

NOTES TO THE FINANCIAL  
STATEMENTS

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# CITY OF CLIFTON, TENNESSEE

## Notes to Financial Statements

June 30, 2021

### (1) Summary of Significant Accounting Policies

The City of Clifton, Tennessee, was incorporated by the Private Act of the Tennessee General Assembly. The City provides the following services, as authorized by its charter and duly passed ordinances: public safety (Police and Fire), water and sewerage, natural gas, streets, sanitation, recreations, public improvements, planning and zoning, and general administrative services. The accounting policies of the City of Clifton, Tennessee conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

#### Reporting Entity:

In evaluating the City as a reporting entity, management follows all applicable GASB statements and has addressed all potential component units (traditionally separate reporting entities) for which the City may be financially accountable and, as such, should be included within the City's financial statements. The City (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefit or to impose specific financial burden on the City. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The City has one component unit at yearend – Clifton Airport Authority. The financial statements of the Clifton Airport Authority can be found at City Hall.

The financial statements now include government-wide financial statements prepared on the accrual basis of accounting and the economic measurement focus for all funds. The fund financial statements present information for individual major funds rather than by fund type. Nonmajor funds are presented in one column. The reporting includes the reporting of capital assets, infrastructure and depreciation, the elimination of account groups, and the inclusion of management's discussion and analysis. The government-wide financial statements present the City's programs between business-type and governmental activities.

# CITY OF CLIFTON, TENNESSEE

## Notes to Financial Statements

June 30, 2021

### (1) Summary of Significant Accounting Policies, Continued

#### Government -Wide and Fund Financial Statements

The Government-wide financial statements, the statement of Net Position and the statement of changes in Net Position, report information on all of the nonfiduciary activities of the primary government and its component units. For the most part the effect of the interfund activity has been removed from these statements. Government activities, which normally are 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 (i) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and (ii) 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 as general revenues.

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

#### 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, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund revenues are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they become both measurable and collectable within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers property taxes and most governmental revenues as available if received within 45 days of years end. Expenditures generally when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

Property taxes, state shared revenues, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period using the criteria specified in the paragraph above. All other revenue items are considered to be measurable and available only when cash is received by the government.

# CITY OF CLIFTON, TENNESSEE

## Notes to Financial Statements

June 30, 2021

### (1) Summary of Significant Accounting Policies, Continued

The government reports the following major funds:

**General Fund** - The General Fund is the general operating fund of the City. It is used to account for all financial resources of the general government except those required to be accounted for in another fund.

**State Street Aid Fund** - To account for the receipt and usage of the City's share of State gasoline taxes. State law requires these gasoline taxes to be used to maintain streets.

**Sanitation Fund** - To account for the revenues and expenditures of the City's Sanitation Department.

**Drug Fund** - To account for the police department's drug enforcement activities.

**River Resort Act Fund** – Account for the proceeds and usage of the River Resort Act fund.  
The government reports the following major proprietary funds:

The Utility Funds are used to account for water, sewer and natural gas operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments- in-lieu taxes and other charges between the government's utilities and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include (i) charges to customers or applicants for goods, services, or privileges provided, (ii) operating grants and contributions, and (iii) capital grants and contributions. General revenues include all taxes and internally dedicated resources. 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 various utility funds are charges to customers for sales and services. The Utility Fund also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed. When unrestricted funds are used the City uses committed, assigned then unassigned funds.

# CITY OF CLIFTON, TENNESSEE

## Notes to Financial Statements

June 30, 2021

### (1) Summary of Significant Accounting Policies, Continued

#### Cash and Cash Equivalents

Cash and cash equivalents consist primarily of savings accounts, certificates of deposit with original maturities three months or less and amounts held by the State Local Government Investment Pool.

#### Receivables and Payables

Activity between funds that are representative of lending/ borrowing arrangements outstanding at the end of the fiscal year are referred to as either due from/ due to other funds (i.e. the current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available resources. All trade receivables are shown net of an allowance for uncollectible, if applicable.

#### Property Tax

The City's property tax is levied each November 1 on the assessed value listed as of the prior January 1 for all real and personal property located in the City's legal boundaries. All City taxes on real estate are declared to be a lien on such realty from January 1 of the year assessments are made.

Assessed values are established by the State of Tennessee at the following rates of appraised market value:

Public Utility Property	55%
Industrial and Commercial Property	
- Real	40%
- Personal	30%
Farm and Residential Property	25%

Taxes were levied at a rate of \$1.0000 per \$100 of assessed valuation for the fiscal year.

Payments may be made during the period from November 1 through March 31. Current tax collections of \$157,314 for the fiscal year ended June 30, 2021 were approximately 94 percent of the tax levy.

Delinquent taxes are turned over to the City Attorney for collection as required by the City Municipal Code.

#### Restricted Assets

Certain proceeds of the Enterprise Fund bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on their respective balance sheets because they are maintained in separate bank accounts and their use is either limited by applicable bond covenants or represent proceeds from bond issues that are restricted for use in construction.

**CITY OF CLIFTON, TENNESSEE**

Notes to Financial Statements

June 30, 2021

**(1) Summary of Significant Accounting Policies, Continued**

Capital Assets

Capital assets, which include property, plant and equipment, and certain improvements other than buildings, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an individual cost of \$5,000 and an estimated useful life in excess of three years. All capital assets are valued at historical cost or estimated useful life in excess of three years. All capital assets are valued at historical cost or estimated historical cost, if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Depreciation is provided over the estimated useful lives using the straight-line method.

The estimated useful lives are as follows:

Infrastructure	40-50 years
Buildings	10-50 years
Utility Plant in Service	10-50 years
Furniture and Equipment	5-10 years

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has two items (pension and OPEB) that qualify for reporting in this category.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has items that qualify for reporting in this category. Accordingly, the items are reported in the government-wide Statement of Net Position and the governmental funds balance sheet. These revenues are from the following sources: current and delinquent property taxes, which do not meet the availability criteria in governmental funds. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Additionally, the City has two items (pension related and OPEB related) that qualifies for reporting in this category.

# CITY OF CLIFTON, TENNESSEE

## Notes to Financial Statements

June 30, 2021

### (1) Summary of Significant Accounting Policies, Continued

#### Budgets and Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Formal budgets are adopted and approved by Council vote on an annual basis for the General and Special Revenue Funds. These budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
- b. The City Council approves, by ordinance, total budget appropriations by department only. The Mayor is authorized to transfer budget amounts between line items within each department; however, any revisions that alter the total appropriations of any fund must be approved by the City Council.
- c. The budget amounts shown in the financial statements are the final authorized amounts as amended during the year.

#### Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of Net Position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds and are presented in the accompanying financial statements as other assets.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

#### Government Wide – Net Position

Net position is a component of equity and is displayed in the following three components:

**Net Investment in Capital Assets** – Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds that are attributable to the acquisition, construction, or improvement of those assets; debt related to unspent proceeds or other restricted cash and investments is excluded from the determination.

**Restricted** – Consists of net position for which constraints are placed thereon by external parties, such as lenders, grantors, contributors, laws, regulations, and enabling legislation, including self-imposed legal mandates, less any related liabilities. The restrictions are evident from the classification titles.

**Unrestricted** – All other net position that does not meet the description of the above categories.

# CITY OF CLIFTON, TENNESSEE

## Notes to Financial Statements

June 30, 2021

### (1) Summary of Significant Accounting Policies, Continued

#### Fund Balance

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

**Nonspendable Fund Balance** - This classification includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes terms that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term notes receivable.

**Restricted Fund Balance** - This classification includes amounts that are restricted for specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted with the consent of resource providers.

**Committed Fund Balance** - This classification includes amounts that can only be used for the specific purposes determined by a formal action of the City’s highest level of decision-making authority, the City Council. Commitments may be changed or lifted only by the City taking the same formal action that imposed the constraint originally (for example: ordinance).

**Assigned Fund Balance** - This classification included amounts intended to be used by the City for specific purposes that are neither restricted nor committed. The City Council and its designee, the Recorder, have the authority to assign amounts to be used for specific purposes. Assigned amounts also include all residual amounts in governmental funds (except negative amounts) that are not classified as nonspendable, restricted, or committed.

**Unassigned Fund Balance** - This fund balance is the residual classification for the general fund. It is also used to report negative fund balances in other governmental funds.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned, and unassigned.

#### Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.



# CITY OF CLIFTON, TENNESSEE

## Notes to Financial Statements

June 30, 2021

### (1) Summary of Significant Accounting Policies, Continued

#### Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Financial instruments that potentially subject the City to significant concentrations of credit risk consist principally of cash and accounts receivable. The City places its cash with federally-insured financial institutions, institutions participating in the State collateral pool. With respect to accounts receivable, credit risk is dispersed across a large number of customers concentrated within one area of service.

#### Inventory

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

#### Compensated Absences

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

	July 1, <u>2020</u>	Addi- <u>tions</u>	Retire- <u>ments</u>	June 30, <u>2021</u>
Governmental activities	<u>15,952</u>	<u>5,449</u>	<u>-</u>	<u>21,401</u>
Business-type activities	<u>13,805</u>	<u>-</u>	<u>1,166</u>	<u>12,639</u>

#### Other Post-Employment Benefit Plan- (OPEB)

For the purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other postemployment benefits, and OPEB expense, information about the fiduciary net position of the City of Clifton's participation in the Local Government OPEB Plan (LGOP), and additions to/deductions from the City of Clifton fiduciary net position have been determined on the same basis as they are reported by the LGOP. For this purpose, benefits are recognized when due and payable in accordance with benefit terms of the LGOP.

#### Pension

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

**CITY OF CLIFTON, TENNESSEE**

Notes to Financial Statements

June 30, 2021

**(2) Cash and Cash Equivalents**

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

For deposits with financial institutions that do not participate in the bank collateral pool, state statutes require that all deposits be collateralized with collateral whose market value is equal to 105 percent of the uninsured amount of the deposits. The collateral must be placed by the depository bank in an escrow account in a second bank for the benefit of the city. ~~Cash and cash equivalents were adequately covered by federal depository insurance, insured by the depository bank's participation in the State of Tennessee Bank Collateral Pool or collateralized by securities, pledged for deposits, held by an independent third-party financial institution under the terms of a safekeeping collateral agreement in the City's name. Investment policies of the City follow state law and bond requirements prohibiting investments that are not secured or insured by the U.S. Government.~~

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

**CITY OF CLIFTON, TENNESSEE**

Notes to Financial Statements

June 30, 2021

**(3) Accounts Receivable**

Accounts receivable at yearend, consist of the following:

<u>Fund</u>	<u>Other Government</u>	<u>Property Taxes</u>	<u>Customer Accounts</u>	<u>Total</u>
General Fund	\$ 81,718	174,240	-	255,958
Special Revenue Fund	22,251	-	15,520	37,771
Enterprise Fund	-	-	146,771	146,771
Less allowance for doubtful accounts	<u>-</u>	<u>-</u>	<u>(820)</u>	<u>(820)</u>
Total	<u>\$ 103,969</u>	<u>174,240</u>	<u>161,471</u>	<u>439,680</u>

**(4) Capital Assets**

**Primary Government:**

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

	<u>Balance July 1, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2021</u>
Land, buildings and improvements	\$ 2,507,719	191,711	-	2,699,430
Equipment	<u>919,382</u>	<u>38,103</u>	<u>-</u>	<u>957,485</u>
Total	<u>\$ 3,427,101</u>	<u>229,814</u>	<u>-</u>	<u>3,656,915</u>
Less Accumulated depreciation	<u>(1,201,746)</u>			<u>(1,363,652)</u>
Net capital assets in service	<u>\$ 2,225,355</u>			<u>2,293,263</u>

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

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

General Fund:

General government administration	\$ 50,106
Police department	24,294
Fire department	45,962
Highways and Streets	37,948
Parks	<u>3,596</u>
Total	161,906

**CITY OF CLIFTON, TENNESSEE**

Notes to Financial Statements

June 30, 2021

**(4) Capital Assets, Continued**

**Component Unit:**

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

	Balance <u>July 1, 2020</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2021</u>
Land, buildings and improvements	\$ 2,061,873	-	-	2,061,873
Construction in progress	124,256	72,178	-	196,434
Equipment	<u>348,902</u>	<u>-</u>	<u>-</u>	<u>348,902</u>
Total	\$ <u>2,535,031</u>	<u>72,178</u>	<u>-</u>	<u>2,607,209</u>
Less Accumulated depreciation	<u>(616,144)</u>			<u>(677,181)</u>
Net capital assets in service	\$ <u>1,918,887</u>			<u>1,930,028</u>

Land of \$76,228 and Construction in progress of \$196,434 are not being depreciated. Depreciation expense was charged to the Component Unit in the amount of \$61,037.

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

	Balance <u>July 1, 2020</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2021</u>
Land and buildings	\$ 239,946	-	-	239,946
Utility plant	10,209,033	37,250	-	10,246,283
Construction in progress	44,725	108,049	-	152,774
Equipment	<u>388,237</u>	<u>12,882</u>	<u>-</u>	<u>401,119</u>
Total	<u>10,881,941</u>	<u>158,181</u>	<u>-</u>	<u>11,040,122</u>
Less accumulated depreciation	<u>(6,389,530)</u>			<u>(6,697,499)</u>
Net plant in service	\$ <u>4,492,411</u>			<u>4,342,623</u>

All assets except land and land rights of \$174,301 and Construction in progress of \$152,774 are being depreciated. Depreciation expense was \$307,969 in 2021.

**CITY OF CLIFTON, TENNESSEE**

Notes to Financial Statements

June 30, 2021

**(4) Capital Assets, Continued**

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

	<u>Balance</u> <u>July 1, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2021</u>
Utility plant	\$ 791,455	71,340	-	862,795
Buildings	15,585	-	-	15,585
Equipment	<u>76,645</u>	<u>-</u>	<u>-</u>	<u>76,645</u>
Total	<u>883,685</u>	<u>71,340</u>	<u>-</u>	<u>955,025</u>
Less accumulated depreciation	<u>(593,471)</u>			<u>(621,188)</u>
Net plant in service	\$ <u>290,214</u>			<u>333,837</u>

All assets are being depreciated. Depreciation expense was \$27,717 for the year ended.

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

The following schedule reflects the changes in long-term debt, as shown in the General Obligation Debt during the fiscal year 2021.

**Primary Government:**

Direct Loan

		<u>Balance</u> <u>July 1,</u> <u>2020</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30,</u> <u>2021</u>
Capital Outlay Notes and Bonds Payable	<u>Interest Rates</u>				
Capital Outlay – Fire truck	3.00%	\$ 418,573	<u>-</u>	<u>(41,763)</u>	<u>376,810</u>
		<u>\$ 418,573</u>	<u>-</u>	<u>(41,763)</u>	<u>376,810</u>

**CITY OF CLIFTON, TENNESSEE**

Notes to Financial Statements

June 30, 2021

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

The following schedule reflects the changes in long-term debt, as shown in the Enterprise (Water and Sewer) Fund during the fiscal year 2021.

Direct loan

		<u>Interest Rates</u>	<u>Balance July 1, 2020</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2021</u>
<b>Bonds and Notes Payable:</b>						
State Loan		4.00%	<u>8,674</u>	<u>-</u>	<u>(8,674)</u>	<u>-</u>
Total			<u>8,674</u>	<u>-</u>	<u>(8,674)</u>	<u>-</u>

Principal and interest requirements to maturity on all outstanding bonds, loans and obligations as of June 30, 2021, are as follows:

**Primary Government:**

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>
2022	42,638	8,981
2023	43,917	7,702
2024	45,235	6,384
2025	46,592	5,027
2026	47,990	3,629
2027-2029	<u>150,438</u>	<u>3,437</u>
Total	<u>\$ 376,810</u>	<u>35,160</u>

# CITY OF CLIFTON, TENNESSEE

## Notes to Financial Statements

June 30, 2021

### (6) Pension Plan

#### General Information about the Pension Plan

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

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

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

*Employees covered by benefit terms.* At the measurement date of June 30, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	8
Inactive employees entitled to but not yet receiving benefits	20
Active employees	<u>17</u>
Total	<u>45</u>

CITY OF CLIFTON, TENNESSEE

Notes to Financial Statements

June 30, 2021

(6) Pension Plan, Continued

*Contributions.* Contributions for employees are established in the statutes governing the TCRS and may only be charged by the Tennessee General Assembly. Employees contribute 5 percent of salary. Clifton makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2021, employer contributions for Clifton were \$4,671 based on a rate of (0.00%) percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept Clifton's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability (Asset)

Clifton's net pension liability (asset) was measured as of June 30, 2020, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

*Actuarial assumptions.* The total pension liability as of June 30, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

<i>Inflation</i>	2.5 percent
<i>Salary increases</i>	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation averaging 4.00 percent.
<i>Investment rate of return</i>	7.25 percent, net of pension plan investment expenses, including inflation.
<i>Cost-of-Living Adjustment</i>	2.25 percent

Mortality rates were based on actual experience including an adjustment for some anticipated improvement.

The actuarial assumptions used in the June 30, 2020 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012 through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.



## CITY OF CLIFTON, TENNESSEE

### Notes to Financial Statements

June 30, 2021

**(6) Pension Plan, Continued**

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2016 actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best-estimates are combined to produce the long-term expected rate of return by weighting the expected future real rates by return by the target asset allocation percentage and by adding expected inflation of 2.5 percent. The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

<u>Asset class</u>	<u>Long-term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. equity	5.69%	31%
Developed market international equity	5.29%	14%
Emerging market international equity	6.36%	4%
Private equity and strategic lending	5.79%	20%
U.S. fixed income	2.01%	20%
Real Estate	4.32%	10%
Short-term securities	0.00%	<u>1%</u>
Total		<u>100%</u>

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.25 percent based on a blending of the three factors described above.

*Discount rate.* The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from Clifton will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**CITY OF CLIFTON, TENNESSEE**

Notes to Financial Statements

June 30, 2021

**(6) Pension Plan, Continued**

Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (Asset)	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) - (b)
<b>Balance at 6/30/19</b>	<u>\$1,348,808</u>	<u>\$1,864,506</u>	<u>(\$515,698)</u>
<b>Changes for the Year:</b>			
Service Cost	50,673	-	50,673
Interest	99,491	-	99,491
Differences between expected and actual experience	56,539	-	56,539
Changes in benefit terms	-	-	-
Changes in assumptions	-	-	-
Contributions-employer	-	8,650	(8,650)
Contributions-employees	-	28,833	(28,833)
Net investment income	-	92,026	(92,026)
Benefit payments, including refunds of employee contributions	(54,389)	(54,389)	-
Administrative expense	-	(1,442)	1,442
Other changes	-	-	-
<b>Net changes</b>	<u>152,314</u>	<u>73,678</u>	<u>78,636</u>
<b>Balance at 6/30/20</b>	<u>\$ 1,501,122</u>	<u>\$ 1,938,184</u>	<u>\$ (437,062)</u>

*Sensitivity of the net pension liability (asset) to changes in the discount rate.* The following presents the net pension liability (asset) of Clifton calculated using the discount rate of 7.25 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Clifton's net pension Liability (asset)	(246,958)	(437,062)	(592,574)

**CITY OF CLIFTON, TENNESSEE**

Notes to Financial Statements

June 30, 2021

**(6) Pension Plan, Continued**

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

*Pension expense (Negative Pension Expense).* For the year ended June 30, 2021, Clifton recognized negative pension expense of \$(27,895).

*Deferred outflows of resources and deferred inflows of resources.* For the year ended June 30, 2021, Clifton reported deferred outflows or resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and Actual experience	53,085	89,564
Net difference between projected and Actual earning on pension plan		
Investments	14,343	-
Changes in Assumptions	10,236	-
Contributions subsequent to the Measurement date of June 30, 2020	<u>4,671</u>	<u>-</u>
Total	<u>82,335</u>	<u>89,564</u>

The amount shown above for “Contributions subsequent to the measurement date of June 30, 2020,” will be recognized as a reduction (increase) to net position liability (asset) in the following measurement period.

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

Year Ended June 30:	
2022	(30,516)
2023	(15,070)
2024	(8,904)
2025	17,498
2026	9,001
Thereafter	8,077

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

**CITY OF CLIFTON, TENNESSEE**

Notes to Financial Statements

June 30, 2021

**(7) - OTHER POSTEMPLOYMENT BENEFITS FOR RETIREE HEALTH INSURANCE**

*Plan description* – Employees of the City, who were hired prior to July 1, 2015, are provided with pre-65 retiree health insurance benefits through the closed Local Government OEB Plan (LGOP administered by the Tennessee Department of Finance and Administration. This plan is considered to be multiple-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB). However, for accounting purposes, this plan will be treated as a single-employer plan. All eligible pre-65 retired employees and disability participants of local governments, who chose coverage, participate in the LGOP. This plan is closed to the employees of all participating employers that were hired on or after July 1, 2015.

*Benefits provided* -The City offers the LGOP to provide health insurance coverage to eligible pre-65 retirees and disabled participants of local governments. Insurance coverage is the only postemployment benefit provided to retirees. An insurance committee created in accordance with TCA 8-27-701 establishes and amends the benefit terms of the LGOP. All members have the option of choosing between the premier preferred provider organization (PPO), standard PPO, limited PPO or the wellness health-savings consumer-driven health plan (CDHP) for healthcare benefits. Retired plan members, of the LGOP, receives the same plan benefits as active employees, at a blended premium rate that considers the cost of all participants. This creates an implicit subsidy for retirees. Participating employers determine their own policy related to direct subsidies provided for the retiree premiums. The City does not directly subsidize and are only subject to the implicit. The LGOP is funded on a pay-as-you-go basis and there are no assets accumulating in a trust that meets the criteria of paragraph 4 of GASB Statement NO. 75.

*Employees covered by benefit terms.* At July 1, 2020, the following employees were covered by the benefit terms of the LGOP:

Inactive employees or beneficiaries currently receiving benefits	1
Inactive employees entitled to but not yet receiving benefits	0
Active employees	<u>16</u>
Total	<u>17</u>

An insurance committee, created in accordance with TCA 8-27-701, establishes the required payments to the LGOP by member employers and employees through the blended premiums established for active and retired employees. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to established premium rates. For the fiscal year ended June 30, 2021, the City paid \$8,290 to the LGOP for OPEB benefits as they came due.

CITY OF CLIFTON, TENNESSEE

Notes to Financial Statements

June 30, 2021

(7) **Other Postemployment Benefits For Retiree Health Insurance, Continued**

**Total OPEB Liability**

*Actuarial assumptions*-The total OPEB liability on the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all the periods included in the measurement, unless otherwise specified.

Inflation -	2.10%
Salary increases -	Graded salary ranges from 3.44 to 8.72 percent based on age, including inflation, averaging 4 percent.
Healthcare cost trend rates –	9.02% for pre-65 in 2020, decreasing annually over a 10-year period to an ultimate rate of 4.50%. 7.56% for post-65 in 2020, decreasing annually over a 4-year period to an ultimate rate of 4.50%
Retiree’s share of benefit-related costs –	Members are required to make monthly contributions in order to maintain their coverage. For the purpose of this valuation a weighted average has been used with weights derived from the current distributions of members among plans offered.

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2020, valuations were the same as those employed in the July 1, 2019, Pension Actuarial Valuation of the Tennessee Consolidated Retirement System (TCRS). These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2012- June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality tables were used to measure the probabilities of participants dying before and after retirement. The mortality rates employed in this valuation are taken from the RP-2014 Healthy Participant Mortality Table for Annuitants for non-disabled post retirement mortality, with mortality improvement projected to all future years using Scale MP-2016. Post-retirement tables are Blue Collar and adjusted with a 2% load for males and a -3% load for females. Mortality rates for impaired lives are the same as those used by TCRS and are taken from a gender distinct table published in the IRS Ruling 96-7 for disabled lives with a 10% load.

*Discount rate*-The discount rate used to measure the total OPEB liability was 2.21 percent. This rate reflects the interest rate derived from yields on a 20-year, tax exempt general obligation municipal bonds, prevailing on the measurement date, with an average rating of AA/Aa as shown on the Fidelity 20-year Municipal GO AA index.

**CITY OF CLIFTON, TENNESSEE**

Notes to Financial Statements

June 30, 2021

**(7) Other Postemployment Benefits For Retiree Health Insurance, Continued**

**Changes in the Total OPEB Liability**

	Total OPEB Liability (a)
Total OPEB liability - beginning balance	\$ 113,077
Changes for the year:	
Service cost	\$ 14,901
Interest	\$ 4,481
Changes of benefit terms	\$ (51,246)
Differences between expected and actual experience	\$ 75,198
Change in assumptions	\$ 12,116
Benefit payments	\$ (648)
Net changes	\$ 54,802
Total OPEB liability - ending balance	\$ 167,879

*Changes in assumptions*-The discount rate was changed from 3.51% as of the beginning of the measurement period to 2.21% as of June 30, 2020. This change in assumption decreased the total OPEB liability. Other changes in assumptions include adjustments to initial per capita costs and health trend rates.

*Sensitivity of total OPEB liability to changes in the discount rate*-The following presents the total OPEB liability related to the LGOP, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage higher than the current discount rate.

	Current Discount Rate Assumption	
1% Decrease		1% Increase
<u>(1.21%)</u>	<u>(2.21%)</u>	<u>(3.21%)</u>
\$178,722	\$167,879	\$157,826

*Sensitivity of total OPEB liability to changes in the healthcare cost trend rate* – The following presents the total OPEB liability related to the LGOP, as well as what the total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-lower or 1-percentage-point-higher than the current healthcare cost trend rate.

	Current Healthcare Cost Trend Rate Assumption	
1% Decrease		1% Increase
<u>(8.02/6.56% Decreasing to 3.50%)</u>	<u>(9.02/7.56% decreasing to 4.50%)</u>	<u>(10.02/8.56% decreasing to 5.50%)</u>
\$ 153,915	\$ 167,879	\$ 184,547

**CITY OF CLIFTON, TENNESSEE**

Notes to Financial Statements

June 30, 2021

**(7) Other Postemployment Benefits For Retiree Health Insurance, Continued**

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

OPEB Expense - For the fiscal year ended June 30, 2021, the City of Clifton recognized OPEB expense of \$22,243.

Deferred Outflows of Resources and Deferred Inflows of Resources - For the year ended June 30, 2021, the City of Clifton reported deferred outflows of resources and deferred inflows of resources related to OPEB benefits in the LGOP from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and Actual experience	65,739	8,635
Changes in assumptions	12,107	664
Employer payments subsequent to The measurement date	<u>8,290</u>	<u>-</u>
Total	<u>86,136</u>	<u>9,299</u>

~~The amounts shown above for "Employer payments subsequent to the measurement date" will be recognized as a reduction to total OPEB liability in the following measurement period.~~

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in employee benefit expense as follows:

Year Ended June 30:	
2022	9,621
2023	9,621
2024	9,621
2025	9,621
2026	9,621
Thereafter	<u>20,442</u>

In the table shown above, positive amounts will increase employee benefit expense while negative amounts will decrease OPEB expense.

# CITY OF CLIFTON, TENNESSEE

## Notes to Financial Statements

June 30, 2021

### **(8) Commitments and Contingencies**

#### Litigation:

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

#### Grants:

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

### **(9) Risk Management**

The City of Clifton is exposed to various risks to general liability and property and casualty losses. The City has decided it was more economically feasible to join a public entity risk pool as opposed to purchasing commercial insurance for general liability and property and casualty coverage. The City participates in the Public Entity Partners formerly (TML Insurance Pool) which is a public entity risk pool established by the Tennessee Municipal League, an association of member cities. The City pays an annual premium for its general liability and property and casualty insurance coverage. The creation of the pool provides for it to be self-sustaining through member premiums.

The City has not had claims in excess of insurance coverage during the last three years.

### **(10) Major Customer**

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



REQUIRED  
SUPPLEMENTARY  
INFORMATION

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**CITY OF CLIFTON, TENNESSEE**

**Schedule of Required Supplementary Information**

**Schedule of Changes in Net Pension Liability (Asset) and Related Ratios Based on Participation in the Public Employee Pension Plan of TCRS**

**Last Fiscal Year ending June 30**

	2014	2015	2016	2017	2018	2019	2020
<b>Total pension liability (asset)</b>							
Service cost	\$ 33,516	\$ 36,667	\$ 33,368	\$ 32,420	\$ 76,330	\$ 51,671	\$ 50,673
Interest	\$ 78,285	\$ 85,435	\$ 90,015	\$ 88,838	\$ 85,219	\$ 91,997	\$ 99,491
Changes in benefit terms	-	-	\$ -	\$ -	\$ -	\$ -	\$ -
Differences between actual & expected experience	\$ 4,810	\$ (31,357)	\$ (75,975)	\$ (134,340)	\$ (11,611)	\$ 6,471	\$ 56,539
Change of assumptions	-	-	-	\$ 23,888	\$ -	\$ -	\$ -
Benefit payments, including refunds of employee contributions	\$ (19,241)	\$ (29,619)	\$ (23,135)	\$ (101,177)	\$ (26,400)	\$ (37,171)	\$ (54,389)
<b>Net change in total pension liability (asset)</b>	<b>\$ 97,370</b>	<b>\$ 61,126</b>	<b>\$ 24,273</b>	<b>\$ (90,371)</b>	<b>\$ 123,538</b>	<b>\$ 112,968</b>	<b>\$ 152,314</b>
<b>Total pension liability (asset)-beginning</b>	<b>\$ 1,019,904</b>	<b>\$ 1,117,274</b>	<b>\$ 1,178,400</b>	<b>\$ 1,202,673</b>	<b>\$ 1,112,302</b>	<b>\$ 1,235,840</b>	<b>\$ 1,348,808</b>
<b>Total pension liability (asset)-ending (a)</b>	<b>\$ 1,117,274</b>	<b>\$ 1,178,400</b>	<b>\$ 1,202,673</b>	<b>\$ 1,112,302</b>	<b>\$ 1,235,840</b>	<b>\$ 1,348,808</b>	<b>\$ 1,501,122</b>
<b>Plan fiduciary net position</b>							
Contributions-employer	\$ 29,290	\$ 29,518	\$ 28,152	\$ 24,734	\$ 35,918	\$ 16,687	\$ 8,650
Contributions-employee	\$ 21,922	\$ 23,171	\$ 21,072	\$ 18,514	\$ 26,885	\$ 27,811	\$ 28,833
Net investment income	\$ 187,439	\$ 41,428	\$ 37,409	\$ 162,141	\$ 131,229	\$ 129,006	\$ 92,026
Benefit payments, including refunds of employee contributions	\$ (19,241)	\$ (29,619)	\$ (23,135)	\$ (101,177)	\$ (26,400)	\$ (37,171)	\$ (54,389)
Administrative expense	\$ (545)	\$ (650)	\$ (959)	\$ (985)	\$ (1,497)	\$ (1,466)	\$ (1,442)
Other	-	-	-	-	-	-	-
<b>Net change in plan fiduciary net position</b>	<b>\$ 218,865</b>	<b>\$ 63,848</b>	<b>\$ 62,539</b>	<b>\$ 103,227</b>	<b>\$ 166,135</b>	<b>\$ 134,867</b>	<b>\$ 73,678</b>
<b>Plan fiduciary net position-beginning</b>	<b>\$ 1,115,025</b>	<b>\$ 1,333,890</b>	<b>\$ 1,397,738</b>	<b>\$ 1,460,277</b>	<b>\$ 1,563,504</b>	<b>\$ 1,729,639</b>	<b>\$ 1,864,506</b>
<b>Plan fiduciary net position-ending (b)</b>	<b>\$ 1,333,890</b>	<b>\$ 1,397,738</b>	<b>\$ 1,460,277</b>	<b>\$ 1,563,504</b>	<b>\$ 1,729,639</b>	<b>\$ 1,864,506</b>	<b>\$ 1,938,184</b>
<b>Net Pension Liability (asset)-ending (a) - (b)</b>	<b>\$ (216,616)</b>	<b>\$ (219,338)</b>	<b>\$ (257,604)</b>	<b>\$ (451,202)</b>	<b>\$ (493,799)</b>	<b>\$ (515,698)</b>	<b>\$ (437,062)</b>
<b>Plan fiduciary net position as a percentage of total pension liability</b>	<b>119.39%</b>	<b>118.61%</b>	<b>121.42%</b>	<b>140.56%</b>	<b>139.96%</b>	<b>138.23%</b>	<b>129.12%</b>
<b>Covered payroll</b>	<b>\$ 438,448</b>	<b>\$ 441,881</b>	<b>\$ 421,440</b>	<b>\$ 370,274</b>	<b>\$ 539,305</b>	<b>\$ 556,224</b>	<b>\$ 576,658</b>
<b>Net pension liability (asset) as a percentage of covered payroll</b>	<b>-49.41%</b>	<b>-49.64%</b>	<b>-61.12%</b>	<b>-121.86%</b>	<b>-91.56%</b>	<b>-92.71%</b>	<b>-75.79%</b>

*Changes of assumptions.* In 2017, amounts reported as changes of assumptions resulted from changes to the inflation rate, investment rate of return, cost-of-living adjustment, salary growth and mortality improvements.

GASB 68 requires a 10-year schedule for this data to be presented starting with the implementation of GASB 68. The information in this schedule is not required to be presented retroactively prior to the implementation date. Please refer to previously supplied data from TCRS GASB website for prior years' data, if needed.

CITY OF CLIFTON, TENNESSEE

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

For the Year Ended June 30, 2021

	2014	2015	2016	2017	2018	2019	2020	2021
Actuarially determined contribution	29,290	0	0	17,995	20,008	1,669	0	4,671
Contributions in relation to the actuarially determined contribution	29,290	29,518	28,152	24,734	35,918	16,687	8,650	4,671
Contribution deficiency (excess)	\$0	\$0	(\$28,152)	(\$6,739)	(\$15,910)	(\$15,018)	(\$8,650)	\$0
Covered-employee payroll	438,448	441,881	421,440	370,274	539,305	556,224	576,658	552,549
Contributions as a percentage covered-employee payroll	6.68%	6.68%	6.68%	6.68%	6.66%	3.00%	1.50%	0.00%

GASB 68 requires 10-year schedule for this data to be presented starting with the implementation of GASB 68. The information in this schedule is not required to be presented retroactively prior to the implementation date. Please refer to previously supplied data from the TCRS GASB website for prior years' data, in needed.

Notes to Schedule

Valuation date: Actuarially determined contribution rates for fiscal year 2021 were calculated based on the June 30, 2019 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	Varies by Year
Asset valuation	10-year smoothed within a 20 percent corridor to market value
Inflation	2.5 percent
Salary increases	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging 4.00 percent
Investment Rate of Return	7.25 percent, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of Living Adjustments	2.25 percent

Changes of assumptions: In 2017, the following assumptions were changed: decreased inflation rate from 3.00 percent to 2.50 percent; decreased the investment rate of return from 7.50 percent to 7.25 percent; decreased the cost-of-living adjustment from 2.50 percent to 2.25 percent; decreased salary growth graded ranges from an average of 4.25 percent to an average of 4.00 percent; and modifies mortality assumptions.

**CITY OF CLIFTON, TENNESSEE**

**Schedule of Required Supplementary Information- OPEB**

**Schedule of Changes in Total OPEB Liability and Related Ratios**

**Measurement Year ending June 30**

	2018	2019	2020	2021
<b>Total OPEB Liability</b>				
Service Cost	\$ 2,854	\$ 2,695	\$ 3,951	\$ 14,901
Interest on the Total OPEB Liability	\$ 774	\$ 1,023	\$ 1,250	\$ 4,481
Change in Benefit Terms	\$ -	\$ -	\$ 87,902	\$ (51,246)
Difference between expected and actual experience of the Total OPEB Liability	\$ -	\$ (35)	\$ (11,552)	\$ 75,198
Changes in assumptions and other inputs	\$ (1,168)	\$ 1,032	\$ 1,062	\$ 12,116
Benefit payments	\$ -	\$ (147)	\$ (211)	\$ (648)
<b>Net change in Total OPEB Liability</b>	<b>\$ 2,460</b>	<b>\$ 4,568</b>	<b>\$ 82,402</b>	<b>\$ 54,802</b>
<b>Total OPEB Liability - Beginning</b>	<b>\$ 23,647</b>	<b>\$ 26,107</b>	<b>\$ 30,675</b>	<b>\$ 113,077</b>
<b>Total OPEB Liability - Ending</b>	<b>\$ 26,107</b>	<b>\$ 30,675</b>	<b>\$ 113,077</b>	<b>\$ 167,879</b>
<b>Estimated Covered -Employee Payroll</b>	<b>\$ 370,274</b>	<b>\$ 539,305</b>	<b>\$ 568,800</b>	<b>\$ 552,549</b>
<b>Total OPEB Liability as a Percentage of Covered- Employee Payroll</b>	<b>7.05%</b>	<b>5.69%</b>	<b>19.88%</b>	<b>30.38%</b>

**Notes to Schedule**

Note: There are no assets accumulating, in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, related to this OPEB plan.

The amounts reported for each fiscal year were determined as of the prior fiscal year-end. The amounts reported for each fiscal year were determined as of the prior fiscal year-end.

This schedule is intended to display ten years of information. Additional years will be displayed as they become available.

SUPPLEMENTAL  
INFORMATION

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CITY OF CLIFTON, TENNESSEE

Schedule of Changes in Capital Assets by Type

June 30, 2021

Primary government:

<u>Description</u>	<u>Balance July 1, 2020</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2021</u>
Land	\$193,000	8,982	0	201,982
Buildings	564,714	47,811	0	612,525
Improvements other than buildings	884,135	0	0	884,135
Infrastructure	865,870	134,918	0	1,000,788
Equipment	919,382	38,103	0	957,485
Total Capital Assets	<u>\$3,427,101</u>	<u>229,814</u>	<u>0</u>	<u>3,656,915</u>

Component Unit-

<u>Description</u>	<u>Balance July 1, 2020</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2021</u>
Land	\$76,228	0	0	76,228
Improvements	2,076,701	72,178	0	2,148,879
Buildings	33,200	0	0	33,200
Equipment	348,902	0	0	348,902
Total Capital Assets	<u>\$2,535,031</u>	<u>72,178</u>	<u>0</u>	<u>2,607,209</u>

**CITY OF CLIFTON, TENNESSEE**

**Capital Assets Used in the Operation of the Government Funds**

**Schedule of Capital Assets by Function and Activity**

**June 30, 2021**

**Primary government:**

<u>Description</u>	<u>Land and Improvements</u>	<u>Buildings</u>	<u>Equipment</u>	<u>Total</u>
General government	\$811,035	248,090	10,000	1,069,125
Police department	39,822	0	167,497	207,319
Fire department	0	266,944	688,822	955,766
Street department	1,000,788	0	54,871	1,055,659
Parks and recreation	283,071	49,680	36,295	369,046
Total Assets	<u>\$2,134,716</u>	<u>564,714</u>	<u>957,485</u>	<u>3,656,915</u>

**Component Unit**

<u>Description</u>	<u>Land and Improvements</u>	<u>Buildings</u>	<u>Equipment</u>	<u>Total</u>
Airport	2,225,107	33,200	348,902	2,607,209
	<u>\$2,225,107</u>	<u>33,200</u>	<u>348,902</u>	<u>2,607,209</u>

**CITY OF CLIFTON, TENNESSEE**

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

**June 30, 2021**

	<u>Carrying Value</u>
General Fund:	
Demand deposits	429,024
Total General Fund	<u>429,024</u>
State Street Aid Fund:	
Demand deposits	226,359
Total State Street Aid Fund	<u>226,359</u>
Sanitation Fund:	
Demand deposits	134,888
Total Sanitation Fund	<u>134,888</u>
River Resort Act Funds	<u>114,890</u>
Drug Fund - Demand deposits	<u>32,588</u>
Total Special Revenue Funds	<u>508,725</u>
Water and Sewer Fund:	
Demand deposits	378,909
Certificate of deposits	655,689
Total Water and Sewer Fund	<u>1,034,598</u>
Gas Fund:	
Demand deposits	299,907
Certificate of deposits	217,395
Total Gas Fund	<u>517,302</u>
Total Enterprise Funds	<u>1,551,900</u>
Component Unit	<u>32,272</u>
Total Cash and Cash Equivalents - All Funds	<u><u>\$2,521,921</u></u>



**CITY OF CLIFTON, TENNESSEE**

**Schedule of Changes in Property Taxes Receivable**

**For the Year Ended June 30, 2021**

<u>Tax Year</u>	<u>Balance July 1, 2020</u>	<u>Levy</u>	<u>Collections and Changes in Assessment</u>	<u>Balance June 30, 2021</u>
2021	\$ -	160,000	0	160,000
2020	160,000	7,852	157,314	10,538
2019	13,427	0	10,118	3,309
2018	4,421	0	4,173	248
2017	367	0	266	101
2016	44	0	0	44
2015	0	0	0	0
2014	0	0	0	0
2013	0	0	0	0
2012	12	0	12	0
2011	0	0	0	0
2010	30	0	30	0
	<u>178,301</u>	<u>167,852</u>	<u>171,913</u>	<u>174,240</u>

<u>Tax Year</u>	<u>Tax Rate</u>	<u>Tax Levy</u>	<u>Adjustment and Collections</u>	<u>Outstanding Delinquent Taxes</u>
2021	\$ 1.0000	\$ 160,000	\$ 0	\$ 160,000
2020	1.0000	167,852	157,314	10,538
2019	1.0000	168,329	165,020	3,309
2018	1.0000	166,215	165,967	248
2017	1.0000	161,697	161,596	101
2016	0.6469	101,036	100,992	44
2015	0.6469	100,377	100,377	0
2014	0.6469	99,498	99,498	0
2013	0.6469	102,122	102,122	0
2012	0.6469	102,288	102,288	0
2011	0.6469	102,099	102,099	0
2010	0.6469	98,975	98,975	0

All delinquent taxes except for the 2020 tax year have been turned over to the County.

**CITY OF CLIFTON, TENNESSEE**

**Schedule of Debt Service Requirements -  
General Obligation Debt**

**June 30, 2021**

<u>Year</u>	<u>CAPITAL OUTLAY PEOPLE'S BANK</u>		<u>TOTAL</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2022	42,638	8,981	42,638	8,981
2023	43,917	7,702	43,917	7,702
2024	45,235	6,384	45,235	6,384
2025	46,592	5,027	46,592	5,027
2026	47,990	3,629	47,990	3,629
2027	49,429	2,190	49,429	2,190
2028	50,912	707	50,912	707
2029	50,097	540	50,097	540
	<u>\$376,810</u>	<u>\$35,160</u>	<u>\$376,810</u>	<u>\$35,160</u>

**CITY OF CLIFTON, TENNESSEE**

**Schedule of Changes in Long-term Debt by Individual Issue**

June 30, 2021

	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7/1/2020	Issued During Period	Paid and/or Matured During Period	Refunded During Period	Outstanding 6/30/2021
<b>Business-Type Activities</b>									
<b>BONDS PAYABLE</b>									
Clifton TDLA 594-02	\$ 300,000	1.30%	1999	12/1/2020	\$ 8,674	-	\$ 8,674	-	\$0
Total Notes Payable					\$ 8,674	\$ -	\$ 8,674	\$ -	\$ -
<b>Governmental Activities</b>									
<b>NOTES PAYABLE</b>									
Peoples Bank	\$ 493,575	3.00%	2018	12/31/2029	\$ 418,573	-	\$ 41,763	-	\$ 376,810
Total Notes Payable					\$ 418,573	\$ -	\$ 41,763	\$ -	\$ 376,810

**CITY OF CLIFTON, TENNESSEE**  
**Schedule of Utility Rates and Information**

**June 30, 2021**

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

Sewer Rates - Inside City Limits Only

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

Natural Gas Rates\* - Inside City Limits Only

Minimum bill (300 cubic feet) \$5.18

Per MCF      Residential \$10.64                  Commercial \$9.90                  Industrial \$ 9.07

There were approximately 540 water customers, 395 sewer customers and 295 natural gas customers at yearend.

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

**CITY OF CLIFTON, TENNESSEE**  
**Schedule of Federal and State Financial Assistance**  
**For the Year Ended June 30, 2021**

CFDA Number	State Grant Number	Program Name	Grantor Agency	Receivable (Deferred) Balance July 1, 2020	Grant Receipts	Other Receipts	Grant Expenditures	Receivable (Deferred) Balance June 30, 2021
<b>Federal Program:</b>								
66.442	32701-03995	Drinking Water Grant	Department of Environment Protection thru the State of Tennessee	0	66,258	0	66,258	0
14.228	33004-10521	CDBG	Department of Housing and Urban Development thru the State of Tennessee Department of Environment and Conservation	0	6,880	0	6,880	0
97.036	34101-19521	Public Assistance Grant	Department of Homeland Security thru the Tennessee Emergency Management Agency	0	17,359	0	17,359	0
Total Federal programs				0	90,497	0	90,497	0
<b>State Program:</b>								
N/A	N/A	Governors Appropriation	State of Tennessee Department of Finance and Administration	0	88,878	0	88,878	0
N/A	N/A	LRPF- Park	State of Tennessee Department of Finance and Administration	0	1,500	0	1,500	0
N/A	N/A	TN CARES	State of Tennessee Department of Transportation	0	40,020	0	40,020	0
N/A	N/A	Highway Safety	State of Tennessee Department of Transportation	0	2,500	0	2,500	0
N/A	N/A	Tourism	State of Tennessee Department of Tourism	0	25,060	0	25,060	0
Total State programs				0	157,958	0	157,958	0
Total Primary Government				0	248,455	0	248,455	0
<b>Component Unit:</b>								
<b>State Program:</b>								
N/A	91-555-0728-21	Apron Expansion for T-Hanger	State of Tennessee Department of Transportation	0	52,377	0	52,377	0
N/A	AERO91-0423-19	Airport Maintenance	State of Tennessee Department of Transportation	0	13,167	0	13,167	0
Total				0	65,544	0	65,544	0

This schedule prepared on the accrual basis of accounting.

# AWWA Free Water Audit Software: Reporting Worksheet

V5.0  
American Water Works Association  
Copyright © 2014. All Rights Reserved

Water Audit Report for: City of Clifton  
Reporting Year: 2021 7/2020 - 6/2021

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

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

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

### WATER SUPPLIED

← Enter grading in column 'E' and 'J' →

Volume from own sources:	<input type="button" value="+"/> <input type="button" value="1"/> <input type="button" value="2"/> <input type="button" value="3"/> <input type="button" value="4"/> <input type="button" value="5"/> <input type="button" value="6"/> <input type="button" value="7"/> <input type="button" value="8"/> <input type="button" value="9"/> <input type="button" value="10"/>	<input type="text" value="137.693"/>	MG/Yr
Water imported:	<input type="button" value="+"/> <input type="button" value="1"/> <input type="button" value="2"/> <input type="button" value="3"/> <input type="button" value="4"/> <input type="button" value="5"/> <input type="button" value="6"/> <input type="button" value="7"/> <input type="button" value="8"/> <input type="button" value="9"/> <input type="button" value="10"/>	<input type="text" value="0.000"/>	MG/Yr
Water exported:	<input type="button" value="+"/> <input type="button" value="1"/> <input type="button" value="2"/> <input type="button" value="3"/> <input type="button" value="4"/> <input type="button" value="5"/> <input type="button" value="6"/> <input type="button" value="7"/> <input type="button" value="8"/> <input type="button" value="9"/> <input type="button" value="10"/>	<input type="text" value="1.172"/>	MG/Yr

### Master Meter and Supply Error Adjustments

Pcnt:	<input type="button" value="-"/> <input type="button" value="1"/> <input type="button" value="2"/> <input type="button" value="3"/> <input type="button" value="4"/> <input type="button" value="5"/> <input type="button" value="6"/> <input type="button" value="7"/> <input type="button" value="8"/> <input type="button" value="9"/> <input type="button" value="10"/>	Value:	<input type="text" value=""/>	MG/Yr
	<input type="button" value="+"/> <input type="button" value="1"/> <input type="button" value="2"/> <input type="button" value="3"/> <input type="button" value="4"/> <input type="button" value="5"/> <input type="button" value="6"/> <input type="button" value="7"/> <input type="button" value="8"/> <input type="button" value="9"/> <input type="button" value="10"/>		<input type="text" value=""/>	MG/Yr
	<input type="button" value="+"/> <input type="button" value="1"/> <input type="button" value="2"/> <input type="button" value="3"/> <input type="button" value="4"/> <input type="button" value="5"/> <input type="button" value="6"/> <input type="button" value="7"/> <input type="button" value="8"/> <input type="button" value="9"/> <input type="button" value="10"/>		<input type="text" value=""/>	MG/Yr

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

**WATER SUPPLIED:**  MG/Yr

### AUTHORIZED CONSUMPTION

Billed metered:	<input type="button" value="+"/> <input type="button" value="1"/> <input type="button" value="2"/> <input type="button" value="3"/> <input type="button" value="4"/> <input type="button" value="5"/> <input type="button" value="6"/> <input type="button" value="7"/> <input type="button" value="8"/> <input type="button" value="9"/> <input type="button" value="10"/>	<input type="text" value="116.065"/>	MG/Yr
Billed unmetered:	<input type="button" value="+"/> <input type="button" value="1"/> <input type="button" value="2"/> <input type="button" value="3"/> <input type="button" value="4"/> <input type="button" value="5"/> <input type="button" value="6"/> <input type="button" value="7"/> <input type="button" value="8"/> <input type="button" value="9"/> <input type="button" value="10"/>	<input type="text" value="0.008"/>	MG/Yr
Unbilled metered:	<input type="button" value="+"/> <input type="button" value="1"/> <input type="button" value="2"/> <input type="button" value="3"/> <input type="button" value="4"/> <input type="button" value="5"/> <input type="button" value="6"/> <input type="button" value="7"/> <input type="button" value="8"/> <input type="button" value="9"/> <input type="button" value="10"/>	<input type="text" value="0.213"/>	MG/Yr
Unbilled unmetered:	<input type="button" value="+"/> <input type="button" value="1"/> <input type="button" value="2"/> <input type="button" value="3"/> <input type="button" value="4"/> <input type="button" value="5"/> <input type="button" value="6"/> <input type="button" value="7"/> <input type="button" value="8"/> <input type="button" value="9"/> <input type="button" value="10"/>	<input type="text" value="1.707"/>	MG/Yr

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

**AUTHORIZED CONSUMPTION:**  MG/Yr

Click here:  for help using option buttons below

Pcnt:	<input type="button" value="-"/> <input type="button" value="1"/> <input type="button" value="2"/> <input type="button" value="3"/> <input type="button" value="4"/> <input type="button" value="5"/> <input type="button" value="6"/> <input type="button" value="7"/> <input type="button" value="8"/> <input type="button" value="9"/> <input type="button" value="10"/>	Value:	<input type="text" value=""/>	MG/Yr
	<input type="button" value="+"/> <input type="button" value="1"/> <input type="button" value="2"/> <input type="button" value="3"/> <input type="button" value="4"/> <input type="button" value="5"/> <input type="button" value="6"/> <input type="button" value="7"/> <input type="button" value="8"/> <input type="button" value="9"/> <input type="button" value="10"/>		<input type="text" value=""/>	MG/Yr

Use buttons to select percentage of water supplied OR value

### WATER LOSSES (Water Supplied - Authorized Consumption)

MG/Yr

### Apparent Losses

Unauthorized consumption:             MG/Yr

Default option selected for unauthorized consumption - a grading of 5 is applied but not displayed

Customer metering inaccuracies:             MG/Yr

Systematic data handling errors:             MG/Yr

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

**Apparent Losses:**  MG/Yr

Pcnt:	<input type="button" value="-"/> <input type="button" value="1"/> <input type="button" value="2"/> <input type="button" value="3"/> <input type="button" value="4"/> <input type="button" value="5"/> <input type="button" value="6"/> <input type="button" value="7"/> <input type="button" value="8"/> <input type="button" value="9"/> <input type="button" value="10"/>	Value:	<input type="text" value=""/>	MG/Yr
	<input type="button" value="+"/> <input type="button" value="1"/> <input type="button" value="2"/> <input type="button" value="3"/> <input type="button" value="4"/> <input type="button" value="5"/> <input type="button" value="6"/> <input type="button" value="7"/> <input type="button" value="8"/> <input type="button" value="9"/> <input type="button" value="10"/>		<input type="text" value=""/>	MG/Yr

<input type="text" value="1.00%"/>	<input type="button" value="-"/> <input type="button" value="1"/> <input type="button" value="2"/> <input type="button" value="3"/> <input type="button" value="4"/> <input type="button" value="5"/> <input type="button" value="6"/> <input type="button" value="7"/> <input type="button" value="8"/> <input type="button" value="9"/> <input type="button" value="10"/>	<input type="text" value=""/>	MG/Yr
<input type="text" value="10.25%"/>	<input type="button" value="+"/> <input type="button" value="1"/> <input type="button" value="2"/> <input type="button" value="3"/> <input type="button" value="4"/> <input type="button" value="5"/> <input type="button" value="6"/> <input type="button" value="7"/> <input type="button" value="8"/> <input type="button" value="9"/> <input type="button" value="10"/>	<input type="text" value=""/>	MG/Yr

### Real Losses (Current Annual Real Losses or CARL)

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

**WATER LOSSES:**  MG/Yr

### NON-REVENUE WATER

**NON-REVENUE WATER:**  MG/Yr

= Water Losses + Unbilled Metered + Unbilled Unmetered

### SYSTEM DATA

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

Are customer meters typically located at the curbstop or property line?

Average length of customer service line:            (length of service line, beyond the property boundary, that is the responsibility of the utility)

Average length of customer service line has been set to zero and a data grading score of 10 has been applied

Average operating pressure:             psi

### COST DATA

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

### WATER AUDIT DATA VALIDITY SCORE:

\*\*\* YOUR SCORE IS: 86 out of 100 \*\*\*

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

### PRIORITY AREAS FOR ATTENTION:

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

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

Water Audit Report for:   
Reporting Year:

\*\*\* YOUR WATER AUDIT DATA VALIDITY SCORE IS: 86 out of 100 \*\*\*

**System Attributes:**

Apparent Losses:	<input type="text" value="1.806"/>	MGYr
+ Real Losses:	<input type="text" value="16.724"/>	MGYr
= Water Losses:	<input type="text" value="18.530"/>	MGYr
Unavoidable Annual Real Losses (UARL):	<input type="text" value="See limits in definition"/>	MGYr
Annual cost of Apparent Losses:	<input type="text" value="\$10,258"/>	
Annual cost of Real Losses:	<input type="text" value="\$11,791"/>	

Valued at Variable Production Cost

Return to Reporting Worksheet to change this assumption

**Performance Indicators:**

Financial: {

Non-revenue water as percent by volume of Water Supplied:   
Non-revenue water as percent by cost of operating system:

Real Losses valued at Variable Production Cost

Operational Efficiency: {

Apparent Losses per service connection per day:  gallons/connection/day  
Real Losses per service connection per day:  gallons/connection/day  
Real Losses per length of main per day\*:  gallons/mile/day  
Real Losses per service connection per day per psi pressure:  gallons/connection/day/psi

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

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

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

# COMPLIANCE AND INTERNAL CONTROL

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**JOHN R. POOLE, CPA**  
**CERTIFIED PUBLIC ACCOUNTANT**

134 NORTHLAKE DRIVE  
HENDERSONVILLE, TN 37075

(615) 822-4177

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

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

I have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, the discretely presented component unit and each major fund as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City of Clifton's basic financial statements, and have issued a report thereon dated November 2, 2021.

**Internal Control Over Financial Reporting**

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

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

My consideration of the internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weakness or significant deficiencies may exist that were not identified. I did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as item 2021-001, that I consider to be a material weakness.

**Compliance and Other Matters**

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

**Response to Findings**

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

**Purpose of This Report**

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

---

John R. Paolo, CPA

November 2, 2021

## CITY OF CLIFTON, TENNESSEE

### Schedule of Findings and Responses

June 30, 2021

#### 2021-001 - Separation of Duties

Condition: The City of Clifton currently has three employees that work in performing the majority of the accounting functions for the City. Due to only having three employees performing the accounting transactions, there is currently an inadequate segregation of duties.

Criteria: Generally accepted accounting principles require that accounting functions be adequately segregated to ensure that the internal accounting controls are effective.

Cause: The City has a limited number of office employees to provide for a proper division of duties.

Effect: The risk of errors and irregularities occurring and not being detected in a timely manner along with the possibility of fraud or misappropriation of assets increases when accounting functions are not adequately segregated.

Recommendation: For adequate separation of duties, the employee who writes receipts, prepares and makes bank deposits, or writes checks should neither reconcile bank statements nor post to the cash receipts and disbursements journals.

Response: "We agree that the staff size will not allow the City to segregate duties to the optimum level desired. There are only three employees working in the department so it is virtually impossible to segregate duties unless more staff could be hired and due to the finances of our small City, we could not financially hire additional office help."

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**CITY OF CLIFTON, TENNESSEE**

**Schedule of Disposition of Prior Year Comments**

June 30, 2021

<u>Finding Number</u>	<u>Finding Title</u>	<u>Status</u>
2020 – 001	Separation of Duties	Repeated

The original finding number is 2001-001. The current year finding number is 2021-001.

CITY OF CLIFTON, TENNESSEE

142 Main Street  
Post Office Box 192  
Clifton, TN 38425

Phone: 931-676-3370

Management's Corrective Action Plan

Audit period: June 30, 2021

The findings from the June 30, 2021, *Schedule of Findings and Responses* are discussed below.

2021-001 Segregation of Duties (Internal Control)

Contact person: Doug Kibbey

Planned Corrective Action: It is not economically feasible at this time to hire a sufficient number of people to adequately separate the duties. The Board of Commissioners continues to monitor our finances and internal control.

Anticipated Completion Date: At the current time, due to our size, we do not believe we can fully segregate these duties. We will continue to improve and strengthen our internal controls, but we cannot give a definite date.

Signature:

