

TOWN OF CLIFTON, ARIZONA
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2021



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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Clifton, Arizona, as of and for the year ended June 30, 2021, 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.

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, 2021, 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 47 through 52 and budgetary comparison information on pages 53 through 55 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
October 7, 2021

REQUIRED SUPPLEMENTARY INFORMATION

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**TOWN OF CLIFTON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021**

We (the Town of Clifton, Arizona (Town)) are pleased to provide an overview of our financial activities for the fiscal year ended June 30, 2021. 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 \$9,224,533 (net position). Of this amount, \$3,460,047 (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 \$4,847,051, an increase of \$1,047,461 in comparison with the prior year.
- ◆ At the end of the current fiscal year, unassigned fund balance for the General Fund was \$4,475,608 or 200% of total General Fund expenditures.
- ◆ General Fund revenues (on a budgetary basis) were more than budgeted revenues by \$318,131 for fiscal year 2021. Additionally, budgetary basis expenditures were only 65% (\$905,082 or 35%, in savings) of the final budget in the General Fund.
- ◆ General Fund budgetary revenues exceeded budgetary expenditures by \$1,224,213 which represented a positive variance of \$1,223,213 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, 2021**

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 through 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 through 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 through 18 of this report.

**TOWN OF CLIFTON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021**

- ◆ *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 through 20 of this report.

Notes to Basic Financial Statements

The notes to basic financial statements (pages 21 through 46) 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 53 through 55. Additionally, governments are required to disclose certain information about employee pensions. The Town has disclosed this information starting on page 47.

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, 2021 showing that assets and deferred outflow of resources exceeded liabilities and deferred inflow of resources by \$9,224,533.

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

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
ASSETS						
Current and Other Assets	\$ 5,768,841	\$ 4,404,689	\$ 287,458	\$ 165,525	\$ 6,056,299	\$ 4,570,214
Capital Assets:						
Nondepreciable	274,457	461,683	588,412	477,944	862,869	939,627
Depreciable	3,695,399	3,500,338	802,769	851,412	4,498,168	4,351,750
Total Assets	9,738,697	8,366,710	1,678,639	1,494,881	11,417,336	9,861,591
DEFERRED OUTFLOW OF RESOURCES	809,924	270,232	8,001	5,340	817,925	275,572
LIABILITIES						
Other Liabilities	870,648	390,977	29,295	227,087	899,943	618,064
Noncurrent Liabilities:						
Due Within One Year	74,475	70,514	838	1,785	75,313	72,299
Due in More Than One Year	1,817,408	1,229,879	56,785	49,325	1,874,193	1,279,204
Total Liabilities	2,762,531	1,691,370	86,918	278,197	2,849,449	1,969,567
DEFERRED INFLOW OF RESOURCES	159,081	291,562	2,198	7,913	161,279	299,475
NET POSITION						
Investment in Capital Assets	3,969,856	3,962,021	1,391,181	1,329,356	5,361,037	5,291,377
Restricted	387,839	742,734	15,610	-	403,449	742,734
Unrestricted	3,269,314	1,949,255	190,733	(115,245)	3,460,047	1,834,010
Total Net Position	<u>\$ 7,627,009</u>	<u>\$ 6,654,010</u>	<u>\$ 1,597,524</u>	<u>\$ 1,214,111</u>	<u>\$ 9,224,533</u>	<u>\$ 7,868,121</u>

**TOWN OF CLIFTON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021**

The net position of the Town is \$9,224,533 in fiscal year 2021 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 (58%) 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 (4%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$3,460,047) 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	
	2021	2020	2021	2020	2021	2020
REVENUES						
Program Revenues:						
Fees, Fines, and Charges for Services	\$ 233,623	\$ 238,505	\$ 305,357	\$ 302,766	\$ 538,980	\$ 541,271
Operating Grants and Contributions	875,631	1,256,852	-	-	875,631	1,256,852
Capital Grants and Contributions	4,905	5,431	290,506	10,130	295,411	15,561
General Revenues:						
Local Taxes	921,215	1,056,351	-	-	921,215	1,056,351
Property Taxes	503,331	514,230	-	-	503,331	514,230
Franchise Taxes	62,528	69,729	-	-	62,528	69,729
State Shared Revenues	1,344,530	1,219,380	-	-	1,344,530	1,219,380
Investment Earnings	1,947	1,825	-	-	1,947	1,825
Loss on Disposal of Capital Assets	-	(3,297)	-	-	-	(3,297)
Total Revenues	<u>3,947,710</u>	<u>4,359,006</u>	<u>595,863</u>	<u>312,896</u>	<u>4,543,573</u>	<u>4,671,902</u>
EXPENSES						
General Government	870,997	852,575	-	-	870,997	852,575
Public Safety	1,052,579	1,073,328	-	-	1,052,579	1,073,328
Highways and Streets	718,057	880,011	-	-	718,057	880,011
Culture and Recreation	333,078	336,182	-	-	333,078	336,182
Sewer	-	-	212,450	410,204	212,450	410,204
Total Expenses	<u>2,974,711</u>	<u>3,142,096</u>	<u>212,450</u>	<u>410,204</u>	<u>3,187,161</u>	<u>3,552,300</u>
CHANGE IN NET POSITION	972,999	1,216,910	383,413	(97,308)	1,356,412	1,119,602
Net Position - Beginning of Year	<u>6,654,010</u>	<u>5,437,100</u>	<u>1,214,111</u>	<u>1,311,419</u>	<u>7,868,121</u>	<u>6,748,519</u>
NET POSITION - END OF YEAR	<u>\$ 7,627,009</u>	<u>\$ 6,654,010</u>	<u>\$ 1,597,524</u>	<u>\$ 1,214,111</u>	<u>\$ 9,224,533</u>	<u>\$ 7,868,121</u>

**TOWN OF CLIFTON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021**

Governmental Activities – The Town’s net position in governmental activities increased by \$972,999. Key factors contributing to the increase include stable revenue sources coupled with conservative spending measures.

Business-Type Activities – Business-type activities increased the Town’s net position by \$383,413. This increase was attributable to intergovernmental revenue contributions related to the expansion of the wastewater treatment plant and a reduction of expenses due to loan costs being paid in the prior year.

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 \$4,847,051, an increase of \$1,047,461 in comparison with the prior year. Approximately 96% of this total amount, \$4,475,608 constitutes General Fund balance, which is available for contribution to the committed, assigned, and unassigned fund balance. At fiscal year-end 2020-2021 fund balances were as follows:

**Table A-3
Fund Balances**

Fund	Balance	Increase (Decrease) From FY 2019-20
General Fund	\$ 4,635,441	\$ 1,236,296
Highway Users Revenue Fund	126,980	(14,317)
Nonmajor Governmental Funds	84,630	(174,518)

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 \$4,635,441, while total fund balance reached \$4,847,051. 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 207% of total General Fund expenditures, while total fund balance represents 167% 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 decreased by \$14,317 due to Town receiving less HURF revenues during the year.

All nonmajor governmental funds of the Town are combined into one column on the governmental fund statements and the decrease of \$174,518 was due to the spending of carryover of grant receipts received in prior year.

**TOWN OF CLIFTON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021**

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 53 through 55. These statements compare the original adopted budget, the budget if amended throughout the fiscal year, and the actual expenditures prepared on a budgetary basis.

General Fund revenues of \$2,892,949 on a budgetary basis, were more than budgeted revenues of \$2,574,818 by \$318,131 while budgetary basis expenditures of \$1,668,736 were only 65% of budgeted expenditures (savings of \$905,082). The budget savings was primarily due to the Town experiencing a cost savings across all departments and retirements during the fiscal year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Town's capital assets for its governmental and business-type activities as of June 30, 2021 amounted to \$5,361,037 (net of accumulated depreciation), a net increase of 1%. 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 2021 the annual depreciation expense for governmental activities was \$392,544 and depreciation expense for business-type activities was \$54,303. Additions to governmental activities capital assets during the fiscal year totaled \$400,379. Additions to business type activities capital assets during the fiscal year totaled \$116,128.

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

- ◆ Police portable radios and various other equipment
- ◆ Purchase of a backhoe for Public Works
- ◆ Quinn Street Bridge and Beautification Abatement project construction
- ◆ Wastewater Treatment Plant design

The following table provides a breakdown of the capital assets of the Town at June 30, 2021 and 2020.

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

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 102,865	\$ 102,865	\$ -	\$ -	\$ 102,865	\$ 102,865
Construction in Progress	171,592	358,818	588,412	477,944	760,004	836,762
Land Improvements	40,538	48,323	-	-	40,538	48,323
Building and Improvements	1,207,301	1,252,215	-	-	1,207,301	1,252,215
Infrastructure	1,329,094	1,141,952	-	-	1,329,094	1,141,952
Sewer System	-	-	724,653	766,113	724,653	766,113
Furniture, Equipment, and Vehicles	1,118,466	1,057,848	78,116	85,299	1,196,582	1,143,147
Total Capital Assets	\$ 3,969,856	\$ 3,962,021	\$ 1,391,181	\$ 1,329,356	\$ 5,361,037	\$ 5,291,377

**TOWN OF CLIFTON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021**

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.

- ◆ On March 11, 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic continues to have significant effects on global markets, supply chains, businesses, and communities. Management believes the Town continues to take appropriate actions to mitigate the negative impact and did not project significant revenue shortfalls or cost reduction measures during the preparation of the fiscal year 2022 budget.

REQUESTS FOR INFORMATION

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

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

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BASIC FINANCIAL STATEMENTS

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TOWN OF CLIFTON, ARIZONA
STATEMENT OF NET POSITION
JUNE 30, 2021

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS			
Cash	\$ 5,496,364	\$ 235,250	\$ 5,731,614
Receivables, Net:			
Accounts Receivable	51,720	36,598	88,318
Property Taxes Receivable	13,219	-	13,219
Intergovernmental Receivable	161,694	-	161,694
Restricted Assets	-	15,610	15,610
Net OPEB Asset	45,844	-	45,844
Capital Assets:			
Nondepreciable	274,457	588,412	862,869
Depreciable	3,695,399	802,769	4,498,168
Total Assets	<u>9,738,697</u>	<u>1,678,639</u>	<u>11,417,336</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pensions	782,436	8,001	790,437
OPEB	27,488	-	27,488
Total Deferred Outflows of Resources	<u>809,924</u>	<u>8,001</u>	<u>817,925</u>
LIABILITIES			
Accounts Payable	180,211	12,951	193,162
Accrued Wages and Benefits	40,403	1,460	41,863
Intergovernmental Payable	10,932	661	11,593
Unearned Revenue	638,261	4,003	642,264
Customer Deposits Payable	841	10,220	11,061
Noncurrent Liabilities:			
Due Within One Year			
Compensated Absences	74,475	838	75,313
Due in More than One Year			
Net Pension Liability	1,811,900	56,785	1,868,685
Net OPEB Liability	5,508	-	5,508
Total Liabilities	<u>2,762,531</u>	<u>86,918</u>	<u>2,849,449</u>
DEFERRED INFLOWS OF RESOURCES			
Pensions	145,132	2,198	147,330
OPEB	13,949	-	13,949
Total Deferred Inflows of Resources	<u>159,081</u>	<u>2,198</u>	<u>161,279</u>
NET POSITION			
Investment in Capital Assets	3,969,856	1,391,181	5,361,037
Restricted for:			
Payment of OPEB Benefits	45,844	-	45,844
Highways and Streets	126,980	-	126,980
Culture and Recreation	44,716	-	44,716
Public Safety	156,030	-	156,030
Debt Service	-	15,610	15,610
Other Purposes	14,269	-	14,269
Unrestricted	<u>3,269,314</u>	<u>190,733</u>	<u>3,460,047</u>
Total Net Position	<u>\$ 7,627,009</u>	<u>\$ 1,597,524</u>	<u>\$ 9,224,533</u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF CLIFTON, ARIZONA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021**

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	\$ 870,997	\$ 228,532	\$ 29,354	\$ -	\$ (613,111)	\$ -	\$ (613,111)
Public Safety	1,052,579	1,938	420,737	-	(629,904)	-	(629,904)
Highways and Streets	718,057	-	406,840	-	(311,217)	-	(311,217)
Culture and Recreation	333,078	3,153	18,700	4,905	(306,320)	-	(306,320)
Total Governmental Activities	2,974,711	233,623	875,631	4,905	(1,860,552)	-	(1,860,552)
Business-Type Activities:							
Sewer	212,450	305,357	-	290,506	-	383,413	383,413
Total Primary Government	\$ 3,187,161	\$ 538,980	\$ 875,631	\$ 295,411	(1,860,552)	383,413	(1,477,139)
GENERAL REVENUES							
Taxes:							
Sales Taxes					921,215	-	921,215
Property Taxes					503,331	-	503,331
Franchise Taxes					62,528	-	62,528
State Revenue Sharing					529,925	-	529,925
State Sales Tax Revenue Sharing					439,892	-	439,892
Vehicle License Tax Revenue Sharing					374,713	-	374,713
Investment Earnings					1,947	-	1,947
Total General Revenues					2,833,551	-	2,833,551
CHANGE IN NET POSITION							
Net Position - Beginning of Year					6,654,010	1,214,111	7,868,121
NET POSITION - END OF YEAR							
					\$ 7,627,009	\$ 1,597,524	\$ 9,224,533

See accompanying Notes to Basic Financial Statements.

**TOWN OF CLIFTON, ARIZONA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2021**

	General Fund	Highway Users Revenue Fund	Nonmajor Governmental Funds	Totals
ASSETS				
Cash	\$ 5,223,224	\$ 165,324	\$ 107,816	\$ 5,496,364
Receivables:				
Accounts Receivable, Net	22,800	-	28,920	51,720
Intergovernmental Receivable	121,176	34,721	5,797	161,694
Property Tax Receivable	13,219	-	-	13,219
Total Assets	<u>\$ 5,380,419</u>	<u>\$ 200,045</u>	<u>\$ 142,533</u>	<u>\$ 5,722,997</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 70,918	\$ 70,939	\$ 38,354	\$ 180,211
Accrued Wages and Benefits	38,626	1,290	487	40,403
Intergovernmental Payable	10,096	836	-	10,932
Unearned Revenue	619,199	-	19,062	638,261
Customer Deposits Payable	841	-	-	841
Total Liabilities	<u>739,680</u>	<u>73,065</u>	<u>57,903</u>	<u>870,648</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenues	5,298	-	-	5,298
FUND BALANCES				
Restricted	126,342	126,980	88,673	341,995
Assigned	33,491	-	-	33,491
Unassigned	4,475,608	-	(4,043)	4,471,565
Total Fund Balances	<u>4,635,441</u>	<u>126,980</u>	<u>84,630</u>	<u>4,847,051</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 5,380,419</u>	<u>\$ 200,045</u>	<u>\$ 142,533</u>	<u>\$ 5,722,997</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, 2021**

Total Fund Balances for Governmental Funds	\$ 4,847,051
 Amounts reported for governmental activities in the Statement of Activities are different because:	
Property taxes not collected within 60 days subsequent to fiscal year-end are not recognized as revenue in the governmental funds.	5,298
Net OPEB assets are not current financial resources and therefore are not reported in the governmental funds.	45,844
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds.	
Governmental Capital Assets	7,978,558
Less: Accumulated Depreciation	(4,008,702)
Capital Assets used in Governmental Activities	3,969,856
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	782,436
Deferred Outflows of Resources Related to OPEB	27,488
Deferred Inflows of Resources Related to Pensions	(145,132)
Deferred Inflows of Resources Related to OPEB	(13,949)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.	
Compensated Absences	(74,475)
Net OPEB Liability	(5,508)
Net Pension Liability	(1,811,900)
Total Net Position of Governmental Activities	\$ 7,627,009

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, 2021

	General Fund	Highway Users Revenue Fund	Nonmajor Governmental Funds	Totals
REVENUES				
Taxes:				
Sales Taxes	\$ 921,215	\$ -	\$ -	\$ 921,215
Property Taxes	500,270	-	-	500,270
Franchise Taxes	62,528	-	-	62,528
Intergovernmental Revenue	1,577,787	398,645	67,480	2,043,912
Fines and Forfeitures	20,826	-	1,551	22,377
Licenses and Permits	12,068	-	-	12,068
Charges for Services	3,540	-	-	3,540
Rents and Royalties	167,065	-	-	167,065
Contributions and Donations	182,841	-	-	182,841
Investment Earnings	1,947	-	-	1,947
Other	27,315	-	-	27,315
Total Revenues	<u>3,477,402</u>	<u>398,645</u>	<u>69,031</u>	<u>3,945,078</u>
EXPENDITURES				
Current:				
General Government	804,510	-	22,325	826,835
Public Safety	893,869	-	133,257	1,027,126
Highways and Streets	325,920	412,962	-	738,882
Culture and Recreation	216,807	-	87,967	304,774
Total Expenditures	<u>2,241,106</u>	<u>412,962</u>	<u>243,549</u>	<u>2,897,617</u>
NET CHANGE IN FUND BALANCES	1,236,296	(14,317)	(174,518)	1,047,461
Fund Balances - Beginning of Year	<u>3,399,145</u>	<u>141,297</u>	<u>259,148</u>	<u>3,799,590</u>
FUND BALANCES - END OF YEAR	<u><u>\$ 4,635,441</u></u>	<u><u>\$ 126,980</u></u>	<u><u>\$ 84,630</u></u>	<u><u>\$ 4,847,051</u></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, 2021**

Net Change in Fund Balances - Total Governmental Funds \$ 1,047,461

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	400,379
Less: Current Year Depreciation	(392,544)
Excess Capital Expenditures Over Depreciation	7,835

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	3,061
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Governmental funds report Town pension contributions as expenditures when made. However, in the Statement of Activities, pension and OPEB expense is the cost of benefits earned, adjusted for member contributions, the recognition of changes in deferred outflows and inflows or resources related to pensions, and the investment experience.

Pension Contributions	140,788
Pension Expense	(223,178)
OPEB Expense	993
	(81,397)

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	(3,961)
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Change in Net Position of Governmental Activities **\$ 972,999**

**TOWN OF CLIFTON, ARIZONA
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2021**

	<u>Business-Type Activities Sewer Fund</u>
ASSETS	
CURRENT ASSETS	
Cash and Cash Equivalents	\$ 235,250
Receivables, Net:	
Accounts Receivable	36,598
Restricted Assets	15,610
Total Current Assets	<u>287,458</u>
NONCURRENT ASSETS	
Capital Assets:	
Nondepreciable	588,412
Depreciable (Net)	802,769
Total Noncurrent Assets	<u>1,391,181</u>
Total Assets	1,678,639
DEFERRED OUTFLOW OF RESOURCES FOR PENSIONS	8,001
LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND NET POSITION	
CURRENT LIABILITIES	
Accounts Payable	12,951
Accrued Wages and Benefits	1,460
Intergovernmental Payable	661
Unearned Revenue	4,003
Customer Deposits Payable	10,220
Compensated Absences	838
Total Current Liabilities	<u>30,133</u>
NONCURRENT LIABILITIES	
Net Pension Liability	56,785
Total Noncurrent Liabilities	<u>56,785</u>
Total Liabilities	86,918
DEFERRED INFLOW OF RESOURCES FOR PENSIONS	2,198
NET POSITION	
Investment in Capital Assets	1,391,181
Restricted for Debt Service	15,610
Unrestricted	190,733
Total Net Position	<u><u>\$ 1,597,524</u></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, 2021**

	<u>Business-Type Activities Sewer Fund</u>
OPERATING REVENUE	
Charges for Services	\$ 305,357
OPERATING EXPENSES	
Cost of Sales and Services	158,147
Depreciation	54,303
Total Operating Expenses	<u>212,450</u>
OPERATING INCOME	92,907
INCOME BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	92,907
CAPITAL CONTRIBUTIONS	<u>290,506</u>
CHANGE IN NET POSITION	383,413
Net Position - Beginning of Year	<u>1,214,111</u>
NET POSITION - END OF YEAR	<u><u>\$ 1,597,524</u></u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF CLIFTON, ARIZONA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2021**

	<u>Business-Type Activities Sewer Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Customers	\$ 297,002
Payments to Suppliers	(305,087)
Payments to Employees	(52,715)
Net Cash Flows Used for Operating Activities	<u>(60,800)</u>
CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES	
Capital Grants and Contributions	290,506
Purchases of Capital Assets	(116,128)
Net Cash Flows Provided by Capital and Financing Activities	<u>174,378</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	113,578
Cash and Cash Equivalents - Beginning of Year	<u>137,282</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 250,860</u></u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION	
Cash and Cash Equivalents	\$ 235,250
Restricted Assets	15,610
Total Cash and Cash Equivalents	<u><u>\$ 250,860</u></u>
RECONCILIATION OF OPERATING INCOME PROVIDED BY OPERATING ACTIVITIES	
Operating Income	\$ 92,907
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	54,303
Effect of Changes in Assets/Liabilities:	
Receivables, Net	(8,355)
Deferred Outflow of Resources	(2,661)
Accounts Payable	(195,750)
Accrued Wages and Benefits	(2,121)
Compensated Absences	(947)
Customer Deposits Payable	79
Deferred Inflow of Resources	(5,715)
Net Pension Liability	7,460
Net Cash Used for Operating Activities	<u><u>\$ (60,800)</u></u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF CLIFTON, ARIZONA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2021**

	ASSETS	<u>Pension Trust</u>
CURRENT ASSETS		
Cash		<u>\$ 115,637</u>
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Due to Participants		<u>1,238</u>
NET POSITION		
Restricted for Pensions		<u><u>\$ 114,399</u></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, 2021**

	<u>Pension Trust</u>
ADDITIONS	
Contributions:	
Private	\$ 5,700
Investment Earnings:	
Interest	561
Total Additions	6,261
DEDUCTIONS	
Benefits	2,629
CHANGE IN NET POSITION	3,632
Net Position - Beginning of Year	110,767
NET POSITION - END OF YEAR	\$ 114,399

See accompanying Notes to Basic Financial Statements.

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NOTES TO BASIC FINANCIAL STATEMENTS

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TOWN OF CLIFTON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

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, 2021

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, 2021**

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, 2021

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 \$123,883 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 acquisition 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, 2021

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, 2021

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 postemployment benefits.

9. Net Position

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

10. Fund Balance Classifications

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

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

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

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

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.

**TOWN OF CLIFTON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

10. Fund Balance Classifications (Continued)

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

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

The Town Council follows these procedures in establishing the budgetary data reflected in the 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, 2021

NOTE 3 DETAILED NOTES ON ALL FUNDS

A. Assets

1. Cash

Cash at June 30, 2021 consists of the following:

Deposits:	
Cash in Bank	\$ 5,747,224
Certificates of Deposit	115,637
Total Deposits	<u>5,862,861</u>
Less: Restricted Assets	(15,610)
Less: Fiduciary Funds	(115,637)
Total Cash - Statement of Net Position	<u><u>\$ 5,731,614</u></u>

Restricted assets of \$15,610 consist of debt service reserves for the Water Infrastructure Finance Authority of Arizona loan. To date, the Town has only drawn down the forgivable portion of the loan.

Custodial Credit Risk – This is the risk that, in the event of a failure by a counterparty, the Town will not be able to recover its deposits or collateralized securities that are in 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, 2021 was \$5,760,266 of which \$500,000 is covered by federal depository insurance and \$5,260,266 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, 2021

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	\$ 5,298	\$ -
Cash Payments not Meeting all Eligibility Requirements		
General Fund	-	619,199
Nonmajor Governmental Funds	-	19,062
Total	\$ 5,298	\$ 638,261

3. Capital Assets

Capital asset activity for the year ended June 30, 2021 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 102,865	\$ -	\$ -	\$ 102,865
Construction in Progress	358,818	147,800	(335,026)	171,592
Total Capital Assets, Not Being Depreciated	461,683	147,800	(335,026)	274,457
Capital Assets, Being Depreciated:				
Land Improvements	232,674	-	-	232,674
Building and Improvements	1,733,612	-	-	1,733,612
Infrastructure	2,088,002	335,026	-	2,423,028
Furniture, Equipment, and Vehicles	3,062,208	252,579	-	3,314,787
Total Capital Assets, Being Depreciated	7,116,496	587,605	-	7,704,101
Accumulated Depreciation for:				
Land Improvements	(184,351)	(7,785)	-	(192,136)
Building and Improvements	(481,397)	(44,914)	-	(526,311)
Infrastructure	(946,050)	(147,884)	-	(1,093,934)
Furniture, Equipment, and Vehicles	(2,004,360)	(191,961)	-	(2,196,321)
Total Accumulated Depreciation	(3,616,158)	(392,544)	-	(4,008,702)
Total Capital Assets, Being Depreciated, Net	3,500,338	195,061	-	3,695,399
Governmental Activities Capital Assets, Net	\$ 3,962,021	\$ 342,861	\$ (335,026)	\$ 3,969,856

**TOWN OF CLIFTON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

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	\$ 477,944	\$ 110,468	\$ -	\$ 588,412
Capital Assets, Being Depreciated:				
Equipment	125,312	5,660	-	130,972
Sewer System	1,342,621	-	-	1,342,621
Total Capital Assets, Being Depreciated	<u>1,467,933</u>	<u>5,660</u>	<u>-</u>	<u>1,473,593</u>
Accumulated Depreciation for:				
Equipment	(40,013)	(12,843)	-	(52,856)
Sewer System	(576,508)	(41,460)	-	(617,968)
Total Accumulated Depreciation	<u>(616,521)</u>	<u>(54,303)</u>	<u>-</u>	<u>(670,824)</u>
Total Capital Assets, Being Depreciated, Net	<u>851,412</u>	<u>(48,643)</u>	<u>-</u>	<u>802,769</u>
Business-Type Activities Capital Assets, Net	<u>\$ 1,329,356</u>	<u>\$ 61,825</u>	<u>\$ -</u>	<u>\$ 1,391,181</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:

General Government	\$ 43,169
Public Safety	58,005
Highways and Streets	198,832
Culture and Recreation	92,538
Total Depreciation Expense	<u>\$ 392,544</u>

Business-Type Activities:

Sewer	<u>\$ 54,303</u>
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**TOWN OF CLIFTON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

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, 2021 are as follows:

	<u>July 1, 2020</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2020</u>	<u>Due Within One Year</u>
Governmental Activities					
Other Liabilities:					
Compensated Absences	\$ 70,514	\$ 11,972	\$ (8,011)	\$ 74,475	\$ 74,475
Total Other Liabilities	<u>70,514</u>	<u>11,972</u>	<u>(8,011)</u>	<u>74,475</u>	<u>74,475</u>
Governmental Activities					
Long-term Liabilities	<u>\$ 70,514</u>	<u>\$ 11,972</u>	<u>\$ (8,011)</u>	<u>\$ 74,475</u>	<u>\$ 74,475</u>
	<u>July 1, 2020</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2020</u>	<u>Due Within One Year</u>
Business-Type Activities					
Other Liabilities:					
Compensated Absences	\$ 1,785	\$ 730	\$ (1,677)	838	\$ 838
Total Other Liabilities	<u>1,785</u>	<u>730</u>	<u>(1,677)</u>	<u>838</u>	<u>838</u>
Business-Type Activities					
Long-Term Liabilities	<u>\$ 1,785</u>	<u>\$ 730</u>	<u>\$ (1,677)</u>	<u>\$ 838</u>	<u>\$ 838</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 \$341,995 and represented \$126,980 for transportation, \$44,716 for culture and recreation, \$156,030 for public safety, and \$14,269 for other purposes as stipulated by external resource providers.

**TOWN OF CLIFTON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Fund Balance Classification of Governmental Funds (Continued)

Assigned:

At June 30, 2021, General Fund assigned fund balance totaled \$33,491. Town management assigned fund balance as follows:

Assignment	Balance
Abatement	\$ 13,391
Outreach	2,152
Festival of Lights	7,446
Town General Plan Update	6,791
Magistrate	3,711
Total	\$ 33,491

Unassigned:

The unassigned fund balance in the General Fund is \$4,475,608.

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, 2021

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, 2021, 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, 2021, the Town and firefighters were not required to make contributions.

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

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

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

**TOWN OF CLIFTON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

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, 2021, 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 Liability	\$ 1,811,900	\$ 56,785	\$ 1,868,685
Deferred Outflows of Resources	782,436	8,001	790,437
Deferred Inflows of Resources	145,132	2,198	147,330
Pension Expense	223,178	1,095	224,273

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, 2021. The Town reported \$140,788 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.

**TOWN OF CLIFTON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 4 OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Arizona State Retirement System (Continued)

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:

	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
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, 2021, state statute required active ASRS members to contribute at the actuarially determined rate of 12.22% (12.04% for retirement and 0.18% for long-term disability) of the members' annual covered payroll, and statute required the Town to contribute at the actuarially determined rate of 12.22% (11.65% for retirement, 0.39% for the health insurance premium benefit, and 0.18% for long-term disability) of the active members' annual covered payroll.

**TOWN OF CLIFTON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

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 10.21% (10.14% for retirement, 0.07% 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, 2021, were \$89,708.

During the fiscal year ended June 30, 2021, the Town paid for ASRS pension and OPEB contributions as follows: 94% from the General Fund, 4% from the Highway Users Revenue Fund, and 2% from the Sewer Fund.

Pension Liability – At June 30, 2021, the Town reported a liability of \$1,266,569 for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of **June 30, 2020**. 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, 2019**, to the measurement date of **June 30, 2020**.

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, 2020**. The Town's proportion measured as of **June 30, 2020**, was 0.00731%, which was no change from its proportion measured as of **June 30, 2019**.

Pension Expense and Deferred Outflows/Inflows of Resources – For the year ended June 30, 2021, the Town recognized pension expense for ASRS of \$72,547. At June 30, 2021, 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
Differences between expected and actual experience	\$ 11,458	\$ -
Changes of assumptions or other inputs	-	-
Net difference between projected and actual earnings on pension plan investments	122,162	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	49,031
Town contributions subsequent to the measurement date	89,708	-
Total	\$ 223,328	\$ 49,031

**TOWN OF CLIFTON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 4 OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Arizona State Retirement System (Continued)

The \$89,708 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, 2022. 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>
2022	\$ (34,761)
2023	37,379
2024	44,187
2025	37,784

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

Actuarial Valuation Date	June 30, 2019
Actuarial Roll Forward Date	June 30, 2020
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, 2019** valuation were based on the results of an actuarial experience study for the five-year period ended June 30, 2016.

TOWN OF CLIFTON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

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%	6.39%
Fixed Income - credit	20%	5.44%
Fixed income - interest rate sensitive	10%	0.22%
Real Estate	20%	5.85%
Total	<u>100%</u>	

Discount Rate – The discount rate used to measure the ASRS total pension liability was 7.5%. 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.

**TOWN OF CLIFTON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 4 OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Arizona State Retirement System (Continued)

Sensitivity of the Town’s Proportionate Share of the ASRS Net Pension Liability to Changes in the Discount Rate – The following table presents the Town’s proportionate share of the net pension liability calculated using the discount rate of 7.5%, 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.

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Town's Proportionate Share of the Net Pension Liability	\$ 1,732,015	\$ 1,266,569	\$ 877,479

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, 2021**

NOTE 4 OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Public Safety Personnel Retirement System (PSPRS) (Continued)

PSPRS	Initial Membership Date:	
	Before January 1, 2012	On or after January 1, 2012 and before July 1, 2017
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, 2021**

NOTE 4 OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Public Safety Personnel Retirement System (PSPRS) (Continued)

Employees Covered by Benefit Terms – At June 30, 2021, the following employees were covered by the agent pension plans’ benefit terms:

	PSPRS Police	PSPRS Firefighters
Inactive Employees or Beneficiaries		
Currently Receiving Benefits	2	1
Inactive Employees Entitled to but Not Yet Receiving Benefits	1	0
Active Employees	3	0
Total	<u>6</u>	<u>1</u>

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, 2021, are indicated below. Rates are a percentage of active members’ annual covered payroll.

	PSPRS Police	PSPRS Firefighters
Active Members - Pension	7.65% - 11.65%	0.00%
Town:		
PSPRS Tier 1/2	12.94%	0.00%
PSPRS Tier 3	9.21%	0.00%

**TOWN OF CLIFTON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

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, 2021, were:

	PSPRS Police	PSPRS Firefighters
Pension:		
Contributions Made	\$ 29,662	\$ 43,429

During fiscal year 2021, the Town paid for PSPRS pension and OPEB contributions 100% from the General Fund.

Pension Liability – At June 30, 2021, the Town reported the following net pension liabilities:

	Net Pension Liability
PSPRS Police	\$ 340,384
PSPRS Firefighters	261,732

The net pension liabilities were measured as of **June 30, 2020**, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

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

Actuarial Valuation Date	June 30, 2020
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	7.3% for Police/5.89% for Firefighters
Wage Inflation	3.5%
Price Inflation	2.5%
Cost-of-living Adjustment	1.75%
Mortality Rates	PubS-2010 tables

Actuarial assumptions used in the **June 30, 2020**, valuation were based on the results of an actuarial experience study for the five-year period ended June 30, 2017.

TOWN OF CLIFTON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 4 OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Public Safety Personnel Retirement System (PSPRS) (Continued)

The long-term expected rate of return on PSPRS pension plan investments was determined to be 7.30% 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>
Cash - Mellon	1%	-0.60%
Core Bonds	2%	0.22%
Other Assets (Capital Appreciation)	7%	5.61%
Diversifying Strategies	12%	3.22%
International Public Equity	15%	6.09%
Global Private Equity	18%	8.42%
Private Credit	22%	5.31%
U.S. Public Equity	23%	4.93%
Total	<u>100%</u>	

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

	<u>PSPRS Police</u>	<u>PSPRS Firefighters</u>
Discount Rates	7.30%	5.89%

At **June 30, 2020**, the discount rate used to measure the PSPRS total pension liability for firefighters and police was 5.89% and 7.30%, respectively, which was a decrease of 1.41% from the discount rate used as of **June 30, 2019** for firefighters and police did not change from the prior year. The projection of cash flows used to determine the PSPRS discount rates assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the actuarially determined contribution rate and the member rate. Based on those assumptions, the PSPRS Police plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments for these plans to determine the total pension liability. In addition, based on those assumptions, the Fiduciary Net Position for Clifton Firefighters was projected to be available to make projected future benefit payments of current plan members for 36 years. These payments were discounted using the Long-Term Expected Rate of Return on Pension Plan investments. Future benefit payments beyond 36 years were discounted using a high-quality municipal bond rate.

TOWN OF CLIFTON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 4 OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Public Safety Personnel Retirement System (PSPRS) (Continued)

Changes in the Agent Plans Net Pension Liability (Asset) – The following tables present changes in the net pension liability (asset) for PSPRS Police and PSPRS Firefighter plans as follows:

PSPRS - Police	Total Pension Liability (Asset) (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances as of June 30, 2020	\$ 712,276	\$ 881,290	\$ (169,014)
Changes for the Year:			
Service Cost	48,196	-	48,196
Interest on the Total Pension Liability	53,781	-	53,781
Changes of Assumptions	-	-	-
Differences Between Expected and Actual Experience in the Measurement of the Pension Liability	462,781	-	462,781
Contributions - Employer	-	24,475	(24,475)
Contributions - Employee	-	21,191	(21,191)
Net Investment Income	-	11,203	(11,203)
Benefit Payments, Including Refunds of Employee Contributions	(47,499)	(47,499)	-
Administrative Expenses	-	(913)	913
Other Changes	-	(596)	596
Net Changes	<u>517,259</u>	<u>7,861</u>	<u>509,398</u>
Balances as of June 30, 2021	<u>\$ 1,229,535</u>	<u>\$ 889,151</u>	<u>\$ 340,384</u>
PSPRS - Firefighters	Total Pension Liability (Asset) (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances as of June 30, 2019	\$ 284,647	\$ 73,823	\$ 210,824
Changes for the Year:			
Interest on the Total Pension Liability	19,615	-	19,615
Differences Between Expected and Actual Experience in the Measurement of the Pension Liability	6,359	-	6,359
Changes of Assumptions	25,627	-	25,627
Contributions - Employer	-	-	-
Net Investment Income	-	755	(755)
Benefit Payments, Including Refunds of Employee Contributions	(31,889)	(31,889)	-
Administrative Expenses	-	(62)	62
Other Changes	-	-	-
Net Changes	<u>19,712</u>	<u>(31,196)</u>	<u>50,908</u>
Balances as of June 30, 2020	<u>\$ 304,359</u>	<u>\$ 42,627</u>	<u>\$ 261,732</u>

**TOWN OF CLIFTON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 4 OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Public Safety Personnel Retirement System (PSPRS) (Continued)

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	6.30%	7.30%	8.30%
Net Pension Liability (Asset)	\$ 548,484	\$ 340,384	\$ 178,927
PSPRS Firefighters			
Rate	4.89%	5.89%	6.89%
Net Pension Liability (Asset)	\$ 282,560	\$ 261,732	\$ 243,149

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, 2021, the Town recognized the following pension expense:

	<u>Pension Expense (Income)</u>
PSPRS Police	\$ 102,648
PSPRS Firefighters	49,078

**TOWN OF CLIFTON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 4 OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Public Safety Personnel Retirement System (PSPRS) (Continued)

Pension Deferred Outflows/Inflows of Resources – At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PSPRS - Police	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 410,524	\$ 98,299
Changes of Assumptions or Other Inputs	32,070	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	48,326	-
Town Contributions Subsequent to the Measurement Date	29,662	-
Total	\$ 520,582	\$ 98,299
PSPRS - Firefighters	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ -
Changes of Assumptions or Other Inputs	-	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	3,098	-
Town Contributions Subsequent to the Measurement Date	43,429	-
Total	\$ 46,527	\$ -

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, 2022. 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>	PSPRS Police	PSPRS Firefighters
2022	\$ 64,528	\$ 256
2023	70,152	1,123
2024	71,965	1,025
2025	68,854	694
2026	59,568	-
Thereafter	57,554	-

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

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**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, 2021**

Arizona State Retirement System

	Reporting Fiscal Year (Measurement Date)						
	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
Town's Proportion of the Net Pension Liability	0.007310%	0.007310%	0.008370%	0.008220%	0.008320%	0.007741%	0.007601%
Town's Proportionate Share of the Net Pension Liability	\$ 1,266,569	\$ 1,063,690	\$ 1,167,320	\$ 1,280,516	\$ 1,342,932	\$ 1,205,701	\$ 1,124,630
Town's Covered Payroll	\$ 798,003	\$ 760,209	\$ 847,746	\$ 796,204	\$ 742,915	\$ 672,018	\$ 651,743
Town's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	158.72%	139.92%	137.70%	160.83%	180.77%	179.41%	172.56%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.33%	73.24%	73.40%	69.92%	67.06%	68.35%	69.49%

See accompanying Notes to Pension Plan Schedules.

**TOWN OF CLIFTON, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE TOWN'S NET PENSION LIABILITY (ASSET)
AND RELATED RATIOS – AGENT PENSION PLANS
JUNE 30, 2021**

PSPRS Police

	Reporting Fiscal Year (Measurement Date)						
	2021	2020	2019	2018	2017	2016	2015
	(2020)	(2019)	(2018)	(2017)	(2016)	(2015)	(2014)
Total Pension Liability							
Service Cost	\$ 48,196	\$ 56,891	\$ 57,504	\$ 67,294	\$ 46,045	\$ 54,053	\$ 42,660
Interest on the Total Pension Liability	53,781	52,786	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	462,781	(48,291)	(13,174)	32,440	(32,975)	(4,766)	(125,329)
Changes of Assumptions or Other Inputs	-	9,781	-	4,766	18,722	-	47,618
Benefit Payments, Including Refunds of Employee Contributions	(47,499)	(30,639)	(32,266)	(53,815)	(29,362)	(29,362)	(58,091)
Net Change in Total Pension Liability	517,259	40,528	58,387	107,953	40,163	53,237	(41,086)
Total Pension Liability - Beginning	712,276	671,748	613,361	505,408	465,245	412,008	453,094
Total Pension Liability - Ending (a)	1,229,535	712,276	671,748	613,361	505,408	465,245	412,008
Plan Fiduciary Net Position							
Contributions - Employer	24,475	26,735	40,978	32,203	37,593	36,632	35,445
Contributions - Employee	21,191	22,487	29,931	34,190	42,355	37,273	31,409
Net Investment Income	11,203	44,474	52,514	78,515	3,720	20,981	70,213
Benefit Payments, Including Refunds of Employee Contributions	(47,499)	(30,639)	(32,266)	(53,815)	(29,362)	(29,362)	(58,091)
Hall/Parker Settlement	-	-	(20,215)	-	-	-	-
Administrative Expenses	(913)	(1,752)	(1,499)	(1,095)	(935)	(881)	(565)
Other Changes	(596)	(56)	10	(11,217)	4	(505)	(43,023)
Net Change in Plan Fiduciary Net Position	7,861	61,249	69,453	78,781	53,375	64,138	35,388
Plan Fiduciary Net Position - Beginning	881,290	820,041	750,588	671,807	618,432	554,294	518,906
Plan Fiduciary Net Position - Ending (b)	889,151	881,290	820,041	750,588	671,807	618,432	554,294
Town's Net Pension Liability (Asset) - Ending (a) - (b)	\$ 340,384	\$ (169,014)	\$ (148,293)	\$ (137,227)	\$ (166,399)	\$ (153,187)	\$ (142,286)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.32%	123.73%	122.08%	122.37%	132.92%	132.93%	134.53%
Covered Payroll	\$ 383,596	\$ 356,565	\$ 358,893	\$ 307,843	\$ 295,125	\$ 356,052	\$ 313,353
Town's Net Pension Liability (Asset) as a Percentage of Covered Payroll	88.74%	-47.40%	-41.32%	-44.58%	-56.38%	-43.02%	-45.41%

See accompanying Notes to Pension Plan Schedules.

TOWN OF CLIFTON, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE TOWN'S NET PENSION LIABILITY (ASSET)
AND RELATED RATIOS – AGENT PENSION PLANS (CONTINUED)
JUNE 30, 2021

PSPRS Fire

	Reporting Fiscal Year						
	(Measurement Date)						
	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
Total Pension Liability							
Interest on the Total Pension Liability	\$ 19,615	\$ 21,024	\$ 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	6,359	5,535	8,873	25,401	(15,124)	1,237	5,127
Changes of Assumptions or Other Inputs	25,627	(10,388)	-	(71,169)	29,418	10,101	129,044
Benefit Payments, Including Refunds of Employee Contributions	(31,889)	(31,263)	(32,878)	(29,974)	(29,974)	(29,974)	(29,265)
Net Change in Total Pension Liability	19,712	(15,092)	(2,831)	(55,747)	(31,206)	1,189	142,991
Total Pension Liability - Beginning	284,647	299,739	302,570	358,317	389,523	388,334	245,343
Total Pension Liability - Ending (a)	304,359	284,647	299,739	302,570	358,317	389,523	388,334
Plan Fiduciary Net Position							
Contributions - Employer	-	20,000	20,000	20,000	20,000	20,000	2,000
Net Investment Income	755	3,971	5,677	10,685	523	3,631	15,072
Benefit Payments, Including Refunds of Employee Contributions	(31,889)	(31,263)	(32,878)	(29,974)	(29,974)	(29,974)	(29,265)
Administrative Expenses	(62)	(1,069)	(786)	(495)	(475)	(443)	(121)
Other Changes	-	-	1	2	-	(110)	-
Net Change in Plan Fiduciary Net Position	(31,196)	(8,361)	(7,986)	218	(9,926)	(6,896)	(12,314)
Plan Fiduciary Net Position - Beginning	73,823	82,184	90,170	89,952	99,878	106,774	119,088
Plan Fiduciary Net Position - Ending (b)	42,627	73,823	82,184	90,170	89,952	99,878	106,774
Town's Net Pension Liability (Asset) - Ending (a) - (b)	<u>\$ 261,732</u>	<u>\$ 210,824</u>	<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	14.01%	25.93%	27.42%	29.80%	25.10%	25.64%	27.50%
Covered Payroll	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's Net Pension Liability (Asset) as a Percentage of Covered Payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

See accompanying Notes to Pension Plan Schedules.

**TOWN OF CLIFTON, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF TOWN PENSION CONTRIBUTIONS
JUNE 30, 2021**

Arizona State Retirement System

	Reporting Fiscal Year							
	2021	2020	2019	2018	2017	2016	2015	2014
Statutorily Required Contribution	\$ 89,708	\$ 93,361	\$ 85,782	\$ 90,625	\$ 89,682	\$ 89,687	\$ 77,093	\$ 73,310
Town's Contribution in Relation to the Statutorily Required Contribution	<u>89,708</u>	<u>93,361</u>	<u>85,782</u>	<u>90,625</u>	<u>89,682</u>	<u>89,687</u>	<u>77,093</u>	<u>73,310</u>
Town's Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's Covered Payroll	\$ 802,001	\$ 798,003	\$ 760,209	\$ 847,746	\$ 796,204	\$ 742,915	\$ 672,018	\$ 651,743
Town's Contributions as a Percentage of Covered Payroll	11.19%	11.70%	11.28%	10.69%	11.26%	12.07%	11.47%	11.25%

PSPRS Police

	Reporting Fiscal Year							
	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially Determined Contribution	\$ 29,662	\$ 35,136	\$ 34,722	\$ 43,328	\$ 33,739	\$ 39,623	\$ 36,632	\$ 35,445
Town's Contribution in Relation to the Actuarially Determined Contribution	<u>29,662</u>	<u>35,136</u>	<u>29,662</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>\$ -</u>	<u>\$ 5,060</u>	<u>\$ 17,956</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's Covered Payroll	\$ 289,077	\$ 383,596	\$ 356,565	\$ 358,893	\$ 307,843	\$ 295,125	\$ 356,052	\$ 313,353
Town's Contributions as a Percentage of Covered Payroll	10.26%	9.16%	8.32%	7.07%	10.96%	13.43%	10.29%	11.31%

PSPRS Fire

	Reporting Fiscal Year							
	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially Determined Contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,171
Town's Contribution in Relation to the Actuarially Determined Contribution	<u>23,429</u>	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>2,000</u>
Town's Contribution Deficiency (Excess)	<u>\$ (23,429)</u>	<u>\$ (20,000)</u>	<u>\$ (20,000)</u>	<u>\$ (20,000)</u>	<u>\$ (20,000)</u>	<u>\$ (20,000)</u>	<u>\$ (20,000)</u>	<u>\$ 2,171</u>
Town's Covered Payroll	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's Contributions as a Percentage of Covered Payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

* 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
NOTES TO PENSION PLAN SCHEDULES
JUNE 30, 2021**

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 2019 Actuarial Valuation	21 years for unfunded actuarial accrued liability, 20 years for excess
Asset Valuation Method	7-year smoothed market value; 80%/120% market corridor
Actuarial Assumptions: Investment Rate of Return	In the 2019 actuarial valuation, the investment rate of return was decreased from 7.4% to 7.3%. In the 2017 actuarial valuation, the investment rate of return was decreased from 7.5% to 7.4%. In the 2016 actuarial valuation, the investment rate of return was 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. RP-2000 mortality table (adjusted by 105% for both males and females)

**TOWN OF CLIFTON, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO PENSION PLAN SCHEDULES
JUNE 30, 2021**

NOTE 2 FACTORS THAT AFFECT TRENDS

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

NOTE 3 INFORMATION PRIOR TO MEASUREMENT DATE

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

TOWN OF CLIFTON, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND – BUDGETARY BASIS
YEAR ENDED JUNE 30, 2021

	Original and Final Budget	Actual	Variance with Final Budget
REVENUES			
Taxes	\$ 1,272,000	\$ 1,484,013	\$ 212,013
Intergovernmental Revenue	1,252,518	1,347,050	94,532
Fines and Forfeitures	22,500	19,747	(2,753)
Licenses and Permits	13,500	12,068	(1,432)
Charges for Services	4,600	387	(4,213)
Rents and Royalties	2,000	422	(1,578)
Investment Earnings	700	1,947	1,247
Other	7,000	27,315	20,315
Total Revenues	<u>2,574,818</u>	<u>2,892,949</u>	<u>318,131</u>
EXPENDITURES			
Current:			
General Government:			
Administration	484,166	425,436	58,730
Mayor and Council	77,747	14,093	63,654
Magistrate	159,326	155,502	3,824
Code Enforcement	68,930	64,550	4,380
Total General Government	<u>790,169</u>	<u>659,504</u>	<u>130,665</u>
Public Safety:			
Police	521,872	188,252	333,620
Dispatch/Communication	256,237	162,362	93,875
Animal Control	60,072	57,615	2,457
Fire Department	115,161	69,984	45,177
Total Public Safety	<u>953,342</u>	<u>478,213</u>	<u>475,129</u>
Highways and Streets			
Public Works	593,998	325,920	268,078
Culture and Recreation:			
Parks and Recreation	131,552	108,238	23,314
Library	104,757	96,861	7,896
Total Culture and Recreation	<u>236,309</u>	<u>205,099</u>	<u>31,210</u>
Total Expenditures	<u>2,573,818</u>	<u>1,668,736</u>	<u>905,082</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,000	1,224,213	1,223,213
Fund Balance - Beginning of Year	-	3,330,347	3,330,347
FUND BALANCE - END OF YEAR	<u>\$ 1,000</u>	<u>\$ 4,554,560</u>	<u>\$ 4,553,560</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, 2021**

	Original and Final Budget	Actual	Variance with Final Budget
REVENUE			
Intergovernmental Revenue	\$ 411,921	\$ 398,645	\$ (13,276)
Total Revenue	411,921	398,645	(13,276)
EXPENDITURES			
Current:			
Highways and Streets	548,921	412,962	135,959
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	(137,000)	(14,317)	122,683
Fund Balance - Beginning of Year	-	141,297	141,297
FUND BALANCE - END OF YEAR	\$ (137,000)	\$ 126,980	\$ 263,980

See accompanying Notes to the Required Supplementary Information.

**TOWN OF CLIFTON, ARIZONA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2021**

NOTE 1 BASIS OF ACCOUNTING

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

NOTE 2 BUDGETARY COMPARISON SCHEDULE RECONCILIATION

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

	General Fund				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	\$ 3,477,402	\$ 2,241,106	\$ -	\$ 1,236,296	\$ 3,399,145	\$ 4,635,441
Adjustments for Other Internally Maintained Funds	<u>(584,453)</u>	<u>(572,370)</u>	<u>-</u>	<u>(12,083)</u>	<u>(68,798)</u>	<u>(80,881)</u>
Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual	<u>\$ 2,892,949</u>	<u>\$ 1,668,736</u>	<u>\$ -</u>	<u>\$ 1,224,213</u>	<u>\$ 3,330,347</u>	<u>\$ 4,554,560</u>

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