

**TOWN OF CLIFTON, ARIZONA**  
**FINANCIAL STATEMENTS AND**  
**SUPPLEMENTARY INFORMATION**  
**YEAR ENDED JUNE 30, 2020**



[CLAcconnect.com](http://CLAcconnect.com)

**WEALTH ADVISORY**  
**OUTSOURCING**  
**AUDIT, TAX, AND**  
**CONSULTING**

THIS PAGE BLANK

**TOWN OF CLIFTON, ARIZONA  
TABLE OF CONTENTS  
YEAR ENDED JUNE 30, 2020**

FINANCIAL SECTION

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

**TOWN OF CLIFTON, ARIZONA  
TABLE OF CONTENTS (CONTINUED)  
YEAR ENDED JUNE 30, 2020**

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

## **FINANCIAL SECTION**

THIS PAGE BLANK



## INDEPENDENT AUDITORS' REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Clifton, Arizona, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

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

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

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

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

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Clifton, Arizona as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

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



**CliftonLarsonAllen LLP**

Phoenix, Arizona  
October 19, 2020



**REQUIRED SUPPLEMENTARY INFORMATION**

THIS PAGE BLANK

**TOWN OF CLIFTON, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2020**

We (the Town of Clifton, Arizona (Town)) are pleased to provide an overview of our financial activities for the fiscal year ended June 30, 2020. 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 \$7,868,121 (net position). Of this amount, \$1,834,010 (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 \$3,799,590, an increase of \$1,251,775 in comparison with the prior year.
- ◆ At the end of the current fiscal year, unassigned fund balance for the General Fund was \$3,226,780 or 130% of total General Fund expenditures.
- ◆ General Fund revenues (on a budgetary basis) were more than budgeted revenues by \$370,573 for fiscal year 2020. Additionally, budgetary basis expenditures were only 76% (\$629,524 or 24%, in savings) of the final budget in the General Fund.
- ◆ General Fund budgetary revenues exceeded budgetary expenditures by \$951,497 which represented a positive variance of \$1,000,097 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, 2020**

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, 2020**

- ◆ *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 47) provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements and should be read with the financial statements.

**Required Supplementary Information other than MD&A**

Governments have an option of including the budgetary comparison statements for the General Fund and major special revenue funds as either part of the fund financial statements within the basic financial statements, or as required supplementary information after the footnotes. The Town has chosen to present these budgetary statements as part of required supplementary information on pages 54 through 56. Additionally, governments are required to disclose certain information about employee pensions. The Town has disclosed this information starting on page 48.

**Government-Wide Financial Analysis**

Net position may serve over time as useful indicators of a government's financial position. The following table reflects the condensed Statement of Net Position of the Town for June 30, 2020 showing that assets and deferred outflow of resources exceeded liabilities and deferred inflow of resources by \$7,868,121.

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

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
<b>ASSETS</b>						
Current and Other Assets	\$ 4,404,689	\$ 2,903,817	\$ 165,525	\$ 247,975	\$ 4,570,214	\$ 3,151,792
Capital Assets:						
Nondepreciable	461,683	155,534	477,944	401,604	939,627	557,138
Depreciable	3,500,338	3,863,332	851,412	877,502	4,351,750	4,740,834
Total Assets	8,366,710	6,922,683	1,494,881	1,527,081	9,861,591	8,449,764
<b>DEFERRED OUTFLOW OF RESOURCES</b>	270,232	302,850	5,340	8,459	275,572	311,309
<b>LIABILITIES</b>						
Other Liabilities	390,977	147,480	227,087	154,690	618,064	302,170
Noncurrent Liabilities:						
Due Within One Year	70,514	66,098	1,785	1,521	72,299	67,619
Due in More Than One Year	1,229,879	1,328,809	49,325	60,445	1,279,204	1,389,254
Total Liabilities	1,691,370	1,542,387	278,197	216,656	1,969,567	1,759,043
<b>DEFERRED INFLOW OF RESOURCES</b>	291,562	246,046	7,913	7,465	299,475	253,511
<b>NET POSITION</b>						
Investment in Capital Assets	3,962,021	4,018,866	1,329,356	1,279,106	5,291,377	5,297,972
Restricted	742,734	420,656	-	-	742,734	420,656
Unrestricted	1,949,255	997,578	(115,245)	32,313	1,834,010	1,029,891
Total Net Position	\$ 6,654,010	\$ 5,437,100	\$ 1,214,111	\$ 1,311,419	\$ 7,868,121	\$ 6,748,519

**TOWN OF CLIFTON, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2020**

The net position of the Town is \$7,686,121 in fiscal year 2020 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 (67%) 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 (9%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$742,734) 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	
	2020	2019	2020	2019	2020	2019
<b>REVENUES</b>						
Program Revenues:						
Fees, Fines, and Charges for Services	\$ 238,505	\$ 277,250	\$ 302,766	\$ 310,186	\$ 541,271	\$ 587,436
Operating Grants and Contributions	1,256,852	725,288	-	-	1,256,852	725,288
Capital Grants and Contributions	5,431	163,850	10,130	308,220	15,561	472,070
General Revenues:						
Local Taxes	1,056,351	740,967	-	-	1,056,351	740,967
Property Taxes	514,230	473,526	-	-	514,230	473,526
Franchise Taxes	69,729	78,758	-	-	69,729	78,758
State Shared Revenues	1,219,380	1,162,233	-	-	1,219,380	1,162,233
Investment Earnings	1,825	997	-	-	1,825	997
Loss on Disposal of Capital Assets	(3,297)	-	-	-	(3,297)	-
Total Revenues	<u>4,359,006</u>	<u>3,622,869</u>	<u>312,896</u>	<u>618,406</u>	<u>4,671,902</u>	<u>4,241,275</u>
<b>EXPENSES</b>						
General Government	852,575	904,348	-	-	852,575	904,348
Public Safety	1,073,328	1,180,884	-	-	1,073,328	1,180,884
Highways and Streets	880,011	912,695	-	-	880,011	912,695
Culture and Recreation	336,182	325,683	-	-	336,182	325,683
Sewer	-	-	410,204	231,110	410,204	231,110
Total Expenses	<u>3,142,096</u>	<u>3,323,610</u>	<u>410,204</u>	<u>231,110</u>	<u>3,552,300</u>	<u>3,554,720</u>
<b>CHANGE IN NET POSITION</b>	1,216,910	299,259	(97,308)	387,296	1,119,602	686,555
Net Position - Beginning of Year	<u>5,437,100</u>	<u>5,137,841</u>	<u>1,311,419</u>	<u>924,123</u>	<u>6,748,519</u>	<u>6,061,964</u>
<b>NET POSITION - END OF YEAR</b>	<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>

**TOWN OF CLIFTON, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2020**

*Governmental Activities* – The Town’s net position in governmental activities increased by \$1,216,910. Key factors contributing to the increase include an increase in taxes, state shared revenues, and operating grants and contributions.

*Business-Type Activities* – Business-type activities decreased the Town’s net position by \$97,308. This decrease was attributable to the current year debt issuance costs related to a loan for the expansion of the wastewater treatment plant.

**FINANCIAL ANALYSIS OF THE TOWN’S FUNDS**

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

As of the end of the current fiscal year, the Town’s governmental funds reported combined ending fund balances of \$3,799,590, an increase of \$1,251,775 in comparison with the prior year. Approximately 89% of this total amount, \$3,399,145 constitutes General Fund balance, which is available for contribution to the committed, assigned, and unassigned fund balance. At fiscal year-end 2019-2020 fund balances were as follows:

**Table A-3  
Fund Balances**

Fund	Balance	Increase (Decrease) From FY 2018-19
General Fund	\$ 3,399,145	\$ 996,807
Highway Users Revenue Fund	141,297	33,607
Nonmajor Governmental Funds	259,148	221,361

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 \$3,399,145, while total fund balance reached \$3,799,590. 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 137% of total General Fund expenditures, while total fund balance represents 121% of that same amount. The fund balance of the General Fund increased due to a surplus of revenues and over expenditures in the current year.

The fund balance of the Highway Users Revenue Fund increased by \$33,607 as a result of the Town having fewer street maintenance projects during the year.

All nonmajor governmental funds of the Town are combined into one column on the governmental fund statements and the increase of \$221,361 was due to the carryover of grant receipts received in current year.

**TOWN OF CLIFTON, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2020**

**BUDGETARY HIGHLIGHTS**

The Town's annual budget is the legally adopted expenditure control document of the Town. Budgetary comparison statements are required for the General Fund and the Highway Users Revenue Fund and are found on pages 54 through 56. These statements compare the original adopted budget, the budget if amended throughout the fiscal year, and the actual expenditures prepared on a budgetary basis.

General Fund revenues of \$2,931,712 on a budgetary basis, were more than budgeted revenues of \$2,561,139 by \$370,573 while budgetary basis expenditures of \$1,980,215 were only 76% of budgeted expenditures (savings of \$629,524). The budget savings was primarily due to the Town experiencing a cost savings across all departments.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

The Town's capital assets for its governmental and business-type activities as of June 30, 2020 amounted to \$5,291,377 (net of accumulated depreciation), a net decrease of less than 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 2020 the annual depreciation expense for governmental activities was \$408,969 and depreciation expense for business-type activities was \$49,622. Additions to governmental activities capital assets during the fiscal year totaled \$356,861. Additions to business type activities capital assets during the fiscal year totaled \$99,872.

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

- ◆ Police portable radios and various other equipment
- ◆ Zillow Street Bridge construction
- ◆ Wastewater Treatment Plant design

The following table provides a breakdown of the capital assets of the Town at June 30, 2020 and 2019.

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

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 102,865	\$ 102,865	\$ -	\$ -	\$ 102,865	\$ 102,865
Construction in Progress	358,818	52,669	477,944	401,604	836,762	454,273
Land Improvements	48,323	56,108	-	-	48,323	56,108
Building and Improvements	1,252,215	1,293,326	-	-	1,252,215	1,293,326
Infrastructure	1,141,952	1,281,822	-	-	1,141,952	1,281,822
Sewer System	-	-	766,113	807,573	766,113	807,573
Furniture, Equipment, and Vehicles	1,057,848	1,232,076	85,299	69,929	1,143,147	1,302,005
Total Capital Assets	\$ 3,962,021	\$ 4,018,866	\$ 1,329,356	\$ 1,279,106	\$ 5,291,377	\$ 5,297,972



**TOWN OF CLIFTON, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2020**

**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 is having significant effects on global markets, supply chains, businesses, and communities. Management believes the Town is taking 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 2021 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

THIS PAGE BLANK

## **BASIC FINANCIAL STATEMENTS**

THIS PAGE BLANK

**TOWN OF CLIFTON, ARIZONA**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2020**

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
<b>ASSETS</b>			
Cash	\$ 3,935,794	\$ 137,282	\$ 4,073,076
Receivables, Net:			
Accounts Receivable	23,087	28,243	51,330
Property Taxes Receivable	10,295	-	10,295
Intergovernmental Receivable	215,886	-	215,886
Prepaid Items	7,742	-	7,742
Net Pension Asset	169,014	-	169,014
Net OPEB Asset	42,871	-	42,871
Capital Assets:			
Nondepreciable	461,683	477,944	939,627
Depreciable	3,500,338	851,412	4,351,750
Total Assets	8,366,710	1,494,881	9,861,591
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pensions	248,886	5,340	254,226
OPEB	21,346	-	21,346
Total Deferred Outflows of Resources	270,232	5,340	275,572
<b>LIABILITIES</b>			
Accounts Payable	44,131	208,701	252,832
Accrued Wages and Benefits	80,969	3,581	84,550
Intergovernmental Payable	10,932	661	11,593
Unearned Revenue	254,704	4,003	258,707
Customer Deposits Payable	241	10,141	10,382
Noncurrent Liabilities:			
Compensated Absences	70,514	1,785	72,299
Net Pension Liability	1,225,189	49,325	1,274,514
Net OPEB Liability	4,690	-	4,690
Total Liabilities	1,691,370	278,197	1,969,567
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pensions	284,917	7,913	292,830
OPEB	6,645	-	6,645
Total Deferred Inflows of Resources	291,562	7,913	299,475
<b>NET POSITION</b>			
Investment in Capital Assets	3,962,021	1,329,356	5,291,377
Restricted for:			
Payment of Pension and OPEB Benefits	211,885	-	211,885
Highways and Streets	141,297	-	141,297
Culture and Recreation	107,924	-	107,924
Public Safety	271,399	-	271,399
Other Purposes	10,229	-	10,229
Unrestricted	1,949,255	(115,245)	1,834,010
Total Net Position	\$ 6,654,010	\$ 1,214,111	\$ 7,868,121

See accompanying Notes to Basic Financial Statements.

**TOWN OF CLIFTON, ARIZONA  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2020**

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
<b>Primary Government:</b>							
Governmental Activities:							
General Government	\$ 852,575	\$ 217,933	\$ 120,138	\$ -	\$ (514,504)	\$ -	\$ (514,504)
Public Safety	1,073,328	4,795	397,952	-	(670,581)	-	(670,581)
Highways and Streets	880,011	-	601,062	1,009	(277,940)	-	(277,940)
Culture and Recreation	336,182	15,777	137,700	4,422	(178,283)	-	(178,283)
Total Governmental Activities	3,142,096	238,505	1,256,852	5,431	(1,641,308)	-	(1,641,308)
Business-Type Activities:							
Sewer	410,204	302,766	-	10,130	-	(97,308)	(97,308)
Total Primary Government	\$ 3,552,300	\$ 541,271	\$ 1,256,852	\$ 15,561	(1,641,308)	(97,308)	(1,738,616)
<b>GENERAL REVENUES</b>							
Taxes:							
Sales Taxes					1,056,351	-	1,056,351
Property Taxes					514,230	-	514,230
Franchise Taxes					69,729	-	69,729
State Revenue Sharing					478,464	-	478,464
State Sales Tax Revenue Sharing					382,240	-	382,240
Vehicle License Tax Revenue Sharing					358,676	-	358,676
Investment Earnings					1,825	-	1,825
Loss on Disposal of Capital Assets					(3,297)	-	(3,297)
Total General Revenues					2,858,218	-	2,858,218
<b>CHANGE IN NET POSITION</b>							
					1,216,910	(97,308)	1,119,602
Net Position - Beginning of Year					5,437,100	1,311,419	6,748,519
<b>NET POSITION - END OF YEAR</b>							
					\$ 6,654,010	\$ 1,214,111	\$ 7,868,121

See accompanying Notes to Basic Financial Statements.

**TOWN OF CLIFTON, ARIZONA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2020**

	General Fund	Highway Users Revenue Fund	Nonmajor Governmental Funds	Totals
<b>ASSETS</b>				
Cash	\$ 3,559,138	\$ 115,950	\$ 260,706	\$ 3,935,794
Receivables:				
Accounts Receivable, Net	3,201	-	19,886	23,087
Intergovernmental Receivable	175,845	33,474	6,567	215,886
Property Tax Receivable	10,295	-	-	10,295
Prepaid Items	7,742	-	-	7,742
Total Assets	<u>\$ 3,756,221</u>	<u>\$ 149,424</u>	<u>\$ 287,159</u>	<u>\$ 4,192,804</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ 39,351	\$ 1,128	\$ 3,652	\$ 44,131
Accrued Wages and Benefits	74,414	6,163	392	80,969
Intergovernmental Payable	10,096	836	-	10,932
Unearned Revenue	230,737	-	23,967	254,704
Customer Deposits Payable	241	-	-	241
Total Liabilities	<u>354,839</u>	<u>8,127</u>	<u>28,011</u>	<u>390,977</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenues	2,237	-	-	2,237
<b>FUND BALANCES</b>				
Nonspendable	7,742	-	-	7,742
Restricted	130,404	141,297	259,148	530,849
Assigned	34,219	-	-	34,219
Unassigned	3,226,780	-	-	3,226,780
Total Fund Balances	<u>3,399,145</u>	<u>141,297</u>	<u>259,148</u>	<u>3,799,590</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 3,756,221</u>	<u>\$ 149,424</u>	<u>\$ 287,159</u>	<u>\$ 4,192,804</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, 2020**

<b>Total Fund Balances for Governmental Funds</b>	<b>\$ 3,799,590</b>
 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.	2,237
Net pension and OPEB assets are not current financial resources and therefore are not reported in the governmental funds.	211,885
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds.	
Governmental Capital Assets	7,578,179
Less: Accumulated Depreciation	(3,616,158)
Capital Assets used in Governmental Activities	3,962,021
 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	248,886
Deferred Outflows of Resources Related to OPEB	21,346
Deferred Inflows of Resources Related to Pensions	(284,917)
Deferred Inflows of Resources Related to OPEB	(6,645)
 Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.	
Compensated Absences	(70,514)
Net OPEB Liability	(4,690)
Net Pension Liability	(1,225,189)
 <b>Total Net Position of Governmental Activities</b>	 <b>\$ 6,654,010</b>

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, 2020**

	General Fund	Highway Users Revenue Fund	Nonmajor Governmental Funds	Totals
<b>REVENUES</b>				
Taxes:				
Sales Taxes	\$ 1,056,351	\$ -	\$ -	\$ 1,056,351
Property Taxes	519,173	-	-	519,173
Franchise Taxes	69,729	-	-	69,729
Intergovernmental Revenue	1,417,656	593,137	40,324	2,051,117
Fines and Forfeitures	24,562	-	7,090	31,652
Licenses and Permits	13,524	-	-	13,524
Charges for Services	17,342	-	-	17,342
Rents and Royalties	156,815	-	-	156,815
Contributions and Donations	180,020	-	265,743	445,763
Investment Earnings	1,825	-	-	1,825
Other	22,564	1,277	-	23,841
Total Revenues	<u>3,479,561</u>	<u>594,414</u>	<u>313,157</u>	<u>4,387,132</u>
<b>EXPENDITURES</b>				
Current:				
General Government	813,573	-	8,814	822,387
Public Safety	1,028,287	-	43,828	1,072,115
Highways and Streets	408,253	560,807	-	969,060
Culture and Recreation	234,081	-	39,154	273,235
Total Expenditures	<u>2,484,194</u>	<u>560,807</u>	<u>91,796</u>	<u>3,136,797</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	995,367	33,607	221,361	1,250,335
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from Sale of Capital Assets	1,440	-	-	1,440
<b>NET CHANGE IN FUND BALANCES</b>	996,807	33,607	221,361	1,251,775
Fund Balances - Beginning of Year	<u>2,402,338</u>	<u>107,690</u>	<u>37,787</u>	<u>2,547,815</u>
<b>FUND BALANCES - END OF YEAR</b>	<u><u>\$ 3,399,145</u></u>	<u><u>\$ 141,297</u></u>	<u><u>\$ 259,148</u></u>	<u><u>\$ 3,799,590</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, 2020**

**Net Change in Fund Balances - Total Governmental Funds** \$ 1,251,775

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	356,861
Less: Current Year Depreciation	(408,969)
Excess Capital Expenditures Over Depreciation	(52,108)

The Statement of Activities reports gains/losses arising from the disposal of existing capital assets. Conversely, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the capital assets sold. (4,737)

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	(4,943)
----------------	---------

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	144,620
Pension Expense	(116,555)
OPEB Expense	3,274
	31,339

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	(4,416)
--------------------------------------	---------

**Change in Net Position of Governmental Activities** **\$ 1,216,910**

**TOWN OF CLIFTON, ARIZONA  
STATEMENT OF NET POSITION  
PROPRIETARY FUND  
JUNE 30, 2020**

	<u>Business-Type Activities Sewer Fund</u>
<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Cash and Cash Equivalents	\$ 137,282
Receivables, Net:	
Accounts Receivable	28,243
Total Current Assets	<u>165,525</u>
<b>NONCURRENT ASSETS</b>	
Capital Assets:	
Nondepreciable	477,944
Depreciable (Net)	851,412
Total Noncurrent Assets	<u>1,329,356</u>
Total Assets	1,494,881
<b>DEFERRED OUTFLOW OF RESOURCES FOR PENSIONS</b>	5,340
<b>LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND NET POSITION</b>	
<b>CURRENT LIABILITIES</b>	
Accounts Payable	208,701
Accrued Wages and Benefits	3,581
Intergovernmental Payable	661
Unearned Revenue	4,003
Customer Deposits Payable	10,141
Total Current Liabilities	<u>227,087</u>
<b>NONCURRENT LIABILITIES</b>	
Compensated Absences	1,785
Net Pension Liability	49,325
Total Noncurrent Liabilities	<u>51,110</u>
Total Liabilities	278,197
<b>DEFERRED INFLOW OF RESOURCES FOR PENSIONS</b>	7,913
<b>NET POSITION</b>	
Investment in Capital Assets	1,329,356
Unrestricted	(115,245)
Total Net Position	<u>\$ 1,214,111</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, 2020**

	<u>Business-Type Activities Sewer Fund</u>
<b>OPERATING REVENUE</b>	
Charges for Services	\$ 302,766
<b>OPERATING EXPENSES</b>	
Cost of Sales and Services	160,582
Depreciation	<u>49,622</u>
Total Operating Expenses	<u>210,204</u>
<b>OPERATING INCOME</b>	92,562
<b>NONOPERATING REVENUE (EXPENSE)</b>	
Issuance Costs	<u>(200,000)</u>
Total Nonoperating Revenue (Expense)	<u>(200,000)</u>
<b>INCOME BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS</b>	(107,438)
<b>CAPITAL CONTRIBUTIONS</b>	<u>10,130</u>
<b>CHANGE IN NET POSITION</b>	(97,308)
Net Position - Beginning of Year	<u>1,311,419</u>
<b>NET POSITION - END OF YEAR</b>	<u><u>\$ 1,214,111</u></u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF CLIFTON, ARIZONA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2020**

	Business-Type Activities Sewer Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from Customers	\$ 306,419
Payments to Suppliers	(35,170)
Payments to Employees	(67,296)
Net Cash Flows Provided by Operating Activities	203,953
<b>CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES</b>	
Capital Grants and Contributions	189,830
Purchases of Capital Assets	(92,880)
Loan Issuance Costs	(200,000)
Net Cash Flows Used for Capital and Financing Activities	(103,050)
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	100,903
Cash and Cash Equivalents - Beginning of Year	36,379
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 137,282
<b>RECONCILIATION OF OPERATING INCOME PROVIDED BY OPERATING ACTIVITIES</b>	
Operating Income	\$ 92,562
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	49,622
Adjustment for Pension Expense	(7,553)
Effect of Changes in Assets/Liabilities:	
Receivables, Net	3,653
Accounts Payable	62,952
Accrued Wages and Benefits	79
Compensated Absences	264
Customer Deposits Payable	2,374
Net Cash Provided by Operating Activities	\$ 203,953

See accompanying Notes to Basic Financial Statements.

**TOWN OF CLIFTON, ARIZONA  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUND  
JUNE 30, 2020**

	<b>ASSETS</b>	<u>Pension Trust</u>
<b>CURRENT ASSETS</b>		
Cash		\$ 110,767
Total Current Assets		<u>110,767</u>
	 <b>NET POSITION</b>	
<b>NET POSITION</b>		
Restricted for Pensions		<u><u>\$ 110,767</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, 2020**

	<u>Pension Trust</u>
<b>ADDITIONS</b>	
Investment Earnings:	
Interest	\$ 1,391
Total Additions	1,391
 <b>CHANGE IN NET POSITION</b>	 1,391
Net Position - Beginning of Year	109,376
 <b>NET POSITION - END OF YEAR</b>	 \$ 110,767

See accompanying Notes to Basic Financial Statements.

THIS PAGE BLANK



## **NOTES TO BASIC FINANCIAL STATEMENTS**

THIS PAGE BLANK

**TOWN OF CLIFTON, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**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, 2020**

**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, 2020**

**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, 2020**

**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 \$108,142 in the Sewer Fund. The Town includes all accounts outstanding greater than ninety days in its allowance for uncollectible accounts.

**3. Prepaid Items**

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

**4. Capital Assets**

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

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

**TOWN OF CLIFTON, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**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, 2020**

**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.

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

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

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



**TOWN OF CLIFTON, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**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, 2020**

**NOTE 3 DETAILED NOTES ON ALL FUNDS**

**A. Assets**

**1. Cash**

Cash at June 30, 2020 consists of the following:

Deposits:	
Cash in Bank	\$ 4,073,076
Certificates of Deposit	110,767
Total Deposits	4,183,843
Less: Fiduciary Funds	(110,767)
Total Cash - Statement of Net Position	\$ 4,073,076

*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, 2020 was \$4,151,775 of which \$500,000 is covered by federal depository insurance and \$3,651,775 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, 2020**

**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	\$ 2,237	\$ -
Cash Payments not Meeting all Eligibility Requirements General Fund	-	230,737
Nonmajor Governmental Funds	-	23,967
Total	\$ 2,237	\$ 254,704

**3. Capital Assets**

Capital asset activity for the year ended June 30, 2020 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities</b>				
Capital Assets, Not Being Depreciated:				
Land	\$ 102,865	\$ -	\$ -	\$ 102,865
Construction in Progress	52,669	306,149	-	358,818
Total Capital Assets, Not Being Depreciated	155,534	306,149	-	461,683
Capital Assets, Being Depreciated:				
Land Improvements	232,674	-	-	232,674
Building and Improvements	1,729,892	3,720	-	1,733,612
Infrastructure	2,088,002	-	-	2,088,002
Furniture, Equipment, and Vehicles	3,070,839	46,992	(55,623)	3,062,208
Total Capital Assets, Being Depreciated	7,121,407	50,712	(55,623)	7,116,496
Accumulated Depreciation for:				
Land Improvements	(176,566)	(7,785)	-	(184,351)
Building and Improvements	(436,566)	(44,831)	-	(481,397)
Infrastructure	(806,180)	(139,870)	-	(946,050)
Furniture, Equipment, and Vehicles	(1,838,763)	(216,483)	50,886	(2,004,360)
Total Accumulated Depreciation	(3,258,075)	(408,969)	50,886	(3,616,158)
Total Capital Assets, Being Depreciated, Net	3,863,332	(358,257)	(4,737)	3,500,338
Governmental Activities Capital Assets, Net	\$ 4,018,866	\$ (52,108)	\$ (4,737)	\$ 3,962,021

**TOWN OF CLIFTON, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A. Assets (Continued)**

**3. Capital Assets (Continued)**

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-Type Activities</b>				
Capital Assets, Not Being Depreciated:				
Construction in Progress	\$ 401,604	\$ 76,340	\$ -	\$ 477,944
Capital Assets, Being Depreciated:				
Equipment	101,780	23,532	-	125,312
Sewer System	1,342,621	-	-	1,342,621
Total Capital Assets, Being Depreciated	1,444,401	23,532	-	1,467,933
Accumulated Depreciation for:				
Equipment	(31,851)	(8,162)	-	(40,013)
Sewer System	(535,048)	(41,460)	-	(576,508)
Total Accumulated Depreciation	(566,899)	(49,622)	-	(616,521)
Total Capital Assets, Being Depreciated, Net	877,502	(26,090)	-	851,412
Business-Type Activities Capital Assets, Net	<u>\$ 1,279,106</u>	<u>\$ 50,250</u>	<u>\$ -</u>	<u>\$ 1,329,356</u>

Depreciation expense was charged to functions/programs as follows:

**Governmental Activities:**

General Government	\$ 43,086
Public Safety	62,825
Highways and Streets	209,396
Culture and Recreation	93,662
Total Depreciation Expense	<u>\$ 408,969</u>

**Business-Type Activities:**

Sewer	<u>\$ 49,622</u>
-------	------------------

**TOWN OF CLIFTON, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**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, 2020 are as follows:

	<u>July 1, 2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2020</u>	<u>Due Within One Year</u>
<b>Governmental Activities</b>					
Other Liabilities:					
Compensated Absences	\$ 66,098	\$ 15,788	\$ (11,372)	\$ 70,514	\$ 70,514
Governmental Activities					
Long-term Liabilities	<u>\$ 66,098</u>	<u>\$ 15,788</u>	<u>\$ (11,372)</u>	<u>\$ 70,514</u>	<u>\$ 70,514</u>
<b>Business-Type Activities</b>					
Compensated Absences	\$ 1,521	\$ 787	\$ (523)	\$ 1,785	\$ 1,785
Business-Type Activities					
Long-Term Liabilities	<u>\$ 1,521</u>	<u>\$ 787</u>	<u>\$ (523)</u>	<u>\$ 1,785</u>	<u>\$ 1,785</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 \$530,849 and represented \$141,297 for transportation, \$259,148 for grants and \$130,404 for public safety as stipulated by external resource providers.

Assigned:

At June 30, 2020, General Fund assigned fund balance totaled \$34,219. Town management assigned fund balance as follows:

<u>Assignment</u>	<u>Balance</u>
Abatement	\$ 13,391
Outreach	999
Festival of Lights	9,112
Town General Plan Update	7,623
Magistrate	3,094
Total	<u>\$ 34,219</u>

**TOWN OF CLIFTON, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**C. Fund Balance Classification of Governmental Funds (Continued)**

Unassigned:

The unassigned fund balance in the General Fund is \$3,226,780.

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, 2020**

**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, 2020, 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, 2020, 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, 2020**

**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, 2020, the Town reported the following aggregate amounts related to pensions for all plans to which it contributes:

Statement of Net Position and Statement of Activities	Governmental Activities	Business-Type Activities	Total
Net Pension Asset	\$ 169,014	\$ -	\$ 169,014
Net Pension Liability	1,225,189	49,325	1,274,514
Deferred Outflows of Resources	248,886	5,340	254,226
Deferred Inflows of Resources	284,917	7,913	292,830
Pension Expense	116,555	(3,676)	112,879

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, 2020. The Town reported \$144,620 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](http://www.azasrs.gov).

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



**TOWN OF CLIFTON, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**B. Retirement Plans (Continued)**

**Arizona State Retirement System (Continued)**

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

\* With actuarially reduced benefits.

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

**Contributions** – In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2020, state statute required active ASRS members to contribute at the actuarially determined rate of 12.11% (11.94% for retirement and 0.17% for long-term disability) of the members' annual covered payroll, and statute required the Town to contribute at the actuarially determined rate of 12.11% (11.45% for retirement, 0.49% for the health insurance premium benefit, and 0.17% for long-term disability) of the active members' annual covered payroll.

**TOWN OF CLIFTON, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**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 10.41% (10.29% for retirement, 0.05% for health insurance premium benefit, and 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, 2020, were \$93,361.

During the fiscal year ended June 30, 2020, the Town paid for ASRS pension and OPEB contributions as follows: 88% from the General Fund, 8% from the Highway Users Revenue Fund, and 4% from the Sewer Fund.

**Pension Liability** – At June 30, 2020, the Town reported a liability of \$1,063,690 for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of June 30, 2019. 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, 2018, to the measurement date of June 30, 2019.

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, 2019. The Town's proportion measured as of June 30, 2019, was 0.00731%, which was a decrease of 0.001060% from its proportion measured as of June 30, 2018.

**Pension Expense and Deferred Outflows/Inflows of Resources** – For the year ended June 30, 2020, the Town recognized pension expense for ASRS of \$61,755. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**TOWN OF CLIFTON, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**B. Retirement Plans (Continued)**

**Arizona State Retirement System (Continued)**

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 19,216	\$ 200
Changes of assumptions or other inputs	4,496	42,358
Net difference between projected and actual earnings on pension plan investments	-	23,908
Changes in proportion and differences between Town contributions and proportionate share of contributions	7,830	104,180
Town contributions subsequent to the measurement date	93,361	-
Total	<u>\$ 124,903</u>	<u>\$ 170,646</u>

The \$93,361 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, 2021. 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>
2021	\$ (63,720)
2022	(77,196)
2023	(4,591)
2024	6,403

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

Actuarial Valuation Date	June 30, 2018
Actuarial Roll Forward Date	June 30, 2019
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, 2018 valuation were based on the results of an actuarial study for the five-year period ended June 30, 2016.

**TOWN OF CLIFTON, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**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%	6.09%
Credit	20%	5.36%
Interest Rate Sensitive Bonds	10%	1.62%
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.

**Sensitivity of the Town’s Proportionate Share of the ASRS Net Pension Liability to Changes in the Discount Rate** – The following table presents the Town’s proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as what the Town’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.5%) or one percentage point higher (8.5%) than the current rate.

**TOWN OF CLIFTON, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**B. Retirement Plans (Continued)**

**Arizona State Retirement System (Continued)**

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Town's Proportionate Share of the Net Pension Liability	\$ 1,513,877	\$ 1,063,690	\$ 687,449

**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](http://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, 2020**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**B. Retirement Plans (Continued)**

**Public Safety Personnel Retirement System (PSPRS) (Continued)**

<b>PSPRS</b>	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, 2020**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**B. Retirement Plans (Continued)**

**Public Safety Personnel Retirement System (PSPRS) (Continued)**

**Employees Covered by Benefit Terms** – At June 30, 2020, the following employees were covered by the agent pension plans’ benefit terms:

	PSPRS Police	PSPRS Firefighters
Inactive employees or beneficiaries currently receiving benefits	1	1
Inactive employees entitled to but not yet receiving benefits	1	0
Active employees	4	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, 2020, 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	13.35%	0.00%
PSPRS Tier 3	9.80%	0.00%

**TOWN OF CLIFTON, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**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, 2020, were:

	PSPRS Police	PSPRS Firefighters
Pension:		
Contributions Made	\$ 35,136	\$ 20,000

During fiscal year 2020, the Town paid for PSPRS pension and OPEB contributions 100% from the General Fund.

**Pension Liability (Asset)** – At June 30, 2020, the Town reported the following net pension liabilities (and asset):

	Net Pension Liability (Asset)
PSPRS Police	\$ (169,014)
PSPRS Firefighters	210,824

The net pension liabilities (and assets) were measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. The total liabilities as of June 30, 2019, reflect changes of actuarial assumptions to decrease the investment rate of return from 7.4% to 7.3% and update the mortality rates.



**TOWN OF CLIFTON, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**B. Retirement Plans (Continued)**

**Public Safety Personnel Retirement System (PSPRS) (Continued)**

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

Actuarial Valuation Date	June 30, 2019
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	7.30%
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, 2019, valuation were based on the results of an actuarial experience study for the five-year period ended June 30, 2016.

The long-term expected rate of return on PSPRS pension plan investments was determined to be 7.30% 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:

Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return
Short-Term Investments	2%	0.25%
Risk Parity	4%	4.01%
Fixed Income	5%	3.00%
Real Assets	9%	6.75%
GTS	12%	4.01%
Private Credit	16%	5.36%
Real Estate	10%	4.50%
Private Equity	12%	8.40%
Non-U.S. Equity	14%	5.00%
U.S. Equity	16%	4.75%
Total	100%	

**TOWN OF CLIFTON, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**B. Retirement Plans (Continued)**

**Public Safety Personnel Retirement System (PSPRS) (Continued)**

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

	PSPRS Police	PSPRS Firefighters
Discount Rates	7.30%	7.30%

At June 30, 2019, the discount rate used to measure the PSPRS total pension liability for police and firefighters was 7.30%, which was a decrease of .1% from the discount rate used as of June 30, 2018. The projection of cash flows used to determine the PSPRS discount rates assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the actuarially determined contribution rate and the member rate. Based on those assumptions, the PSPRS Police plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments for these plans to determine the total pension liability.

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

<b>PSPRS - Police</b>	Total Pension Liability (Asset)	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) - (b)
Balances as of June 30, 2019	\$ 671,748	\$ 820,041	\$ (148,293)
Changes for the Year:			
Service Cost	56,891	-	56,891
Interest on the Total Pension Liability	52,786	-	52,786
Changes of Assumptions	9,781	-	9,781
Differences Between Expected and Actual Experience in the Measurement of the Pension Liability	(48,291)	-	(48,291)
Contributions - Employer	-	26,735	(26,735)
Contributions - Employee	-	22,487	(22,487)
Net Investment Income	-	44,474	(44,474)
Benefit Payments, Including Refunds of Employee Contributions	(30,639)	(30,639)	-
Administrative Expenses	-	(1,752)	1,752
Other Changes	-	(56)	56
Net Changes	40,528	61,249	(20,721)
Balances as of June 30, 2020	\$ 712,276	\$ 881,290	\$ (169,014)

**TOWN OF CLIFTON, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**B. Retirement Plans (Continued)**

**Public Safety Personnel Retirement System (PSPRS) (Continued)**

<b>PSPRS - Firefighters</b>	Total Pension Liability (Asset) (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances as of June 30, 2019	\$ 299,739	\$ 82,184	\$ 217,555
Changes for the Year:			
Interest on the Total Pension Liability	21,024	-	21,024
Differences Between Expected and Actual Experience in the Measurement of the Pension Liability	5,535	-	5,535
Changes of Assumptions	(10,388)	-	(10,388)
Contributions - Employer	-	20,000	(20,000)
Net Investment Income	-	3,971	(3,971)
Benefit Payments, Including Refunds of Employee Contributions	(31,263)	(31,263)	-
Administrative Expenses	-	(1,069)	1,069
Other Changes	-	-	-
Net Changes	(15,092)	(8,361)	(6,731)
Balances as of June 30, 2020	<u>\$ 284,647</u>	<u>\$ 73,823</u>	<u>\$ 210,824</u>

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

	1% Decrease	Current Discount Rate	1% Increase
PSPRS Police			
Rate	6.30%	7.30%	8.30%
Net Pension Liability (Asset)	\$ (40,881)	\$ (169,014)	\$ (267,962)
PSPRS Firefighters			
Rate	6.30%	7.30%	8.30%
Net Pension Liability (Asset)	\$ 229,762	\$ 210,824	\$ 193,902

**TOWN OF CLIFTON, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**B. Retirement Plans (Continued)**

**Public Safety Personnel Retirement System (PSPRS) (Continued)**

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

**Pension Expense** – For the year ended June 30, 2020, the Town recognized the following pension expense:

	Pension Expense (Income)
PSPRS Police	\$ 37,700
PSPRS Firefighters	13,424

**Pension Deferred Outflows/Inflows of Resources** – At June 30, 2020, 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
<b>PSPRS - Police</b>		
Differences between expected and actual experience	\$ 18,499	\$ 122,184
Changes of assumptions or other inputs	40,653	-
Net difference between projected and actual earnings on pension plan investments	13,767	-
Town contributions subsequent to the measurement date	35,136	-
Total	\$ 108,055	\$ 122,184
<b>PSPRS - Firefighters</b>		
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions or other inputs	-	-
Net difference between projected and actual earnings on pension plan investments	1,268	-
Town contributions subsequent to the measurement date	20,000	-
Total	\$ 21,268	\$ -

**TOWN OF CLIFTON, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**B. Retirement Plans (Continued)**

**Public Safety Personnel Retirement System (PSPRS) (Continued)**

The amounts reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (or an increase in the net pension asset) in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>PSPRS Police</u>	<u>PSPRS Firefighters</u>
2021	\$ (2,826)	\$ 946
2022	(12,181)	(438)
2023	(6,557)	429
2024	(4,744)	331
2025	(7,855)	-
Thereafter	(15,102)	-

**C. Contingencies**

On March 11, 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Management believes the Town is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated and is still developing.

**D. Subsequent Events**

Subsequent to June 30, 2020, the Town entered into a loan agreement with the Water Infrastructure Finance Authority of Arizona for \$3,612,500 with 50% in forgivable principal (\$1,806,250). Proceeds will be used to construct a new wastewater treatment system and rehabilitate components of the Town's existing system. The loan term is 30 years with an annual interest rate of 1.764%. Principal repayments begin on July 1, 2021.

THIS PAGE BLANK

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

THIS PAGE BLANK



**TOWN OF CLIFTON, ARIZONA  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
COST-SHARING PENSION PLANS  
JUNE 30, 2020**

**Arizona State Retirement System**

	Reporting Fiscal Year (Measurement Date)					
	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
Town's Proportion of the Net Pension Liability	0.007310%	0.008370%	0.008220%	0.008320%	0.007741%	0.007601%
Town's Proportionate Share of the Net Pension Liability	\$ 1,063,690	\$ 1,167,320	\$ 1,280,516	\$ 1,342,932	\$ 1,205,701	\$ 1,124,630
Town's Covered Payroll	\$ 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	139.92%	137.70%	160.83%	180.77%	179.41%	172.56%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	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, 2020**

**PSPRS Police**

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

**PSPRS Fire**

	Reporting Fiscal Year					
	(Measurement Date)					
	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
Total Pension Liability						
Interest on the Total Pension Liability	\$ 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	5,535	8,873	25,401	(15,124)	1,237	5,127
Changes of Assumptions or Other Inputs	(10,388)	-	(71,169)	29,418	10,101	129,044
Benefit Payments, Including Refunds of Employee Contributions	(31,263)	(32,878)	(29,974)	(29,974)	(29,974)	(29,265)
Net Change in Total Pension Liability	(15,092)	(2,831)	(55,747)	(31,206)	1,189	142,991
Total Pension Liability - Beginning	299,739	302,570	358,317	389,523	388,334	245,343
Total Pension Liability - Ending (a)	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	3,971	5,677	10,685	523	3,631	15,072
Benefit Payments, Including Refunds of Employee Contributions	(31,263)	(32,878)	(29,974)	(29,974)	(29,974)	(29,265)
Administrative Expenses	(1,069)	(786)	(495)	(475)	(443)	(121)
Other Changes	-	1	2	-	(110)	-
Net Change in Plan Fiduciary Net Position	(8,361)	(7,986)	218	(9,926)	(6,896)	(12,314)
Plan Fiduciary Net Position - Beginning	82,184	90,170	89,952	99,878	106,774	119,088
Plan Fiduciary Net Position - Ending (b)	73,823	82,184	90,170	89,952	99,878	106,774
Town's Net Pension Liability (Asset) - Ending (a) - (b)	<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	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%

See accompanying Notes to Pension Plan Schedules.

**TOWN OF CLIFTON, ARIZONA  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF TOWN PENSION CONTRIBUTIONS  
JUNE 30, 2020**

**Arizona State Retirement System**

	Reporting Fiscal Year						
	2020	2019	2018	2017	2016	2015	2014
Statutorily Required Contribution	\$ 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>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>
Town's Covered Payroll	\$ 798,003	\$ 760,209	\$ 847,746	\$ 796,204	\$ 742,915	\$ 672,018	\$ 651,743
Town's Contributions as a Percentage of Covered Payroll	11.70%	11.28%	10.69%	11.26%	12.07%	11.47%	11.25%

**PSPRS Police**

	Reporting Fiscal Year						
	2020	2019	2018	2017	2016	2015	2014
Actuarially Determined Contribution	\$ 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>35,136</u>	<u>35,136</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>\$ (414)</u>	<u>\$ 17,956</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's Covered Payroll	\$ 383,596	\$ 356,565	\$ 358,893	\$ 307,843	\$ 295,125	\$ 356,052	\$ 313,353
Town's Contributions as a Percentage of Covered Payroll	9.16%	9.85%	7.07%	10.96%	13.43%	10.29%	11.31%

**PSPRS Fire**

	Reporting Fiscal Year						
	2020	2019	2018	2017	2016	2015	2014
Actuarially Determined Contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,171
Town's Contribution in Relation to the Actuarially Determined Contribution	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>2,000</u>
Town's Contribution Deficiency (Excess)	<u>\$ (20,000)</u>	<u>\$ (20,000)</u>	<u>\$ (20,000)</u>	<u>\$ (20,000)</u>	<u>\$ (20,000)</u>	<u>\$ (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%

\* 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, 2020**

**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 2018 Actuarial Valuation	21 years for unfunded actuarial accrued liability, 20 years for excess
Asset Valuation Method	7-year smoothed market value; 80%/120% market corridor
Actuarial Assumptions: Investment Rate of Return	In the 2017 actuarial valuation, the investment rate of return was decreased from 7.5% to 7.4%. In the 2016 actuarial valuation, the investment rate of return was decreased from 7.85% to 7.5%. In the 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%.
Projected Salary Increases	In the 2017 actuarial valuation, projected salary increases were decreased from 4.0%-8.0% to 3.5%-7.5%. In the 2014 actuarial valuation, projected salary increases were decreased from 4.5%-8.5% to 4.0%-8.0%. In the 2013 actuarial valuation, projected salary increases were decreased from 5.0%-9.0% to 4.5%-8.5%.
Wage Growth	In the 2017 actuarial valuation, wage growth was decreased from 4.0% to 3.5%. In the 2014 actuarial valuation, wage growth was decreased from 4.5% to 4.0%. In the 2013 actuarial valuation, wage growth was decreased from 5.0% to 4.5%.
Retirement Age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006-June 30, 2011.
Mortality	In the 2017 actuarial valuation, changed to RP-2014 tables, with 75% of MP-2016 fully generational projection scales. 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, 2020**

**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, 2020**

	Original and Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>			
Taxes	\$ 1,264,363	\$ 1,645,253	\$ 380,890
Intergovernmental Revenue	1,236,976	1,222,690	(14,286)
Fines and Forfeitures	30,800	22,437	(8,363)
Licenses and Permits	13,500	13,524	24
Charges for Services	1,000	1,565	565
Rents and Royalties	2,000	1,854	(146)
Investment Earnings	700	1,825	1,125
Other	11,800	22,564	10,764
Total Revenues	<u>2,561,139</u>	<u>2,931,712</u>	<u>370,573</u>
<b>EXPENDITURES</b>			
Current:			
General Government:			
Administration	477,845	425,468	52,377
Mayor and Council	133,747	26,013	107,734
Magistrate	159,678	151,369	8,309
Code Enforcement	66,727	57,747	8,980
Total General Government	<u>837,997</u>	<u>660,597</u>	<u>177,400</u>
Public Safety:			
Police	499,467	393,031	106,436
Dispatch/Communication	258,892	180,807	78,085
Animal Control	59,872	54,313	5,559
Fire Department	115,661	77,079	38,582
Total Public Safety	<u>933,892</u>	<u>705,230</u>	<u>228,662</u>
Highways and Streets			
Public Works	596,029	408,253	187,776
Culture and Recreation:			
Parks	136,718	108,661	28,057
Library	105,103	97,474	7,629
Total Culture and Recreation	<u>241,821</u>	<u>206,135</u>	<u>35,686</u>
Total Expenditures	<u>2,609,739</u>	<u>1,980,215</u>	<u>629,524</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(48,600)	951,497	1,000,097
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from Sale of Capital Assets	-	1,440	1,440
<b>NET CHANGE IN FUND BALANCE</b>	(48,600)	952,937	1,001,537
Fund Balance - Beginning of Year	50,000	2,377,410	2,327,410
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 1,400</u>	<u>\$ 3,330,347</u>	<u>\$ 3,328,947</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, 2020**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>REVENUE</b>			
Intergovernmental Revenue	\$ 442,461	\$ 593,137	\$ 150,676
Other	-	1,277	1,277
Total Revenue	<u>442,461</u>	<u>594,414</u>	<u>151,953</u>
<b>EXPENDITURES</b>			
Current:			
Highways and Streets	<u>853,663</u>	<u>560,807</u>	<u>292,856</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES</b>	(411,202)	33,607	444,809
Fund Balance - Beginning of Year	<u>411,202</u>	<u>107,690</u>	<u>(303,512)</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ -</u>	<u>\$ 141,297</u>	<u>\$ 141,297</u>

See accompanying Notes to the Required Supplementary Information.



**TOWN OF CLIFTON, ARIZONA  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2020**

**NOTE 1 BASIS OF ACCOUNTING**

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

**NOTE 2 BUDGETARY COMPARISON SCHEDULE RECONCILIATION**

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

	General Fund				Fund Balance Beginning of Year	Fund Balance End of Year
	Total Revenues	Total Expenditures	Other Financing Sources/Uses	Change in Fund Balance		
Statement of Revenues, Expenditures, and Changes in Fund Balance	\$ 3,479,561	\$ 2,484,194	\$ 1,440	\$ 996,807	\$ 2,402,338	\$ 3,399,145
Adjustments for other internally maintained funds	<u>(547,849)</u>	<u>(503,979)</u>	<u>-</u>	<u>(43,870)</u>	<u>(24,928)</u>	<u>(68,798)</u>
Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual	<u>\$ 2,931,712</u>	<u>\$ 1,980,215</u>	<u>\$ 1,440</u>	<u>\$ 952,937</u>	<u>\$ 2,377,410</u>	<u>\$ 3,330,347</u>

