

TOWN OF CLIFTON, ARIZONA
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2019



CLAcconnect.com

WEALTH ADVISORY
OUTSOURCING
AUDIT, TAX, AND
CONSULTING

THIS PAGE BLANK

**TOWN OF CLIFTON, ARIZONA
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2019**

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT	1
REQUIRED SUPPLEMENTARY INFORMATION	
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION	10
STATEMENT OF ACTIVITIES	11
BALANCE SHEET – GOVERNMENTAL FUNDS	12
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION	13
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS	14
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES	15
STATEMENT OF NET POSITION – PROPRIETARY FUND	16
STATEMENT OF REVENUE, EXPENSES, AND CHANGE IN NET POSITION – PROPRIETARY FUND	17
STATEMENT OF CASH FLOWS – PROPRIETARY FUND	18
STATEMENT OF FIDUCIARY NET POSITION – FIDUCIARY FUND	19
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION – FIDUCIARY FUND	20
NOTES TO BASIC FINANCIAL STATEMENTS	21

**TOWN OF CLIFTON, ARIZONA
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2019**

REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A

SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY – ASRS	48
SCHEDULE OF CHANGES IN THE TOWN'S NET PENSION LIABILITY (ASSET) AND RELATED RATIOS – AGENT PENSION PLANS	49
SCHEDULE OF TOWN PENSION CONTRIBUTIONS	51
NOTE TO PENSION PLAN SCHEDULES	52
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND	54
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE – BUDGET AND ACTUAL – HIGHWAY USERS REVENUE FUND	55
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION	56

FINANCIAL SECTION

THIS PAGE BLANK



INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Clifton, Arizona, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Town's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Clifton, Arizona as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 9, the pension schedules on pages 48 through 53 and budgetary comparison information on pages 54 through 56 to be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



CliftonLarsonAllen LLP

Phoenix, Arizona
November 12, 2019

REQUIRED SUPPLEMENTARY INFORMATION

THIS PAGE BLANK

**TOWN OF CLIFTON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019**

We (the Town of Clifton, Arizona (Town)) are pleased to provide an overview of our financial activities for the fiscal year ended June 30, 2019. The intended purpose of Management's Discussion and Analysis (MD&A) is to provide an introduction to the basic financial statements and notes, that provides an objective and easy to read analysis of our financial activities based on currently known facts, decisions, and conditions, by providing an easily readable summary of operating results and reasons for changes, which will help to determine if our financial position improved or deteriorated over the past year. This report addresses current operational activities, the sources, uses, and changes in resources, adherence to budget, service levels, limitations, significant economic factors, and the status of infrastructure and its impacts on our debt and operations.

FINANCIAL HIGHLIGHTS

- ◆ The assets and deferred outflows of resources of the Town of Clifton, Arizona exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$6,748,519 (net position). Of this amount, \$1,029,891 (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 \$2,547,815, an increase of \$364,571 in comparison with the prior year.
- ◆ At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2,276,055 or 88% of total General Fund expenditures.
- ◆ General Fund revenues (on a budgetary basis) were more than budgeted revenues by \$71,035 for fiscal year 2019. Additionally, budgetary basis expenditures were only 84% (\$399,498, or 16%, in savings) of the final budget in the General Fund.
- ◆ General Fund budgetary revenues exceeded budgetary expenditures by \$376,233 which represented a positive variance of \$470,533 from the original budget.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of these Financial Statements for the Town of Clifton, Arizona consists of this discussion and analysis, the basic financial statements, and the required supplementary schedules presented after the basic financial statements. The basic financial statements include the government-wide financial statements, fund financial statements, 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 being reported as net position. Over time, increases or decreases in net position may serve as useful indicators of whether the financial position of the Town of Clifton, Arizona is improving or deteriorating.

**TOWN OF CLIFTON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019**

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

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

The government-wide financial statements can be found on pages 10 - 11 of this report.

Fund Financial Statements

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

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

The basic governmental fund financial statements can be found on pages 12 - 15 of this report.

- ◆ *Proprietary Funds* – The Town of Clifton, Arizona maintains one type of proprietary fund. *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 16 - 18 of this report.

**TOWN OF CLIFTON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019**

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

The basic fiduciary fund financial statements can be found on pages 19 - 20 of this report.

Notes to Basic Financial Statements

The notes to basic financial statements (pages 21 - 47) 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 starting on page 48.

Government-Wide Financial Analysis

Net position may serve over time as useful indicators of a government's financial position. The following table reflects the condensed Statement of Net Position of the Town for June 30, 2019 showing that assets and deferred outflow of resources exceeded liabilities and deferred inflow of resources by \$6,748,519.

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

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
ASSETS						
Current and Other Assets	\$ 2,903,817	\$ 2,575,696	\$ 247,975	\$ 84,320	\$ 3,151,792	\$ 2,660,016
Capital Assets:						
Nondepreciable	155,534	155,534	401,604	13,600	557,138	169,134
Depreciable	3,863,332	3,966,279	877,502	919,195	4,740,834	4,885,474
Total Assets	6,922,683	6,697,509	1,527,081	1,017,115	8,449,764	7,714,624
DEFERRED OUTFLOW OF RESOURCES	302,850	318,120	-	10,357	302,850	328,477
LIABILITIES						
Other Liabilities	147,480	193,357	154,690	24,300	302,170	217,657
Noncurrent Liabilities:						
Due Within One Year	66,098	64,898	1,521	3,091	67,619	67,989
Due in More Than One Year	1,328,809	1,424,789	60,445	71,074	1,389,254	1,495,863
Total Liabilities	1,542,387	1,683,044	216,656	98,465	1,759,043	1,781,509
DEFERRED INFLOW OF RESOURCES	246,046	194,744	14,930	4,884	260,976	199,628
NET POSITION						
Investment in Capital Assets	4,018,866	4,121,813	1,279,106	932,795	5,297,972	5,054,608
Restricted	420,656	351,689	-	-	420,656	351,689
Unrestricted	997,578	664,339	32,313	(8,672)	1,029,891	655,667
Total Net Position	\$ 5,437,100	\$ 5,137,841	\$ 1,311,419	\$ 924,123	\$ 6,748,519	\$ 6,061,964

**TOWN OF CLIFTON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019**

The net position of the Town is \$6,748,519 in fiscal year 2019 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 (79%) 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 (6%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$1,029,891) 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	
	2019	2018	2019	2018	2019	2018
REVENUES						
Program Revenues:						
Fees, Fines, and Charges for Services	\$ 277,250	\$ 273,482	\$ 310,186	\$ 305,057	\$ 587,436	\$ 578,539
Operating Grants and Contributions	725,288	710,071	-	-	725,288	710,071
Capital Grants and Contributions	163,850	32,780	308,220	13,600	472,070	46,380
General Revenues:						
Local Taxes	740,967	705,076	-	-	740,967	705,076
Property Taxes	473,526	462,473	-	-	473,526	462,473
Franchise Taxes	78,758	69,984	-	-	78,758	69,984
State Shared Revenues	1,162,233	1,148,942	-	-	1,162,233	1,148,942
Investment Earnings	997	971	-	-	997	971
Assets	-	5,305	-	-	-	5,305
Total Revenues	<u>3,622,869</u>	<u>3,409,084</u>	<u>618,406</u>	<u>318,657</u>	<u>4,241,275</u>	<u>3,727,741</u>
EXPENSES						
General Government	904,348	888,176	-	-	904,348	888,176
Public Safety	1,180,884	1,066,171	-	-	1,180,884	1,066,171
Highways and Streets	912,695	916,446	-	-	912,695	916,446
Culture and Recreation	325,683	337,410	-	-	325,683	337,410
Sewer	-	-	231,110	328,686	231,110	328,686
Total Expenses	<u>3,323,610</u>	<u>3,208,203</u>	<u>231,110</u>	<u>328,686</u>	<u>3,554,720</u>	<u>3,536,889</u>
CHANGE IN NET POSITION	299,259	200,881	387,296	(10,029)	686,555	190,852
Net Position - Beginning of Year	<u>5,137,841</u>	<u>4,936,960</u>	<u>924,123</u>	<u>934,152</u>	<u>6,061,964</u>	<u>5,871,112</u>
NET POSITION - END OF YEAR	<u>\$ 5,437,100</u>	<u>\$ 5,137,841</u>	<u>\$ 1,311,419</u>	<u>\$ 924,123</u>	<u>\$ 6,748,519</u>	<u>\$ 6,061,964</u>

**TOWN OF CLIFTON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019**

Governmental Activities – The Town’s net position in governmental activities increased by \$299,259. Key factors contributing to the increase include an increase in taxes, state shared revenues, and operating grants and contributions.

Business-Type Activities – Business-type activities increased the Town’s net position by \$387,296. This increase was attributable to the current year increase in capital contributions related to 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 \$2,547,815, an increase of \$364,571 in comparison with the prior year. Approximately 94% of this total amount, \$2,402,338 constitutes General Fund balance, which is available for contribution to the committed, assigned, and unassigned fund balance. At fiscal year-end 2018-2019 fund balances were as follows:

**Table A-3
Fund Balances**

Fund	Balance	Increase (Decrease) From FY 2017-18
General Fund	\$ 2,402,338	\$ 313,945
Highway Users Revenue Fund	107,690	38,257
Nonmajor Governmental Funds	37,787	12,369

The General Fund is the chief operating fund of the Town of Clifton, Arizona. At the end of the current fiscal year, the fund balance of the General Fund was \$2,402,338, while total fund balance reached \$2,547,815. 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 92% of total General Fund expenditures, while total fund balance represents 78% of that same amount. The fund balance of the General Fund increased due to a surplus of revenues and over expenditures in the current year.

The fund balance of the Highway Users Revenue Fund increased by \$38,257 as a result of the Town having fewer street maintenance projects during the year.

All nonmajor governmental funds of the Town are combined into one column on the governmental fund statements and the increase of \$12,369 was due to the carryover of grant receipts received in current year.

**TOWN OF CLIFTON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019**

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 - 56. These statements compare the original adopted budget, the budget if amended throughout the fiscal year, and the actual expenditures prepared on a budgetary basis.

General Fund revenues of \$2,540,937 on a budgetary basis, were more than budgeted revenues of \$2,469,902 by \$71,035 while budgetary basis expenditures of \$2,164,704 were only 84% of budgeted expenditures (savings of \$399,498). The budget savings was primarily due to the Town experiencing a cost savings across all departments.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Town's capital assets for its governmental and business-type activities as of June 30, 2019 amounted to \$5,297,972 (net of accumulated depreciation), a net increase of 5%. For government-wide financial statement presentation, all depreciable capital assets were depreciated from acquisition date to the end of the current fiscal year. Fund financial statements record capital asset purchases as expenditures. See Note 3.A.3. in the Notes to Basic Financial Statements for further information regarding capital assets.

Capital assets include land, land improvements, buildings and improvements, infrastructure, sewer system, and furniture, equipment, and vehicles. During fiscal year 2019 the annual depreciation expense for governmental activities was \$444,643 and depreciation expense for business-type activities was \$50,679. Additions to governmental activities capital assets during the fiscal year totaled \$341,696. Additions to business type activities capital assets during the fiscal year totaled \$396,990.

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

- ◆ Various equipment and vehicles for street maintenance
- ◆ Playground equipment for the RV Park
- ◆ Wastewater Treatment Plant design

The following table provides a breakdown of the capital assets of the Town at June 30, 2019 and 2018.

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

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 102,865	\$ 102,865	\$ -	\$ -	\$ 102,865	\$ 102,865
Construction in Progress	52,669	52,669	401,604	13,600	454,273	66,269
Land Improvements	56,108	63,893	-	-	56,108	63,893
Building and Improvements	1,293,326	1,323,304	-	-	1,293,326	1,323,304
Infrastructure	1,281,822	1,430,261	-	-	1,281,822	1,430,261
Sewer System	-	-	807,573	849,034	807,573	849,034
Furniture, Equipment, and Vehicles	1,232,076	1,148,821	69,929	70,161	1,302,005	1,218,982
Total Capital Assets	\$ 4,018,866	\$ 4,121,813	\$ 1,279,106	\$ 932,795	\$ 5,297,972	\$ 5,054,608

**TOWN OF CLIFTON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019**

Debt Administration

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

REQUESTS FOR INFORMATION

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

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

THIS PAGE BLANK

BASIC FINANCIAL STATEMENTS

THIS PAGE BLANK

TOWN OF CLIFTON, ARIZONA
STATEMENT OF NET POSITION
JUNE 30, 2019

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS			
Cash	\$ 2,454,594	\$ 36,379	\$ 2,490,973
Receivables, Net:			
Accounts Receivable	7,844	31,896	39,740
Property Taxes Receivable	16,893	-	16,893
Intergovernmental Receivable	215,402	179,700	395,102
Prepaid Items	7,742	-	7,742
Net Pension Asset	148,293	-	148,293
Net OPEB Asset	53,049	-	53,049
Capital Assets:			
Nondepreciable	155,534	401,604	557,138
Depreciable	3,863,332	877,502	4,740,834
Total Assets	6,922,683	1,527,081	8,449,764
DEFERRED OUTFLOWS OF RESOURCES			
Pensions	290,349	8,459	298,808
OPEB	12,501	-	12,501
Total Deferred Outflows of Resources	302,850	8,459	311,309
LIABILITIES			
Accounts Payable	40,553	138,757	179,310
Accrued Wages and Benefits	71,441	3,502	74,943
Intergovernmental Payable	10,932	661	11,593
Unearned Revenue	24,313	4,003	28,316
Customer Deposits Payable	241	7,767	8,008
Noncurrent Liabilities:			
Compensated Absences	66,098	1,521	67,619
Net Pension Liability	1,324,430	60,445	1,384,875
Net OPEB Liability	4,379	-	4,379
Total Liabilities	1,542,387	216,656	1,759,043
DEFERRED INFLOWS OF RESOURCES			
Pensions	234,483	7,465	241,948
OPEB	11,563	-	11,563
Total Deferred Inflows of Resources	246,046	7,465	253,511
NET POSITION			
Investment in Capital Assets	4,018,866	1,279,106	5,297,972
Restricted for:			
Payment of Pension and OPEB Benefits	201,342	-	201,342
Highways and Streets	107,690	-	107,690
Culture and Recreation	8,884	-	8,884
Public Safety	96,289	-	96,289
Other Purposes	6,451	-	6,451
Unrestricted	997,578	32,313	1,029,891
Total Net Position	\$ 5,437,100	\$ 1,311,419	\$ 6,748,519

See accompanying Notes to Basic Financial Statements.

**TOWN OF CLIFTON, ARIZONA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019**

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	\$ 904,348	\$ 262,862	\$ 16,722	\$ -	\$ (624,764)	\$ -	\$ (624,764)
Public Safety	1,180,884	7,209	179,962	-	(993,713)	-	(993,713)
Highways and Streets	912,695	-	507,461	3,125	(402,109)	-	(402,109)
Culture and Recreation	325,683	7,179	21,143	160,725	(136,636)	-	(136,636)
Total Governmental Activities	3,323,610	277,250	725,288	163,850	(2,157,222)	-	(2,157,222)
Business-Type Activities:							
Sewer	231,110	310,186	-	308,220	-	387,296	387,296
Total Primary Government	\$ 3,554,720	\$ 587,436	\$ 725,288	\$ 472,070	(2,157,222)	387,296	(1,769,926)
GENERAL REVENUES							
Taxes:							
					740,967	-	740,967
					473,526	-	473,526
					78,758	-	78,758
					445,648	-	445,648
					370,322	-	370,322
					346,263	-	346,263
					997	-	997
					2,456,481	-	2,456,481
					299,259	387,296	686,555
					5,137,841	924,123	6,061,964
					\$ 5,437,100	\$ 1,311,419	\$ 6,748,519

See accompanying Notes to Basic Financial Statements.

**TOWN OF CLIFTON, ARIZONA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019**

	General Fund	Highway Users Revenue Fund	Nonmajor Governmental Funds	Totals
ASSETS				
Cash	\$ 2,318,205	\$ 85,348	\$ 51,041	\$ 2,454,594
Receivables:				
Accounts Receivable, Net	7,844	-	-	7,844
Intergovernmental Receivable	168,190	32,763	14,449	215,402
Property Tax Receivable	16,893	-	-	16,893
Prepaid Items	7,742	-	-	7,742
Total Assets	<u>\$ 2,518,874</u>	<u>\$ 118,111</u>	<u>\$ 65,490</u>	<u>\$ 2,702,475</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 34,697	\$ 4,007	\$ 1,849	\$ 40,553
Accrued Wages and Benefits	64,322	5,578	1,541	71,441
Intergovernmental Payable	10,096	836	-	10,932
Unearned Revenue	-	-	24,313	24,313
Customer Deposits Payable	241	-	-	241
Total Liabilities	<u>109,356</u>	<u>10,421</u>	<u>27,703</u>	<u>147,480</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenues	7,180	-	-	7,180
FUND BALANCES				
Nonspendable	7,742	-	-	7,742
Restricted	73,837	107,690	37,787	219,314
Assigned	44,704	-	-	44,704
Unassigned	2,276,055	-	-	2,276,055
Total Fund Balances	<u>2,402,338</u>	<u>107,690</u>	<u>37,787</u>	<u>2,547,815</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 2,518,874</u>	<u>\$ 118,111</u>	<u>\$ 65,490</u>	<u>\$ 2,702,475</u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF CLIFTON, ARIZONA
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2019**

Total Fund Balances for Governmental Funds	\$ 2,547,815
 Amounts reported for governmental activities in the Statement of Activities are different because:	
Property taxes not collected within 60 days subsequent to fiscal year-end are not recognized as revenue in the governmental funds.	7,180
Net pension and OPEB assets are not current financial resources and therefore are not reported in the governmental funds.	201,342
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds.	
Governmental Capital Assets	7,276,941
Less: Accumulated Depreciation	(3,258,075)
Capital Assets used in Governmental Activities	4,018,866
 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	290,349
Deferred Outflows of Resources Related to OPEB	12,501
Deferred Inflows of Resources Related to Pensions	(234,483)
Deferred Inflows of Resources Related to OPEB	(11,563)
 Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.	
Compensated Absences	(66,098)
Net OPEB Liability	(4,379)
Net Pension Liability	(1,324,430)
 Total Net Position of Governmental Activities	 \$ 5,437,100

See accompanying Notes to Basic Financial Statements.

TOWN OF CLIFTON, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2019

	<u>General Fund</u>	<u>Highway Users Revenue Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Totals</u>
REVENUES				
Taxes:				
Sales Taxes	\$ 740,967	\$ -	\$ -	\$ 740,967
Property Taxes	475,088	-	-	475,088
Franchise Taxes	78,758	-	-	78,758
Intergovernmental Revenue	1,167,143	399,259	301,831	1,868,233
Fines and Forfeitures	29,861	-	7,440	37,301
Licenses and Permits	18,467	-	-	18,467
Charges for Services	8,123	-	-	8,123
Rents and Royalties	192,898	-	-	192,898
Contributions and Donations	180,050	-	-	180,050
Investment Earnings	997	-	-	997
Other	22,626	923	-	23,549
Total Revenues	<u>2,914,978</u>	<u>400,182</u>	<u>309,271</u>	<u>3,624,431</u>
EXPENDITURES				
Current:				
General Government	900,801	-	-	900,801
Public Safety	1,089,833	-	24,044	1,113,877
Highways and Streets	392,461	361,925	87,166	841,552
Culture and Recreation	217,938	-	185,692	403,630
Total Expenditures	<u>2,601,033</u>	<u>361,925</u>	<u>296,902</u>	<u>3,259,860</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	313,945	38,257	12,369	364,571
Fund Balances - Beginning of Year	<u>2,088,393</u>	<u>69,433</u>	<u>25,418</u>	<u>2,183,244</u>
FUND BALANCES - END OF YEAR	<u>\$ 2,402,338</u>	<u>\$ 107,690</u>	<u>\$ 37,787</u>	<u>\$ 2,547,815</u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF CLIFTON, ARIZONA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019**

Net Change in Fund Balances - Total Governmental Funds \$ 364,571

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	341,696
Less: Current Year Depreciation	(444,643)
Excess Capital Expenditures Over Depreciation	(102,947)

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

Property Taxes	(1,562)
----------------	---------

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, and the investment experience.

Pension Contributions	136,430
Pension Expense	(98,986)
OPEB Expense	2,953
	40,397

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

Net Increase in Compensated Absences	(1,200)
--------------------------------------	---------

Change in Net Position of Governmental Activities **\$ 299,259**

**TOWN OF CLIFTON, ARIZONA
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2019**

	<u>Business-Type Activities Sewer Fund</u>
ASSETS	
CURRENT ASSETS	
Cash and Cash Equivalents	\$ 36,379
Receivables, Net:	
Accounts Receivable	31,896
Intergovernmental Receivable	179,700
Total Current Assets	<u>247,975</u>
NONCURRENT ASSETS	
Capital Assets:	
Nondepreciable	401,604
Depreciable (Net)	877,502
Total Noncurrent Assets	<u>1,279,106</u>
Total Assets	1,527,081
DEFERRED OUTFLOW OF RESOURCES FOR PENSIONS	8,459
LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND NET POSITION	
CURRENT LIABILITIES	
Accounts Payable	138,757
Accrued Wages and Benefits	3,502
Intergovernmental Payable	661
Unearned Revenue	4,003
Customer Deposits Payable	7,767
Total Current Liabilities	<u>154,690</u>
NONCURRENT LIABILITIES	
Compensated Absences	1,521
Net Pension Liability	60,445
Total Noncurrent Liabilities	<u>61,966</u>
Total Liabilities	216,656
DEFERRED INFLOW OF RESOURCES FOR PENSIONS	7,465
NET POSITION	
Investment in Capital Assets	1,279,106
Unrestricted	32,313
Total Net Position	<u>\$ 1,311,419</u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF CLIFTON, ARIZONA
STATEMENT OF REVENUE, EXPENSES, AND CHANGE IN NET POSITION
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2019**

	<u>Business-Type Activities Sewer Fund</u>
OPERATING REVENUE	
Charges for Services	\$ 310,186
OPERATING EXPENSES	
Cost of Sales and Services	180,431
Depreciation	50,679
Total Operating Expenses	<u>231,110</u>
OPERATING INCOME	79,076
CAPITAL CONTRIBUTIONS	<u>308,220</u>
CHANGE IN NET POSITION	387,296
Net Position - Beginning of Year	<u>924,123</u>
NET POSITION - END OF YEAR	<u><u>\$ 1,311,419</u></u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF CLIFTON, ARIZONA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2019**

	<u>Business-Type Activities Sewer Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Customers	\$ 315,296
Payments to Suppliers	(99,697)
Payments to Employees	(70,194)
Net Cash Flows Provided by Operating Activities	<u>145,405</u>
CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES	
Capital Grants and Contributions	142,120
Purchases of Capital Assets	(284,364)
Net Cash Flows Used for Capital and Financing Activities	<u>(142,244)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	3,161
Cash and Cash Equivalents - Beginning of Year	<u>33,218</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 36,379</u></u>
RECONCILIATION OF OPERATING INCOME PROVIDED BY OPERATING ACTIVITIES	
Operating Income	\$ 79,076
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	50,679
Adjustment for Pension Expense	(6,150)
Effect of Changes in Assets/Liabilities:	
Receivables, Net	5,110
Prepaid Items	496
Accounts Payable	15,930
Accrued Wages and Benefits	(652)
Compensated Absences	(1,570)
Customer Deposits Payable	2,486
Net Cash Provided by Operating Activities	<u><u>\$ 145,405</u></u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF CLIFTON, ARIZONA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2019**

	<u>Pension Trust</u>
ASSETS	
CURRENT ASSETS	
Cash	\$ 109,376
Total Current Assets	<u>109,376</u>
NET POSITION	
NET POSITION	
Restricted for Pensions	<u>\$ 109,376</u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF CLIFTON, ARIZONA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
YEAR ENDED JUNE 30, 2019**

	<u>Pension Trust</u>
ADDITIONS	
Contributions:	
Employer	\$ 6,522
Employee	3,591
Total Contributions	10,113
Investment Earnings:	
Interest	785
Total Additions	10,898
DEDUCTIONS	
Benefits	1,200
Total Deductions	1,200
CHANGE IN NET POSITION	9,698
Net Position - Beginning of Year	99,678
NET POSITION - END OF YEAR	\$ 109,376

See accompanying Notes to Basic Financial Statements.

THIS PAGE BLANK

NOTES TO BASIC FINANCIAL STATEMENTS

THIS PAGE BLANK

TOWN OF CLIFTON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Town of Clifton, Arizona (Town) have been prepared in conformity with accounting principles generally accepted in the United States of America applicable to governmental units adopted by the Governmental Accounting Standards Board (GASB). A summary of the Town's 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's governing body; and either is able to impose its will on the potential component unit or there is a possibility of the potential component unit to provide specific financial benefits to, or impose specific financial burdens on the primary government. In addition, a primary government may be financially accountable for a potential component unit even though the potential component unit may have a separately elected governing board, a board appointed by another government, or a jointly appointed board if the potential component unit is fiscally dependent on the primary government (e.g., the primary government must approve the potential component unit's budget, tax rates, etc.). Because no potential component units were identified in defining the Town's reporting entity, none have been included.

TOWN OF CLIFTON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-Wide and Fund Financial Statements

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

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

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

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

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

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

**TOWN OF CLIFTON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The Town reports the following major governmental funds:

Major Governmental Funds

General Fund

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

Highway Users Revenue Fund (HURF)

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

The Town reports the following major proprietary fund:

Sewer Fund

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

Additionally, the government reports the following fund type:

Pension Trust Fund

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

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

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

TOWN OF CLIFTON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

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

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

2. Receivables

All receivables are shown net of an allowance for uncollectible accounts of \$-0- in the General Fund and \$88,411 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 both 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 fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

TOWN OF CLIFTON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

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)

4. Capital Assets (Continued)

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

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

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

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 post-employment benefits.

6. Compensated Absences

The liability for compensated absences reported in the government-wide and proprietary fund 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 liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the 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. Investments are reported at fair value.

TOWN OF CLIFTON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

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)

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 post-employment 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. 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.

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

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

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

TOWN OF CLIFTON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

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 in total by fund for other funds. The town manager, subject to town council approval, may at any time transfer any unencumbered appropriation balance or portion thereof between a department or activity. The adopted budget cannot be amended in any way without town council approval.
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.

**TOWN OF CLIFTON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 3 DETAILED NOTES ON ALL FUNDS

A. Assets

1. Cash

Cash at June 30, 2019 consists of the following:

Deposits:	
Cash in Bank	\$ 2,490,973
Certificates of Deposit	109,376
Total Deposits	2,600,349
Less: Fiduciary Funds	(109,376)
Total Cash - Statement of Net Position	\$ 2,490,973

Custodial Credit Risk – This is the risk that, in the event of a failure by a counterparty, the Town will not be able to recover its deposits or collateralized securities that are in the possession of an outside party. The Town does not have a formal policy regarding custodial credit risk. However, the bank balance of deposits at June 30, 2019 was \$2,650,950 of which \$608,570 is covered by federal depository insurance and \$2,042,380 is collateralized by collateral held by the Town’s custodial bank in the Town’s name.

2. Receivables

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

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

TOWN OF CLIFTON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

2. Receivables (Continued)

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

	Unavailable	Unearned
Delinquent Property Taxes Receivable General Fund	\$ 7,180	\$ -
Cash Payments not Meeting all Eligibility Requirements (Nonmajor Governmental Funds) Nonmajor Governmental Funds	-	24,313
Total	\$ 7,180	\$ 24,313

3. Capital Assets

Capital asset activity for the year ended June 30, 2019 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 102,865	\$ -	\$ -	\$ 102,865
Construction in Progress	52,669	-	-	52,669
Total Capital Assets, Not Being Depreciated	155,534	-	-	155,534
Capital Assets, Being Depreciated:				
Land Improvements	232,674	-	-	232,674
Building and Improvements	1,715,492	14,400	-	1,729,892
Infrastructure	2,088,002	-	-	2,088,002
Furniture, Equipment, and Vehicles	2,743,543	327,296	-	3,070,839
Total Capital Assets, Being Depreciated	6,779,711	341,696	-	7,121,407
Accumulated Depreciation for:				
Land Improvements	(168,781)	(7,785)	-	(176,566)
Building and Improvements	(392,188)	(44,378)	-	(436,566)
Infrastructure	(657,741)	(148,439)	-	(806,180)
Furniture, Equipment, and Vehicles	(1,594,722)	(244,041)	-	(1,838,763)
Total Accumulated Depreciation	(2,813,432)	(444,643)	-	(3,258,075)
Total Capital Assets, Being Depreciated, Net	3,966,279	(102,947)	-	3,863,332
Governmental Activities Capital Assets, Net	\$ 4,121,813	\$ (102,947)	\$ -	\$ 4,018,866

**TOWN OF CLIFTON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

3. Capital Assets (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities				
Capital Assets, Not Being Depreciated:				
Construction in Progress	\$ 13,600	\$ 388,004	\$ -	\$ 401,604
Capital Assets, Being Depreciated:				
Equipment	92,794	8,986	-	101,780
Sewer System	1,342,621	-	-	1,342,621
Total Capital Assets, Being Depreciated	<u>1,435,415</u>	<u>8,986</u>	<u>-</u>	<u>1,444,401</u>
Accumulated Depreciation for:				
Equipment	(22,633)	(9,218)	-	(31,851)
Sewer System	(493,587)	(41,461)	-	(535,048)
Total Accumulated Depreciation	<u>(516,220)</u>	<u>(50,679)</u>	<u>-</u>	<u>(566,899)</u>
Total Capital Assets, Being Depreciated, Net	<u>919,195</u>	<u>(41,693)</u>	<u>-</u>	<u>877,502</u>
Business-Type Activities Capital Assets, Net	<u>\$ 932,795</u>	<u>\$ 346,311</u>	<u>\$ -</u>	<u>\$ 1,279,106</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:

General Government	\$ 39,035
Public Safety	95,082
Highways and Streets	224,372
Culture and Recreation	86,154
Total Depreciation Expense	<u>\$ 444,643</u>

Business-Type Activities:

Sewer	<u>\$ 50,679</u>
-------	------------------

**TOWN OF CLIFTON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Long-Term Obligations

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

Changes in long-term obligations for the year ended June 30, 2019 are as follows:

	July 1, 2018	Increases	Decreases	June 30, 2019	Due Within One Year
Governmental Activities					
Other Liabilities:					
Compensated Absences	\$ 64,898	\$ 15,288	\$ (14,088)	\$ 66,098	\$ 66,098
Governmental Activities Long-term Liabilities	<u>\$ 64,898</u>	<u>\$ 15,288</u>	<u>\$ (14,088)</u>	<u>\$ 66,098</u>	<u>\$ 66,098</u>
Business-Type Activities					
Compensated Absences	\$ 3,091	\$ -	\$ (1,570)	\$ 1,521	\$ 1,521
Business-Type Activities Long-Term Liabilities	<u>\$ 3,091</u>	<u>\$ -</u>	<u>\$ (1,570)</u>	<u>\$ 1,521</u>	<u>\$ 1,521</u>

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 \$219,314, and represented \$107,690 for transportation, \$37,787 for grants and \$73,837 for public safety as stipulated by external resource providers.

Assigned:

At June 30, 2019, General Fund assigned fund balance totaled \$44,704. Town management assigned fund balance as follows:

Assignment	Balance
Abatement	\$ 13,391
Outreach	1,386
Festival of Lights	10,323
Town General Plan Update	13,469
Magistrate	6,135
Total	<u>\$ 44,704</u>

**TOWN OF CLIFTON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Fund Balance Classification of Governmental Funds (Continued)

Unassigned:

The unassigned fund balance in the General Fund is \$2,276,055.

Minimum Fund Balance Policy:

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

NOTE 4 OTHER INFORMATION

A. Risk Management

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

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

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

TOWN OF CLIFTON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 4 OTHER INFORMATION (CONTINUED)

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, 2019, 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 determined instead of specifying the amount of benefit the individual is to receive. According to state statute, a volunteer firefighter who has served for 25 years or more or has reached 60 years of age and has served 20 years or more shall be eligible to receive a monthly retirement not to exceed \$400 per month based on the benefits available to members of the Town's volunteer firefighters, as determined by the board of trustees. Such pension, if paid, may be increased or decreased in amount, or discontinued at the discretion of the board of trustees. 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, 2019, the Town and firefighters were not required to make contributions; however, the Town contributed \$6,522 and the firefighters contributed \$3,591.

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

**TOWN OF CLIFTON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 4 OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

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.

At June 30, 2019, 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	Governmental Activities	Business-Type Activities	Total
Net Pension Asset	\$ 148,293	\$ -	\$ 148,293
Net Pension Liability	1,324,430	60,445	1,384,875
Deferred Outflows of Resources	290,349	8,459	298,808
Deferred Inflows of Resources	234,483	7,465	241,948
Pension Expense	98,986	2,075	101,061

The Town reported no accrued payroll and employee benefits for outstanding pension contribution amounts payable to all pension plans for the year ended June 30, 2019. The Town reported \$136,430 of pension 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 on the following pages 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 benefit terms. Retirement benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

**TOWN OF CLIFTON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 4 OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Arizona State Retirement System (Continued)

	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 percentage 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 earnings. 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, 2019, state statute required active ASRS members to contribute at the actuarially determined rate of 11.80% (11.64% for retirement and 0.16% for long-term disability) of the members' annual covered payroll, and statute required the Town to contribute at the actuarially determined rate of 11.80% (11.18% for retirement, 0.46% for the health insurance premium benefit, and 0.16% for long-term disability) of the active members' annual covered payroll.

TOWN OF CLIFTON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 4 OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Arizona State Retirement System (Continued)

In addition, the Town was required by statute to contribute at the actuarially determined rate of 10.53% (10.41% for retirement, 0.06% for health insurance premium benefit, and 0.06% 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, 2019, were \$85,783.

During the fiscal year ended June 30, 2019, the Town paid for ASRS pension and OPEB contributions as follows: 84% from the General Fund, 11% from the Highway Users Revenue Fund, and 5% from the Sewer Fund.

Pension Liability – At June 30, 2019, the Town reported a liability of \$1,167,320 for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2017, to the measurement date of June 30, 2018. The total pension liability as of June 30, 2018, reflects changes in actuarial assumptions based on the results of an actuarial experience study for the five-year period ended June 30, 2016, including decreasing the discount rate from 8% to 7.5%, changing the projected salary increases from 3-6.75% to 2.7-7.2%, decreasing the inflation rate from 3% to 2.3%, and changing the mortality rates.

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 employers' contributions for the year ended June 30, 2018. The Town's proportion measured as of June 30, 2018, was 0.00837%, which was an increase of 0.000150% from its proportion measured as of June 30, 2017.

Pension Expense and Deferred Outflows/Inflows of Resources – For the year ended June 30, 2019, the Town recognized pension expense for ASRS of \$55,131. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

TOWN OF CLIFTON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 4 OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Arizona State Retirement System (Continued)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 32,159	\$ 6,435
Changes of assumptions or other inputs	30,889	103,499
Net difference between projected and actual earnings on pension plan investments	-	28,071
Changes in proportion and differences between Town contributions and proportionate share of contributions	21,624	6,168
Town contributions subsequent to the measurement date	85,782	-
Total	<u>\$ 170,454</u>	<u>\$ 144,173</u>

The \$85,782 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 pension liability in the year ended June 30, 2020. 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:

<u>Year Ended June 30,</u>	<u>Amount</u>
2020	\$ 17,901
2021	(22,231)
2022	(42,582)
2023	(12,589)

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

Actuarial Valuation Date	June 30, 2017
Actuarial Roll Forward Date	June 30, 2018
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	7.5%
Projected Salary Increases	2.7 - 7.2%
Inflation	2.3%
Permanent Benefit Increase	Included
Mortality Rates	2017 SRA Scale U-MP

Actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial study for the five-year period ended June 30, 2016.

**TOWN OF CLIFTON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 4 OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Arizona State Retirement System (Continued)

The long-term expected rate of return on ASRS pension plan investments was determined to be 7.5% using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Geometric Rate of Return</u>
Equity	50%	5.50%
Fixed Income	30%	3.83%
Real Estate	20%	5.85%
Total	<u>100%</u>	

Discount Rate – At June 30, 2018, the discount rate used to measure the ASRS total pension liability was 7.5%, which was a decrease of 0.5 from the discount rate used as of June 30, 2017. 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 pension plan’s 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 to determine the total pension liability.

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 7.5%, 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 one percentage point lower (6.5%) or one percentage point higher (8.5%) than the current rate.

**TOWN OF CLIFTON, ARIZONA
 NOTES TO BASIC FINANCIAL STATEMENTS
 JUNE 30, 2019**

NOTE 4 OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Arizona State Retirement System (Continued)

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Town's Proportionate Share of the Net Pension Liability	\$ 1,664,042	\$ 1,167,320	\$ 752,317

Pension Plan Fiduciary Net Position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued ASRS financial report.

Public Safety Personnel Retirement System (PSPRS)

Plan Descriptions – 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 Defined Contribution Retirement Plan (PSPDCRP). The PSPRS administers agent and cost-sharing multiple-employer defined benefit pensions. 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 its financial statements and required supplementary information. 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. 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 BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 4 OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Public Safety Personnel Retirement System (PSPRS) (Continued)

<u>PSPRS</u>	<u>Initial Membership Date:</u>	
	<u>Before January 1, 2012</u>	<u>On or after January 1, 2012 and before July 1, 2017</u>
<u>Retirement and Disability</u>		
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 consecutive months of last 20 years	Highest 60 consecutive months 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	
<u>Survivor Benefit</u>		
Retired Members	80-100% of retired member's pension benefit	
Active Members	80-100% 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% of the member's compensation for up to 12 months.

**TOWN OF CLIFTON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 4 OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Public Safety Personnel Retirement System (PSPRS) (Continued)

Employees Covered by Benefit Terms – At June 30, 2019, the following employees were covered by the agent pension plans’ benefit terms:

	PSPRS Police	PSPRS Firefighters
Inactive employees or beneficiaries currently receiving benefits	1	1
Inactive employees entitled to but not yet receiving benefits	2	0
Active employees	5	0
Total	8	1

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. Contribution rates for the year ended June 30, 2019, are indicated below. Rates are a percentage of active members’ annual covered payroll.

	PSPRS Police	PSPRS Firefighters
Active Members - Pension	7.65% - 9.94%	0.00%
Town:		
PSPRS Tier 1/2	13.50%	0.00%
PSPRS Tier 3	9.68%	0.00%

**TOWN OF CLIFTON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 4 OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Public Safety Personnel Retirement System (PSPRS) (Continued)

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, 2019, were:

	PSPRS Police	PSPRS Firefighters
Pension:		
Contributions Made	\$ 34,722	\$ 20,000

During fiscal year 2019, the Town paid for PSPRS pension and OPEB contributions 100% from the General Fund.

Pension Liability (Asset) – At June 30, 2019, the Town reported the following net pension liabilities (and asset):

	Net Pension Liability (Asset)
PSPRS Police	\$ (148,293)
PSPRS Firefighters	217,555

The net pension liabilities (and assets) were measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date.

**TOWN OF CLIFTON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 4 OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Public Safety Personnel Retirement System (PSPRS) (Continued)

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

Actuarial Valuation Date	June 30, 2018
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	7.40%
Wage Inflation	3.5%
Price Inflation	2.5%
Cost-of-living Adjustment	Included
Mortality Rates	RP-2014 tables using MP-2016 improvement scale with adjustments to match current experience.

Actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the five-year period ended June 30, 2016.

The long-term expected rate of return on PSPRS pension plan investments was determined to be 7.40% using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension 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>
Short-Term Investments	2%	0.25%
Risk Parity	4%	5.00%
Fixed Income	5%	1.25%
Real Assets	9%	4.52%
GTS	12%	3.96%
Private Credit	16%	6.75%
Real Estate	10%	3.75%
Private Equity	12%	5.83%
Non-U.S. Equity	14%	8.70%
U.S. Equity	16%	7.60%
Total	<u>100%</u>	

TOWN OF CLIFTON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 4 OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Public Safety Personnel Retirement System (PSPRS) (Continued)

Pension Discount Rates – The following discount rates were used to measure the total pension liabilities:

	PSPRS Police	PSPRS Firefighters
Discount Rates	7.40%	7.40%

At June 30, 2018, the discount rate used to measure the PSPRS total pension liability for police and firefighters was 7.40%, which was the same as the discount rate used as of June 30, 2017. 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.

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:

PSPRS - Police	Total Pension Liability (Asset)	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) - (b)
Balances as of June 30, 2018	\$ 613,361	\$ 750,588	\$ (137,227)
Changes for the Year:			
Service Cost	57,504	-	57,504
Interest on the Total Pension Liability	46,323	-	46,323
Differences Between Expected and Actual Experience in the Measurement of the Pension Liability	(13,174)	-	(13,174)
Contributions - Employer	-	40,978	(40,978)
Contributions - Employee	-	29,931	(29,931)
Net Investment Income	-	52,514	(52,514)
Benefit Payments, Including Refunds of Employee Contributions	(32,266)	(32,266)	-
Hall/Parker Settlement	-	(20,215)	20,215
Administrative Expenses	-	(1,499)	1,499
Other Changes	-	10	(10)
Net Changes	58,387	69,453	(11,066)
Balances as of June 30, 2019	\$ 671,748	\$ 820,041	\$ (148,293)

**TOWN OF CLIFTON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 4 OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Public Safety Personnel Retirement System (PSPRS) (Continued)

PSPRS - Firefighters	Total Pension Liability (Asset) <u>(a)</u>	Plan Fiduciary Net Position <u>(b)</u>	Net Pension Liability (Asset) <u>(a) - (b)</u>
Balances as of June 30, 2018	\$ 302,570	\$ 90,170	\$ 212,400
Changes for the Year:			
Interest on the Total Pension Liability	21,174	-	21,174
Differences Between Expected and Actual Experience in the Measurement of the Pension Liability	8,873	-	8,873
Contributions - Employer	-	20,000	(20,000)
Net Investment Income	-	5,677	(5,677)
Benefit Payments, Including Refunds of Employee Contributions	(32,878)	(32,878)	-
Administrative Expenses	-	(786)	786
Other Changes	-	1	(1)
Net Changes	<u>(2,831)</u>	<u>(7,986)</u>	<u>5,155</u>
Balances as of June 30, 2019	<u>\$ 299,739</u>	<u>\$ 82,184</u>	<u>\$ 217,555</u>

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
PSPRS Police			
Rate	6.40%	7.40%	8.40%
Net Pension Liability (Asset)	\$ (27,039)	\$ (148,293)	\$ (242,109)
PSPRS Firefighters			
Rate	6.40%	7.40%	8.40%
Net Pension Liability (Asset)	\$ 239,592	\$ 217,555	\$ 198,056

**TOWN OF CLIFTON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 4 OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Public Safety Personnel Retirement System (PSPRS) (Continued)

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

Pension Expense – For the year ended June 30, 2019, the Town recognized the following pension expense:

	Pension Expense (Income)
PSPRS Police	\$ 21,015
PSPRS Firefighters	24,915

Pension Deferred Outflows/Inflows of Resources – At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
PSPRS - Police		
Differences between expected and actual experience	\$ 23,146	\$ 97,775
Changes of assumptions or other inputs	39,453	-
Net difference between projected and actual earnings on pension plan investments	9,610	-
Town contributions subsequent to the measurement date	34,722	-
Total	\$ 106,931	\$ 97,775
PSPRS - Firefighters		
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions or other inputs	-	-
Net difference between projected and actual earnings on pension plan investments	1,423	-
Town contributions subsequent to the measurement date	20,000	-
Total	\$ 21,423	\$ -

**TOWN OF CLIFTON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 4 OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Public Safety Personnel Retirement System (PSPRS) (Continued)

The amounts reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (or an increase in the net pension asset) in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>PSPRS Police</u>	<u>PSPRS Firefighters</u>
2020	\$ 2,931	\$ 1,479
2021	(1,913)	615
2022	(11,268)	(769)
2023	(5,644)	98
2024	(3,831)	-
Thereafter	(5,841)	-

THIS PAGE BLANK

**REQUIRED SUPPLEMENTARY INFORMATION
OTHER THAN MD&A**

THIS PAGE BLANK

**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, 2019**

Arizona State Retirement System

	Reporting Fiscal Year (Measurement Date)				
	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
Town's Proportion of the Net Pension Liability	0.008370%	0.008220%	0.008320%	0.007741%	0.007601%
Town's Proportionate Share of the Net Pension Liability	\$ 1,167,320	\$ 1,280,516	\$ 1,342,932	\$ 1,205,701	\$ 1,124,630
Town's Covered Payroll	\$ 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	137.70%	160.83%	180.77%	179.41%	172.56%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	73.40%	69.92%	67.06%	68.35%	69.49%

TOWN OF CLIFTON, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE TOWN'S NET PENSION LIABILITY (ASSET)
AND RELATED RATIOS – AGENT PENSION PLANS
JUNE 30, 2019

PSPRS Police

	Reporting Fiscal Year (Measurement Date)				
	2019	2018	2017	2016	2015
	(2018)	(2017)	(2016)	(2015)	(2014)
Total Pension Liability					
Service Cost	\$ 57,504	\$ 67,294	\$ 46,045	\$ 54,053	\$ 42,660
Interest on the Total Pension Liability	46,323	38,411	37,177	33,312	34,962
Changes of Benefit Terms	-	18,857	556	-	17,094
Differences Between Expected and Actual Experience in the Measurement of the Pension Liability	(13,174)	32,440	(32,975)	(4,766)	(125,329)
Changes of Assumptions or Other Inputs	-	4,766	18,722	-	47,618
Benefit Payments, Including Refunds of Employee Contributions	(32,266)	(53,815)	(29,362)	(29,362)	(58,091)
Net Change in Total Pension Liability	58,387	107,953	40,163	53,237	(41,086)
Total Pension Liability - Beginning	613,361	505,408	465,245	412,008	453,094
Total Pension Liability - Ending (a)	671,748	613,361	505,408	465,245	412,008
Plan Fiduciary Net Position					
Contributions - Employer	40,978	32,203	37,593	36,632	35,445
Contributions - Employee	29,931	34,190	42,355	37,273	31,409
Net Investment Income	52,514	78,515	3,720	20,981	70,213
Benefit Payments, Including Refunds of Employee Contributions	(32,266)	(53,815)	(29,362)	(29,362)	(58,091)
Hall/Parker Settlement	(20,215)	-	-	-	-
Administrative Expenses	(1,499)	(1,095)	(935)	(881)	(565)
Other Changes	10	(11,217)	4	(505)	(43,023)
Net Change in Plan Fiduciary Net Position	69,453	78,781	53,375	64,138	35,388
Plan Fiduciary Net Position - Beginning	750,588	671,807	618,432	554,294	518,906
Plan Fiduciary Net Position - Ending (b)	820,041	750,588	671,807	618,432	554,294
Town's Net Pension Liability (Asset) - Ending (a) - (b)	\$ (148,293)	\$ (137,227)	\$ (166,399)	\$ (153,187)	\$ (142,286)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	122.08%	122.37%	132.92%	132.93%	134.53%
Covered Payroll	\$ 358,893	\$ 307,843	\$ 295,125	\$ 356,052	\$ 313,353
Town's Net Pension Liability (Asset) as a Percentage of Covered Payroll	-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 LIABILITY (ASSET)
AND RELATED RATIOS – AGENT PENSION PLANS (CONTINUED)
JUNE 30, 2019

PSPRS Fire

	Reporting Fiscal Year				
	(Measurement Date)				
	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
Total Pension Liability					
Interest on the Total Pension Liability	\$ 21,174	\$ 13,321	\$ 18,689	\$ 19,825	\$ 18,111
Changes of Benefit Terms	-	6,674	(34,215)	-	19,974
Differences Between Expected and Actual Experience in the					
Measurement of the Pension Liability	8,873	25,401	(15,124)	1,237	5,127
Changes of Assumptions or Other Inputs	-	(71,169)	29,418	10,101	129,044
Benefit Payments, Including Refunds of Employee Contributions	(32,878)	(29,974)	(29,974)	(29,974)	(29,265)
Net Change in Total Pension Liability	(2,831)	(55,747)	(31,206)	1,189	142,991
Total Pension Liability - Beginning	302,570	358,317	389,523	388,334	245,343
Total Pension Liability - Ending (a)	299,739	302,570	358,317	389,523	388,334
Plan Fiduciary Net Position					
Contributions - Employer	20,000	20,000	20,000	20,000	2,000
Net Investment Income	5,677	10,685	523	3,631	15,072
Benefit Payments, Including Refunds of Employee Contributions	(32,878)	(29,974)	(29,974)	(29,974)	(29,265)
Administrative Expenses	(786)	(495)	(475)	(443)	(121)
Other Changes	1	2	-	(110)	-
Net Change in Plan Fiduciary Net Position	(7,986)	218	(9,926)	(6,896)	(12,314)
Plan Fiduciary Net Position - Beginning	90,170	89,952	99,878	106,774	119,088
Plan Fiduciary Net Position - Ending (b)	82,184	90,170	89,952	99,878	106,774
Town's Net Pension Liability (Asset) - Ending (a) - (b)	<u>\$ 217,555</u>	<u>\$ 212,400</u>	<u>\$ 268,365</u>	<u>\$ 289,645</u>	<u>\$ 281,560</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	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%

See accompanying Notes to Pension Plan Schedules.

**TOWN OF CLIFTON, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF TOWN PENSION CONTRIBUTIONS
JUNE 30, 2019**

Arizona State Retirement System

	Reporting Fiscal Year					
	2019	2018	2017	2016	2015	2014
Statutorily Required Contribution	\$ 85,782	\$ 90,625	\$ 89,682	\$ 89,687	\$ 77,093	\$ 73,310
Town's Contribution in Relation to the Statutorily Required Contribution	<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>
Town's Covered Payroll	\$ 760,209	\$ 847,746	\$ 796,204	\$ 742,915	\$ 672,018	\$ 651,743
Town's Contributions as a Percentage of Covered Payroll	11.28%	10.69%	11.26%	12.07%	11.47%	11.25%

PSPRS Police

	Reporting Fiscal Year					
	2019	2018	2017	2016	2015	2014
Actuarially Determined Contribution	\$ 34,722	\$ 43,328	\$ 33,739	\$ 39,623	\$ 36,632	\$ 35,445
Town's Contribution in Relation to the Actuarially Determined Contribution	<u>34,722</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>\$ -</u>	<u>\$ 17,956</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's Covered Payroll	\$ 356,565	\$ 358,893	\$ 307,843	\$ 295,125	\$ 356,052	\$ 313,353
Town's Contributions as a Percentage of Covered Payroll	9.74%	7.07%	10.96%	13.43%	10.29%	11.31%

PSPRS Fire

	Reporting Fiscal Year					
	2019	2018	2017	2016	2015	2014
Actuarially Determined Contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,171
Town's Contribution in Relation to the Actuarially Determined Contribution	<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>\$ (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%

* 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.

**TOWN OF CLIFTON, ARIZONA
 REQUIRED SUPPLEMENTARY INFORMATION
 NOTE TO PENSION PLAN SCHEDULES
 JUNE 30, 2019**

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 2017 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 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 decreased 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 2017 actuarial valuation, changed to RP-2014 tables, with 75% of MP-2016 fully generational projection scales.

**TOWN OF CLIFTON, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
NOTE TO PENSION PLAN SCHEDULES
JUNE 30, 2019**

NOTE 2 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.

TOWN OF CLIFTON, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND – BUDGETARY BASIS
YEAR ENDED JUNE 30, 2019

	Original and Final Budget	Actual	Variance with Final Budget
REVENUES			
Taxes	\$ 1,237,209	\$ 1,294,813	\$ 57,604
Intergovernmental Revenue	1,163,993	1,167,143	3,150
Fines and Forfeitures	30,300	27,662	(2,638)
Licenses and Permits	14,500	18,467	3,967
Charges for Services	1,000	944	(56)
Rents and Royalties	10,400	8,275	(2,125)
Contributions and Donations	-	10	10
Investment Earnings	700	997	297
Other	11,800	22,626	10,826
Total Revenues	<u>2,469,902</u>	<u>2,540,937</u>	<u>71,035</u>
EXPENDITURES			
Current:			
General Government:			
Administration	493,077	422,798	70,279
Mayor and Council	138,247	97,706	40,541
Magistrate	152,372	152,084	288
Code Enforcement	66,770	58,983	7,787
Total General Government	<u>850,466</u>	<u>731,571</u>	<u>118,895</u>
Public Safety:			
Police	502,607	485,323	17,284
Dispatch/Communication	246,126	222,373	23,753
Animal Control	59,210	54,608	4,602
Fire Department	112,161	88,516	23,645
Total Public Safety	<u>920,104</u>	<u>850,820</u>	<u>69,284</u>
Highways and Streets			
Public Works	557,197	392,461	164,736
Culture and Recreation:			
Parks	133,733	99,818	33,915
Library	102,702	90,034	12,668
Total Culture and Recreation	<u>236,435</u>	<u>189,852</u>	<u>46,583</u>
Total Expenditures	<u>2,564,202</u>	<u>2,164,704</u>	<u>399,498</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(94,300)	376,233	470,533
Fund Balance - Beginning of Year	<u>100,000</u>	<u>2,001,177</u>	<u>1,901,177</u>
FUND BALANCE - END OF YEAR	<u>\$ 5,700</u>	<u>\$ 2,377,410</u>	<u>\$ 2,371,710</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, 2019**

	Original and Final Budget	Actual	Variance with Final Budget
REVENUE			
Intergovernmental Revenue	\$ 407,601	\$ 399,259	\$ (8,342)
Other	-	923	923
Total Revenue	407,601	400,182	(7,419)
 EXPENDITURES			
Current:			
Highways and Streets	566,601	361,925	204,676
 EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	(159,000)	38,257	197,257
 Fund Balance - Beginning of Year	159,000	69,433	(89,567)
 FUND BALANCE - END OF YEAR	\$ -	\$ 107,690	\$ 107,690

See accompanying Notes to the Required Supplementary Information.

**TOWN OF CLIFTON, ARIZONA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2019**

NOTE 1 BASIS OF ACCOUNTING

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

NOTE 2 BUDGETARY COMPARISON SCHEDULE RECONCILIATION

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

	General Fund				Fund Balance Beginning of Year	Fund Balance End of Year
	Total Revenues	Total Expenditures	Other Financing Sources/Uses	Change in Fund Balance		
Statement of Revenues, Expenditures, and Changes in Fund Balance	\$ 2,914,978	\$ 2,601,033	\$ -	\$ 313,945	\$ 2,088,393	\$ 2,402,338
Adjustments for other internally maintained funds	<u>(374,041)</u>	<u>(436,329)</u>	<u>-</u>	<u>62,288</u>	<u>(87,216)</u>	<u>(24,928)</u>
Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual	<u>\$ 2,540,937</u>	<u>\$ 2,164,704</u>	<u>\$ -</u>	<u>\$ 376,233</u>	<u>\$ 2,001,177</u>	<u>\$ 2,377,410</u>

Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC,
an SEC-registered investment advisor. | CliftonLarsonAllen LLP

