
Fund balances, July 1, 2022	<u>-</u>	<u>54,216</u>	<u>54,216</u>
Fund balances, June 30, 2023	<u><u>\$ (40,886)</u></u>	<u><u>\$ 160,440</u></u>	<u><u>\$ 201,326</u></u>

See accompanying notes to the Required Supplementary Information.

TOWN OF CLIFTON, ARIZONA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2023

NOTE 1 - BUDGETARY BASIS OF ACCOUNTING

The accompanying Schedules of Revenue, Expenditures, and Change in Fund Balance Budget and Actual are prepared on a modified accrual basis of accounting. See Note 2A for the process of how the Town adopts its budget.

NOTE 2 - BUDGETARY COMPARISON SCHEDULE RECONCILIATION

For external reporting purposes, the General Fund includes revenues, expenditures, and fund balances of other internally maintained funds. The General Fund, however, is budgeted based on the internally maintained General Fund. Therefore, the following reconciliation is necessary to reconcile the General Fund Budgetary Comparison Schedule to the statement of revenues, expenditures, and changes in fund balances.

	General Fund					
	Total Revenues	Total Expenditures	Other Financing Sources/Uses	Change in Fund Balance	Fund Balance Beginning of Year	Fund Balance End of Year
Statement of Revenues, Expenditures, and Changes in Fund Balance	\$ 3,996,473	\$ 2,818,401	\$ -	\$ 1,178,072	\$ 5,645,435	\$ 6,823,507
Adjustments for Other Internally Maintained Funds	<u>(497,152)</u>	<u>(328,985)</u>	<u>-</u>	<u>(168,167)</u>	<u>(215,219)</u>	<u>(383,386)</u>
Schedule of Revenues, Expenditures, and Change in Fund Balance Budget and Actual	<u>\$ 3,499,321</u>	<u>\$ 2,489,416</u>	<u>\$ -</u>	<u>\$ 1,009,905</u>	<u>\$ 5,430,216</u>	<u>\$ 6,440,121</u>

TOWN OF CLIFTON, ARIZONA
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 COST-SHARING PENSION PLANS
 JUNE 30, 2023

Arizona State Retirement System

	Reporting Fiscal Year (Measurement Date)									
	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	2014 (2013)
Town's Proportion of the Net Pension Liability	0.006930 %	0.006800 %	0.007310 %	0.007310 %	0.008370 %	0.008220 %	0.008320 %	0.007741 %	0.007601 %	Information not available
Town's Proportionate Share of the Net Pension Liability	\$ 1,131,130	\$ 893,490	\$ 1,266,569	\$ 1,063,690	\$ 1,167,320	\$ 1,280,516	\$ 1,342,932	\$ 1,205,701	\$ 1,124,630	
Town's Covered Payroll	\$ 823,748	\$ 802,001	\$ 798,003	\$ 760,209	\$ 847,746	\$ 796,204	\$ 742,915	\$ 672,018	\$ 651,743	
Town's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	137.32 %	111.41 %	158.72 %	139.92 %	137.70 %	160.83 %	180.77 %	179.41 %	172.56 %	
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.26 %	78.58 %	69.33 %	73.24 %	73.40 %	69.92 %	67.06 %	68.35 %	69.49 %	

See accompanying notes to pension plan schedules.

TOWN OF CLIFTON, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE TOWN'S NET PENSION/OPEB LIABILITY (ASSET)
AND RELATED RATIOS - AGENT PENSION PLANS
JUNE 30, 2023

	Reporting Fiscal Year (Measurement Date)									
	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	2014 (2013)
PSPRS - Police										
Total pension liability:										
Service cost	\$ 25,826	\$ 34,190	\$ 48,196	\$ 56,891	\$ 57,504	\$ 67,294	\$ 46,045	\$ 54,053	\$ 42,660	Information
Interest on the total pension liability	90,681	89,891	53,781	52,786	46,323	38,411	37,177	33,312	34,962	not
Changes of benefit terms	-	-	-	-	-	18,857	556	-	17,094	available
Differences between expected and actual experience in the measurement of the pension liability	179,713	(39,542)	462,781	(48,291)	(13,174)	32,440	(32,975)	(4,766)	(125,329)	
Changes of assumptions or other inputs	32,197	-	-	9,781	-	4,766	18,722	-	47,618	
Benefit payments, including refunds of employee contributions	(65,990)	(64,696)	(47,499)	(30,639)	(32,266)	(53,815)	(29,362)	(29,362)	(58,091)	
Net change in total pension liability	262,427	19,843	517,259	40,528	58,387	107,953	40,163	53,237	(41,086)	
Total pension liability —beginning	1,249,378	1,229,535	712,276	671,748	613,361	505,408	465,245	412,008	453,094	
Total pension liability —ending (a)	<u>\$ 1,511,805</u>	<u>\$ 1,249,378</u>	<u>\$ 1,229,535</u>	<u>\$ 712,276</u>	<u>\$ 671,748</u>	<u>\$ 613,361</u>	<u>\$ 505,408</u>	<u>\$ 465,245</u>	<u>\$ 412,008</u>	
Plan fiduciary net position:										
Contributions—employer	\$ 54,228	\$ 19,004	\$ 24,475	\$ 26,735	\$ 40,978	\$ 32,203	\$ 37,593	\$ 36,632	\$ 35,445	
Contributions—employee	21,262	14,549	21,191	22,487	29,931	34,190	42,355	37,273	31,409	
Net investment income	(43,883)	242,879	11,203	44,474	52,514	78,515	3,720	20,981	70,213	
Benefit payments, including refunds of employee contributions	(65,990)	(64,696)	(47,499)	(30,639)	(32,266)	(53,815)	(29,362)	(29,362)	(58,091)	
Hall/Parker settlement	-	-	-	-	(20,215)	-	-	-	-	
Administrative expense	(791)	(1,140)	(913)	(1,752)	(1,499)	(1,095)	(935)	(881)	(565)	
Other changes	-	-	(596)	(56)	10	(11,217)	4	(505)	(43,023)	
Net change in plan fiduciary net position	(35,174)	210,596	7,861	61,249	69,453	78,781	53,375	64,138	35,388	
Plan fiduciary net position —beginning	1,099,747	889,151	881,290	820,041	750,588	671,807	618,432	554,294	518,906	
Plan fiduciary net position —ending (b)	<u>\$ 1,064,573</u>	<u>\$ 1,099,747</u>	<u>\$ 889,151</u>	<u>\$ 881,290</u>	<u>\$ 820,041</u>	<u>\$ 750,588</u>	<u>\$ 671,807</u>	<u>\$ 618,432</u>	<u>\$ 554,294</u>	
Town's net pension liability (asset)—ending (a)– (b)	\$ 447,232	\$ 149,631	\$ 340,384	\$ (169,014)	\$ (148,293)	\$ (137,227)	\$ (166,399)	\$ (153,187)	\$ (142,286)	
Plan fiduciary net position as a percentage of the total pension liability	70.42 %	88.02 %	72.32 %	123.73 %	122.08 %	122.37 %	132.92 %	132.93 %	134.53 %	
Covered payroll	\$ 293,885	\$ 289,077	\$ 383,596	\$ 356,565	\$ 358,893	\$ 307,843	\$ 295,125	\$ 356,052	\$ 313,353	
Town's net pension liability (asset) as a percentage of covered payroll	152.18 %	51.76 %	88.74 %	(47.40)%	(41.32)%	(44.58)%	(56.38)%	(43.02)%	(45.41)%	

See accompanying notes to pension plan schedules.

TOWN OF CLIFTON, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE TOWN'S NET PENSION/OPEB LIABILITY (ASSET)
AND RELATED RATIOS - AGENT PENSION PLANS (CONTINUED)
JUNE 30, 2023

	Reporting Fiscal Year (Measurement Date)									
	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	2014 (2013)
PSPRS - Fire										
Total pension liability:										
Interest on the total pension liability	\$ 18,640	\$ 16,969	\$ 19,615	\$ 21,024	\$ 21,174	\$ 13,321	\$ 18,689	\$ 19,825	\$ 18,111	Information not available
Changes of benefit terms	-	-	-	-	-	6,674	(34,215)	-	19,974	
Differences between expected and actual experience in the measurement of the pension liability	8,647	6,881	6,359	5,535	8,873	25,401	(15,124)	1,237	5,127	
Changes of assumptions or other inputs	9,797	(23,750)	25,627	(10,388)	-	(71,169)	29,418	10,101	129,044	
Benefit payments, including refunds of employee contributions	<u>(33,177)</u>	<u>(32,526)</u>	<u>(31,889)</u>	<u>(31,263)</u>	<u>(32,878)</u>	<u>(29,974)</u>	<u>(29,974)</u>	<u>(29,974)</u>	<u>(29,265)</u>	
Net change in total pension liability	3,907	(32,426)	19,712	(15,092)	(2,831)	(55,747)	(31,206)	1,189	142,991	
Total pension liability —beginning	271,933	304,359	284,647	299,739	302,570	358,317	389,523	388,334	245,343	
Total pension liability —ending (a)	<u>\$ 275,840</u>	<u>\$ 271,933</u>	<u>\$ 304,359</u>	<u>\$ 284,647</u>	<u>\$ 299,739</u>	<u>\$ 302,570</u>	<u>\$ 358,317</u>	<u>\$ 389,523</u>	<u>\$ 388,334</u>	
Plan fiduciary net position:										
Contributions—employer	\$ 23,429	\$ 43,429	\$ -	\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000	\$ 2,000	
Net investment income	(2,190)	13,306	755	3,971	5,677	10,685	523	3,631	15,072	
Benefit payments, including refunds of employee contributions	(33,177)	(32,526)	(31,889)	(31,263)	(32,878)	(29,974)	(29,974)	(29,974)	(29,265)	
Administrative expense	(40)	(63)	(62)	(1,069)	(786)	(495)	(475)	(443)	(121)	
Other changes	-	-	-	-	1	2	-	(110)	-	
Net change in plan fiduciary net position	(11,978)	24,146	(31,196)	(8,361)	(7,986)	218	(9,926)	(6,896)	(12,314)	
Plan fiduciary net position —beginning	66,773	42,627	73,823	82,184	90,170	89,952	99,878	106,774	119,088	
Plan fiduciary net position —ending (b)	<u>\$ 54,795</u>	<u>\$ 66,773</u>	<u>\$ 42,627</u>	<u>\$ 73,823</u>	<u>\$ 82,184</u>	<u>\$ 90,170</u>	<u>\$ 89,952</u>	<u>\$ 99,878</u>	<u>\$ 106,774</u>	
Town's net pension liability (asset)—ending (a)– (b)	\$ 221,045	\$ 205,160	\$ 261,732	\$ 210,824	\$ 217,555	\$ 212,400	\$ 268,365	\$ 289,645	\$ 281,560	
Plan fiduciary net position as a percentage of the total pension liability	19.86 %	24.55 %	14.01 %	25.93 %	27.42 %	29.80 %	25.10 %	25.64 %	27.50 %	
Covered payroll	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Town's net pension liability (asset) as a percentage of covered payroll	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %	

See accompanying notes to pension plan schedules.

TOWN OF CLIFTON, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF TOWN PENSION CONTRIBUTIONS
JUNE 30, 2023

ASRS	Reporting Fiscal Year									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Statutorily required contribution	\$ 99,318	\$ 100,662	\$ 89,708	\$ 93,361	\$ 85,782	\$ 90,625	\$ 89,682	\$ 89,687	\$ 77,093	\$ 73,310
Town's contributions in relation to the statutorily required contribution	<u>99,318</u>	<u>100,662</u>	<u>89,708</u>	<u>93,361</u>	<u>85,782</u>	<u>90,625</u>	<u>89,682</u>	<u>89,687</u>	<u>77,093</u>	<u>73,310</u>
Town's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered payroll	\$ 996,826	\$ 823,748	\$ 802,001	\$ 798,003	\$ 760,209	\$ 847,746	\$ 796,204	\$ 742,915	\$ 672,018	\$ 651,743
Town's contributions as a percentage of covered payroll	9.96 %	12.22 %	11.19 %	11.70 %	11.28 %	10.69 %	11.26 %	12.07 %	11.47 %	11.25 %

PSPRS - Police	Reporting Fiscal Year									
	2023**	2022	2021	2020	2019*	2018*	2017	2016	2015	2014
Actuarially determined contribution	\$ 69,217	\$ 60,678	\$ 29,662	\$ 35,136	\$ 34,722	\$ 43,328	\$ 33,739	\$ 39,623	\$ 36,632	\$ 35,445
Town's contributions in relation to the actuarially determined contribution	<u>22,277</u>	<u>60,678</u>	<u>29,662</u>	<u>35,136</u>	<u>60,678</u>	<u>25,372</u>	<u>33,739</u>	<u>39,623</u>	<u>36,632</u>	<u>35,445</u>
Town's contribution deficiency (excess)*	<u>\$ 46,940</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (25,956)</u>	<u>\$ 17,956</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered payroll	\$ 254,380	\$ 293,885	\$ 289,077	\$ 383,596	\$ 356,565	\$ 358,893	\$ 307,843	\$ 295,125	\$ 356,052	\$ 313,353
Town's contributions as a percentage of covered payroll	27.21 %	20.65 %	10.26 %	9.16 %	17.02 %	7.07 %	10.96 %	13.43 %	10.29 %	11.31 %

PSPRS - Fire	Reporting Fiscal Year									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,171
Town's contributions in relation to the actuarially determined contribution	<u>21,990</u>	<u>23,429</u>	<u>23,429</u>	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>2,000</u>
Town's contribution deficiency (excess)	<u>\$ (21,990)</u>	<u>\$ (23,429)</u>	<u>\$ (23,429)</u>	<u>\$ (20,000)</u>	<u>\$ (20,000)</u>	<u>\$ (20,000)</u>	<u>\$ (20,000)</u>	<u>\$ (20,000)</u>	<u>\$ (20,000)</u>	<u>\$ 2,171</u>
Town's covered payroll	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's contributions as a percentage of covered payroll	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %

* Deficiency is due to benefit terms for legislation that changed benefit eligibility and multipliers for employees who became members on or after January 1, 2012, and before July 1, 2017, and a court decision that decreased the contribution rates for employees who became members before July 20, 2011. The court decision affected the actuarially determined contributions for the fiscal year ended June 30, 2018, because of refunds of excess member contributions. The Town refunded excess member contributions on June 30, 2017, and was reported in the prior fiscal year. The Town utilized the PSPRS credit memos in 2018 to reduce actual contributions.

** PSPRS excess contribution refund was credited to the required contribution for the fiscal year ended June 30, 2023.

See accompanying notes to pension plan schedules.

TOWN OF CLIFTON, ARIZONA
 REQUIRED SUPPLEMENTARY INFORMATION
 NOTES TO PENSION PLAN SCHEDULES
 JUNE 30, 2023

NOTE 1 – ACTUARIALLY DETERMINED CONTRIBUTION RATES

Actuarial determined contribution rates for PSPRS are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are made. The actuarial methods and assumptions used to establish the contribution requirements are as follows:

Actuarial Cost Method	Entry age normal
Amortization Method	Level percent-of-pay, closed
Remaining amortization period as of the 2021 actuarial valuation	21 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value; 80%/120% market corridor
Actuarial assumptions: Investment rate of return	In the 2019 actuarial valuation, the investment rate of return was decreased from 7.4% to 7.3%. In the 2017 actuarial valuation, the investment rate of return was decreased from 7.5% to 7.4%. In the 2016 actuarial valuation, the investment rate of return was decrease from 7.85% to 7.5%. In the 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%
Projected salary increases	In the 2017 actuarial valuation, projected salary increases were decreased from 4.0% - 8.0% to 3.5% - 7.5%. In the 2014 actuarial valuation, projected salary increases were decreased from 4.5% - 8.5% to 4.0% - 8.0%. In the 2013 actuarial valuation, projected salary increases were decreased from 5.0% - 9.0% to 4.5% - 8.5%.
Wage growth	In the 2017 actuarial valuation, wage growth was decreased from 4.0% to 3.5%. In the 2014 actuarial valuation, wage growth was decreased from 4.5% to 4.0%. In the 2013 actuarial valuation, wage growth was decreased from 5.0% to 4.5%.
Retirement age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006 - June 30, 2011.
Mortality	In the 2019 actuarial valuation, changed to PubS-2010 tables. In the 2017 actuarial valuation, changed to RP-2014 tables, with 75% of MP-2016 fully generational projection scales. RP-2000 mortality table (adjusted by 105% for both males and females).

TOWN OF CLIFTON, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO PENSION PLAN SCHEDULES
JUNE 30, 2023

NOTE 2 - FACTORS THAT AFFECT TRENDS

Arizona courts have ruled that provisions of a 2011 law that changed the mechanism for funding permanent pension benefit increases and increased employee pension contribution rates were unconstitutional or a breach of contract because those provisions apply to individuals who were members as of the law's effective date. As a result, the PSPRS changed benefit terms to reflect the prior mechanism for funding permanent benefit increases for those members and revised actuarial assumptions to explicitly value future permanent benefit increases. PSPRS also reduced those members' employee contribution rates. These changes are reflected in the plans' pension liabilities for fiscal year 2015 (measurement date 2014) for members who were retired as of the law's effective date and fiscal year 2018 (measurement date 2017) for members who retired or will retire after the law's effective date. These changes increased the PSPRS required pension contributions beginning in fiscal year 2016 for members who were retired as of the law's effective date. These changes will increase the PSPRS required contributions beginning in fiscal year 2019 for members who retired or will retire after the law's effective date. Also, the Town refunded excess employee contributions to PSPRS members. PSPRS allowed the Town to reduce its actual employer contributions for the refund amounts. As a result, the Town's pension contributions were less than the actuarially or statutorily determined contributions for 2018 and 2019.

NOTE 3 - INFORMATION PRIOR TO MEASUREMENT DATE

Information prior to the measurement date (June 30, 2014) was not available. GASB Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27, requires the Town to present ten years of pension information as required supplementary information. However, until a full ten years of trend data is compiled, the Town will present information for only those years for which information is available.