

NOTES TO THE FINANCIAL STATEMENTS

CITY OF CLIFTON, TENNESSEE

Notes to Financial Statements

June 30, 2024

(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 Clifton 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, 2024

(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 enterprise 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 enterprise 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, 2024

(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 enterprise 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. Enterprise 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 enterprise 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, 2024

(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 \$0.9000 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 \$176,156 for the fiscal year ended June 30, 2024 were approximately 93 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, 2024

(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 expensed when paid and thus not a part of the capitalized cost.

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, 2024

(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 enterprise 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 enterprise fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed in the year incurred. 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.

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(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 enterprise 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, 2024

(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. The liability for compensated absences attributable to the City’s governmental funds is recorded in the government-wide financial statements as a long-term liability and is a reconciling item between the fund and government-wide financial statements. Compensated absences related to business-type activities are charged to expense with a corresponding liability established in both the government-wide and fund financial statements.

	July 1, <u>2023</u>	Addi- <u>tions</u>	Retire- <u>ments</u>	June 30, <u>2024</u>
Governmental activities	<u>19,107</u>	<u>8,879</u>	<u>-</u>	<u>27,986</u>
Business-type activities	<u>24,246</u>	<u>4,703</u>	<u>-</u>	<u>28,949</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.

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(1) Summary of Significant Accounting Policies, Continued

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.

(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.

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(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	\$ 97,268	198,230	-	295,498
Special Revenue Funds	22,647	-	17,862	40,509
Enterprise Funds	-	-	137,454	137,454
Less allowance for doubtful accounts	-	-	(820)	(820)
Total	<u>\$ 119,915</u>	<u>198,230</u>	<u>154,496</u>	<u>472,641</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, 2023</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2024</u>
Land, buildings and improvements	\$ 3,208,349	407,124	-	3,615,473
Equipment	<u>1,060,038</u>	<u>353,482</u>	-	<u>1,413,520</u>
Total	<u>\$ 4,268,387</u>	<u>760,606</u>	<u>-</u>	<u>5,028,993</u>
Less Accumulated depreciation	<u>(1,706,041)</u>			<u>(1,924,427)</u>
Net capital assets in service	<u>\$ 2,562,346</u>			<u>3,104,566</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	\$ 69,478
Police department	29,313
Fire department	43,419
Highways and Streets	51,162
Parks	<u>25,014</u>
Total	218,386

CITY OF CLIFTON, TENNESSEE

Notes to Financial Statements

June 30, 2024

(4) Capital Assets, Continued

Component Unit:

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

	Balance <u>July 1, 2023</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2024</u>
Land	\$ 76,228	-	-	76,228
Construction in progress	1,427,052	-	-	1,427,052
buildings and improvements	2,485,345	-	-	2,485,345
Equipment	<u>348,902</u>	<u>-</u>	<u>-</u>	<u>348,902</u>
Total	\$ <u>4,337,527</u>	<u>-</u>	<u>-</u>	<u>4,337,527</u>
Less Accumulated depreciation	<u>(799,155)</u>			<u>(854,935)</u>
Net capital assets in service	\$ <u>3,538,372</u>			<u>3,482,592</u>

Land of \$76,228 and Construction in progress of \$1,427,052 are not being depreciated. Depreciation expense was charged to the Component Unit in the amount of \$55,780.

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

	Balance <u>July 1, 2023</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2024</u>
Land and land rights	\$ 174,301	-	-	174,301
Buildings	65,645	-	-	65,645
Construction in progress	1,105,690	-	647,465	458,225
Utility plant	10,397,812	1,210,560	-	11,608,372
Equipment	<u>401,119</u>	<u>-</u>	<u>-</u>	<u>401,119</u>
Total	<u>12,144,567</u>	<u>1,210,560</u>	<u>647,465</u>	<u>12,707,662</u>
Less accumulated depreciation	<u>(7,236,543)</u>			<u>(7,573,396)</u>
Net plant in service	\$ <u>4,908,024</u>			<u>5,134,266</u>

All assets except land and land rights of \$174,301 and Construction in progress of \$458,225 are being depreciated. Depreciation expense was \$336,853 in 2024.

CITY OF CLIFTON, TENNESSEE

Notes to Financial Statements

June 30, 2024

(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, 2023</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2024</u>
Utility plant	\$ 875,635	-	-	875,635
Buildings	15,585	-	-	15,585
Equipment	<u>111,265</u>	<u>9,296</u>	-	<u>120,561</u>
Total	<u>1,002,485</u>	<u>9,296</u>	-	<u>1,011,781</u>
Less accumulated depreciation	<u>(679,010)</u>			<u>(707,273)</u>
Net plant in service	\$ <u>323,475</u>			<u>304,508</u>

All assets are being depreciated. Depreciation expense was \$28,263 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 2024.

Primary Government:

Direct Borrowings

Notes Payable:	<u>Balance</u> <u>July 1, 2023</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2024</u>	<u>Due Within</u> <u>One Year</u>
People's Bank	<u>295,133</u>	<u>0</u>	<u>44,915</u>	<u>250,218</u>	<u>46,592</u>
Total	<u>295,133</u>	<u>0</u>	<u>44,915</u>	<u>250,218</u>	<u>46,592</u>

The City was in compliance with all such significant limitations and restrictions as of yearend. The above bonds payable contain provisions that in the event of default, the lender can use any remedy allowed by state or federal law.

CITY OF CLIFTON, TENNESSEE

Notes to Financial Statements

June 30, 2024

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

Principal and interest requirements to maturity on all outstanding bonds, loans and obligations as of June 30, 2024, are as follows:

Primary Government:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>
2025	46,592	5,027
2026	47,990	3,629
2027	49,429	2,190
2028	50,912	707
2029	<u>55,295</u>	<u>540</u>
Total	\$ <u>250,218</u>	<u>12,093</u>

CITY OF CLIFTON, TENNESSEE

Notes to Financial Statements

June 30, 2024

(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 publicly 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 2nd 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, 2023, 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	21
Active employees	<u>19</u>
Total	<u>48</u>

CITY OF CLIFTON, TENNESSEE

Notes to Financial Statements

June 30, 2024

(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, 2024, employer contributions for Clifton were \$0 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, 2023, 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, 2023, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation 2.25 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 6.75 percent, net of pension plan investment expenses, including inflation.

Cost-of-Living Adjustment 2.125 percent

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

The actuarial assumptions used in the June 30, 2023 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2016 through June 30, 2020. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

CITY OF CLIFTON, TENNESSEE

Notes to Financial Statements

June 30, 2024

(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, 2020 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 2.25 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	4.88%	31%
Developed market international equity	5.37%	14%
Emerging market international equity	6.09%	4%
Private equity and strategic lending	6.57%	20%
U.S. fixed income	1.20%	20%
Real Estate	4.38%	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 6.75 percent based on a blending of the factors described above.

Discount rate. The discount rate used to measure the total pension liability was 6.75 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, 2024

(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)
Balance at 6/30/22	\$1,858,303	\$2,271,781	(\$413,478)
Changes for the Year:			
Service Cost	72,118	-	72,118
Interest	126,406	-	126,406
Changes in benefit terms	-	-	-
Differences between expected and actual experience	174,809	-	174,809
Changes in assumptions	-	-	-
Contributions-employer	-	-	-
Contributions-employees	-	44,378	(44,378)
Net investment income	-	150,263	(150,263)
Benefit payments, including refunds of employee contributions	(115,493)	(115,493)	-
Administrative expense	-	(1,592)	1,592
Other changes	-	-	-
Net changes	257,840	77,556	180,284
Balance at 6/30/23	\$ 2,116,143	\$ 2,349,337	\$ (233,194)

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 6.75 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 (5.75 percent) or 1-percentage-point higher (7.75 percent) than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Clifton's net pension liability (asset)	\$99,765	(\$233,194)	(\$500,947)

CITY OF CLIFTON, TENNESSEE

Notes to Financial Statements

June 30, 2024

(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, 2024, Clifton recognized negative pension expense of \$29,556.

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2024, 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	207,149	7,178
Net difference between projected and Actual earning on pension plan		
Investments	17,588	-
Changes in Assumptions	82,402	-
Contributions subsequent to the Measurement date of June 30, 2023	-	-
Total	<u>307,139</u>	<u>7,178</u>

The amount shown above for “Contributions subsequent to the measurement date of June 30, 2023,” 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:	
2025	\$43,108
2026	\$34,611
2027	\$104,611
2028	\$46,389
2029	\$46,263
Thereafter	\$24,973

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, 2024

(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, 2023, the following employees were covered by the benefit terms of the LGOP:

Inactive employees or beneficiaries currently receiving benefits	2
Inactive employees entitled to but not yet receiving benefits	0
Active employees	<u>19</u>
Total	<u>21</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, 2024, the City paid \$7,239 to the LGOP for OPEB benefits as they came due.

CITY OF CLIFTON, TENNESSEE

Notes to Financial Statements

June 30, 2024

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

Total OPEB Liability

Actuarial assumptions - The total OPEB liability on the June 30, 2023 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 -	2.25%
Salary increases -	Graded salary ranges from 3.44 to 8.72 percent based on age, including inflation, averaging 4 percent.
Healthcare cost trend rates -	10.31% for pre-65 in 2023, decreasing annually over a 11-year period to an ultimate rate of 4.50%. 12.44% for post-65 in 2023, decreasing annually over a 11-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, 2023, valuations were the same as those employed in the July 1, 2022 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, 2016 - June 30, 2020. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality tables are used to measure the probabilities of participants dying before and after retirement. The mortality rates employed in this valuation are taken from the PUB-2010 Headcount-Weighted Employee mortality table for General Employees for non-disabled pre-retirement mortality, with mortality improvement projected generationally with MP-2021 from 2010. Post-retirement tables are Headcount-Weighted Below Median Healthy Annuitant and adjusted with a 6% load for males and a 14% load for females, projected generationally from 2010 with MP-2021. 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, projected generationally from 2018 with MP-2021.

Discount rate-The discount rate used to measure the total OPEB liability was 3.65 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 Bond Buyer 20-year Municipal GO AA index.

CITY OF CLIFTON, TENNESSEE

Notes to Financial Statements

June 30, 2024

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

Changes in the Total OPEB Liability

	Total OPEB Liability (a)
Total OPEB liability - beginning balance	\$ 102,565
Changes for the year:	
Service cost	\$ 7,086
Interest	\$ 3,804
Changes of benefit terms	\$ -
Differences between expected and actual experience	\$ (2,099)
Change in assumptions	\$ 12,348
Benefit payments	\$ (4,420)
Net changes	\$ 16,719
Total OPEB liability - ending balance	\$ 119,284

Changes in assumptions - The discount rate was changed from 3.54% as of the beginning of the measurement period to 3.65% as of June 30, 2023. 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 (2.65%)	(3.65%)	1% Increase (4.65%)
\$ 125,348	\$ 119,284	\$ 113,550

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 (9.31/11.44% decreasing to 3.50%)	(10.31/12.44% decreasing to 4.50%)	1% Increase (11.31/13.44% decreasing to 5.50%)
\$ 111,329	\$ 119,284	\$ 128,488

CITY OF CLIFTON, TENNESSEE

Notes to Financial Statements

June 30, 2024

(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, 2024, the City of Clifton recognized OPEB expense of \$17,223.

Deferred Outflows of Resources and Deferred Inflows of Resources - For the year ended June 30, 2024, 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	37,362	19,337
Changes in assumptions	17,553	15,884
Employer payments subsequent to The measurement date	<u>7,239</u>	<u>-</u>
Total	<u>62,154</u>	<u>35,221</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:	
2025	6,333
2026	6,333
2027	6,616
2028	7,248
2029	(3,286)
Thereafter	(3,550)

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, 2024

(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.

(11) Operating Transfers

<u>To</u>	<u>From</u>	<u>Amount</u>
Water and Sewer Fund	General Fund	\$44,217

The transfer from General Fund to Water and Sewer Fund was for In Lieu of Taxes.

REQUIRED
SUPPLEMENTARY
INFORMATION

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	2021	2022	2023
Total pension liability (asset)	\$ 33,516	\$ 36,667	\$ 33,368	\$ 32,420	\$ 76,330	\$ 51,671	\$ 50,673	\$ 52,295	\$ 56,666	\$ 72,118
Service cost	\$ 78,285	\$ 85,435	\$ 90,015	\$ 88,838	\$ 85,219	\$ 91,997	\$ 99,491	\$ 109,485	\$ 116,487	\$ 126,406
Interest	-	-	-	-	-	-	-	-	-	-
Changes in benefit terms	\$ 4,810	\$ (31,357)	\$ (75,975)	\$ (134,340)	\$ (11,611)	\$ 6,471	\$ 56,539	\$ (11,486)	\$ 43,723	\$ 174,809
Differences between actual & expected experience	-	-	-	\$ 23,888	-	-	-	-	\$ 131,842	-
Change of assumptions	\$ (19,241)	\$ (29,619)	\$ (23,135)	\$ (101,177)	\$ (26,400)	\$ (37,171)	\$ (54,389)	\$ (86,565)	\$ (55,266)	\$ (115,493)
Benefit payments, including refunds of employee contributions	\$ 97,370	\$ 61,126	\$ 24,273	\$ (90,371)	\$ 123,538	\$ 112,968	\$ 152,314	\$ 195,571	\$ 161,610	\$ 257,840
Net change in total pension liability (asset)	\$ 1,019,904	\$ 1,117,274	\$ 1,178,400	\$ 1,202,673	\$ 1,112,302	\$ 1,235,840	\$ 1,348,808	\$ 1,501,122	\$ 1,696,693	\$ 1,858,303
Total pension liability (asset)-beginning	\$ 1,117,274	\$ 1,178,400	\$ 1,202,673	\$ 1,112,302	\$ 1,235,840	\$ 1,348,808	\$ 1,501,122	\$ 1,696,693	\$ 1,858,303	\$ 2,116,143
Total pension liability (asset)-ending (a)										

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Plan fiduciary net position	\$ 29,290	\$ 29,518	\$ 28,152	\$ 24,734	\$ 35,918	\$ 16,687	\$ 8,650	\$ 4,662	\$ 3,552	\$ -
Contributions-employer	\$ 21,922	\$ 23,171	\$ 21,072	\$ 18,514	\$ 26,885	\$ 27,811	\$ 28,833	\$ 31,078	\$ 36,821	\$ 44,378
Contributions-employee	\$ 187,439	\$ 41,428	\$ 37,409	\$ 162,141	\$ 131,229	\$ 129,006	\$ 92,026	\$ 493,240	\$ (90,697)	\$ 150,263
Net investment income	\$ (19,241)	\$ (29,619)	\$ (23,135)	\$ (101,177)	\$ (26,400)	\$ (37,171)	\$ (54,389)	\$ (86,565)	\$ (55,266)	\$ (115,493)
Benefit payments, including refunds of employee contributions	\$ (545)	\$ (650)	\$ (959)	\$ (985)	\$ (1,497)	\$ (1,466)	\$ (1,442)	\$ (1,512)	\$ (1,716)	\$ (1,592)
Administrative expense	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Net change in plan fiduciary net position	\$ 218,865	\$ 63,848	\$ 62,539	\$ 103,227	\$ 166,135	\$ 134,867	\$ 73,678	\$ 440,903	\$ (107,306)	\$ 77,556
Plan fiduciary net position-beginning	\$ 1,115,025	\$ 1,333,890	\$ 1,397,738	\$ 1,460,277	\$ 1,563,504	\$ 1,729,639	\$ 1,864,506	\$ 1,938,184	\$ 2,379,087	\$ 2,271,781
Plan fiduciary net position-ending (b)	\$ 1,333,890	\$ 1,397,738	\$ 1,460,277	\$ 1,563,504	\$ 1,729,639	\$ 1,864,506	\$ 1,938,184	\$ 2,379,087	\$ 2,271,781	\$ 2,349,337

Net Pension Liability (asset)-ending (a) - (b)	\$ (216,616)	\$ (219,338)	\$ (257,604)	\$ (451,202)	\$ (493,799)	\$ (515,698)	\$ (437,062)	\$ (682,394)	\$ (413,478)	\$ (233,194)
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Plan fiduciary net position as a percentage of total pension liability	119.39%	118.61%	121.42%	140.56%	139.96%	138.23%	129.12%	140.22%	122.25%	111.02%
Covered payroll	\$ 438,448	\$ 441,881	\$ 421,440	\$ 370,274	\$ 539,305	\$ 556,224	\$ 576,658	\$ 621,564	\$ 710,418	\$ 887,537
Net pension liability (asset) as a percentage of covered payroll	-49.41%	-49.64%	-61.12%	-121.86%	-91.56%	-92.71%	-75.79%	-109.79%	-58.20%	-26.27%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

Changes of assumptions. In 2021, 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. 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.

CITY OF CLIFTON, TENNESSEE

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

For the Year Ended June 30, 2024

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Actuarially determined contribution	0	0	17,995	20,008	1,669	0	0	0	0	0
Contributions in relation to the actuarially determined contribution	29,518	28,152	24,734	35,918	16,687	8,650	4,662	3,552	0	0
Contribution deficiency (excess)	\$0	(\$28,152)	(\$6,739)	(\$15,910)	(\$15,018)	(\$8,650)	(\$4,662)	(\$3,552)	\$0	\$0
Covered-employee payroll	441,881	421,440	370,274	539,305	556,224	576,658	621,564	710,418	887,557	717,497
Contributions as a percentage covered-employee payroll	6.68%	6.68%	6.68%	6.66%	3.00%	1.50%	0.75%	0.50%	0.00%	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, as needed.

Notes to Schedule

Valuation date: Actuarially determined contribution rates for fiscal year 2024 were calculated based on the June 30, 2022 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	2.25 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	6.75 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	2.125 percent

Changes of assumptions: In 2021, the following assumptions were changed: decreased inflation rate from 2.50 percent to 2.25 percent; decreased the investment rate of return from 7.25 percent to 6.75 percent; decreased the cost-of-living adjustment from 2.25 percent to 2.125 percent; and modified mortality 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 modified 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	2022	2023	2024
Total OPEB Liability							
Service Cost	\$ 2,854	\$ 2,695	\$ 3,951	\$ 14,901	\$ 14,800	\$ 17,586	\$ 7,086
Interest on the Total OPEB Liability	\$ 774	\$ 1,023	\$ 1,250	\$ 4,481	\$ 3,946	\$ 3,944	\$ 3,804
Change in Benefit Terms	\$ -	\$ -	\$ 87,902	\$ (51,246)	\$ (179)	\$ (48,775)	\$ -
Difference between expected and actual experience of the Total OPEB Liability	\$ -	\$ (35)	\$ (11,552)	\$ 75,198	\$ (5,121)	\$ (13,124)	\$ (2,099)
Changes in assumptions and other inputs	\$ (1,168)	\$ 1,032	\$ 1,062	\$ 12,116	\$ (3,484)	\$ (17,477)	\$ 12,348
Benefit payments	\$ -	\$ (147)	\$ (211)	\$ (648)	\$ (8,290)	\$ (9,140)	\$ (4,420)
Net change in Total OPEB Liability	\$ 2,460	\$ 4,568	\$ 82,402	\$ 54,802	\$ 1,672	\$ (66,986)	\$ 16,719
Total OPEB Liability - Beginning	\$ 23,647	\$ 26,107	\$ 30,675	\$ 113,077	\$ 167,879	\$ 169,551	\$ 102,565
Total OPEB Liability - Ending	\$ 26,107	\$ 30,675	\$ 113,077	\$ 167,879	\$ 169,551	\$ 102,565	\$ 119,284

Estimated Covered - Employee Payroll	\$ 370,274	\$ 539,305	\$ 568,800	\$ 552,549	\$ 558,144	\$ 585,864	\$ 717,497
Total OPEB Liability as a Percentage of Covered - Employee Payroll	7.05%	5.69%	19.88%	30.38%	30.38%	17.51%	16.63%

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

CITY OF CLIFTON, TENNESSEE

Schedule of Changes in Capital Assets by Type

June 30, 2024

Primary government:

<u>Description</u>	<u>Balance July 1, 2023</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2024</u>
Land	\$201,982	0	0	201,982
Buildings	637,845	98,632	0	736,477
Improvements other than buildings	1,221,344	133,119	0	1,354,463
Infrastructure	1,147,178	175,373	0	1,322,551
Equipment	1,060,038	353,482	0	1,413,520
Total Capital Assets	<u>\$4,268,387</u>	<u>760,606</u>	<u>0</u>	<u>5,028,993</u>

Component Unit:

<u>Description</u>	<u>Balance July 1, 2023</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2024</u>
Land	\$76,228	0	0	76,228
Improvements	3,879,197	0	0	3,879,197
Buildings	33,200	0	0	33,200
Equipment	348,902	0	0	348,902
Total Capital Assets	<u>\$4,337,527</u>	<u>0</u>	<u>0</u>	<u>4,337,527</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, 2024

Primary government:

<u>Description</u>	<u>Land and Improvements</u>	<u>Buildings</u>	<u>Equipment</u>	<u>Total</u>
General government	\$812,904	282,690	28,590	1,124,184
Police department	39,822	0	314,064	353,886
Fire department	0	265,075	702,782	967,857
Street department	1,322,551	0	67,310	1,389,861
Parks and recreation	703,719	188,712	300,774	1,193,205
Total Assets	<u>\$2,878,996</u>	<u>736,477</u>	<u>1,413,520</u>	<u>5,028,993</u>

Component Unit

<u>Description</u>	<u>Land and Improvements</u>	<u>Buildings</u>	<u>Equipment</u>	<u>Total</u>
Airport	<u>3,955,425</u>	<u>33,200</u>	<u>348,902</u>	<u>4,337,527</u>
	<u>\$3,955,425</u>	<u>33,200</u>	<u>348,902</u>	<u>4,337,527</u>

CITY OF CLIFTON, TENNESSEE

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

June 30, 2024

	<u>Carrying Value</u>
General Fund:	
Demand deposits	350,544
Total General Fund	<u>350,544</u>
State Street Aid Fund:	
Demand deposits	94,700
Total State Street Aid Fund	<u>94,700</u>
Sanitation Fund:	
Demand deposits	151,691
Total Sanitation Fund	<u>151,691</u>
River Resort Act Fund	
Demand deposits	67,399
Total River Resort Act Fund	<u>67,399</u>
Drug Fund	
Demand deposits	12,449
Total Drug Fund	<u>12,449</u>
Total Special Revenue Funds	<u>326,239</u>
Water and Sewer Fund:	
Demand deposits	1,361,500
Certificate of deposits	683,318
Total Water and Sewer Fund	<u>2,044,818</u>
Gas Fund:	
Demand deposits	371,087
Certificate of deposits	225,792
Total Gas Fund	<u>596,879</u>
Total Enterprise Funds	<u>2,641,697</u>
Component Unit	<u>27,215</u>
Total Cash and Cash Equivalents - All Funds	<u>\$3,345,695</u>

CITY OF CLIFTON, TENNESSEE

Schedule of Changes in Property Taxes Receivable

For the Year Ended June 30, 2024

<u>Tax Year</u>	<u>Balance July 1, 2023</u>	<u>Levy</u>	<u>Collections and Changes in Assessment</u>	<u>Balance June 30, 2024</u>
2024	\$ -	184,609	0	184,609
2023	183,836	4,961	176,156	12,641
2022	10,949	0	10,085	864
2021	2,086	0	1,970	116
	<u>196,871</u>	<u>189,570</u>	<u>188,211</u>	<u>198,230</u>

<u>Tax Year</u>	<u>Tax Rate</u>	<u>Tax Levy</u>	<u>Adjustment and Collections</u>	<u>Outstanding Delinquent Taxes</u>
2024	\$ 0.9000	\$ 184,609	\$ 0	\$ 184,609
2023	0.9000	188,797	176,156	12,641
2022	1.0000	186,499	185,635	864
2021	1.0000	149,457	149,341	116
2020	1.0000	167,852	167,852	0
2019	1.0000	168,329	168,329	0
2018	1.0000	166,215	166,215	0
2017	1.0000	161,697	161,697	0
2016	0.6469	101,036	101,036	0
2015	0.6469	100,377	100,377	0
2014	0.6469	99,498	99,498	0

All delinquent taxes except for the 2023 tax year have been turned over to the County.

CITY OF CLIFTON, TENNESSEE

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

June 30, 2024

<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>
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	55,295	540	55,295	540
	<u>\$ 250,218</u>	<u>\$12,093</u>	<u>\$250,218</u>	<u>\$12,093</u>

CITY OF CLIFTON, TENNESSEE

Schedule of Changes in Long-term Debt by Individual Issue

June 30, 2024

	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7/1/2023	Issued During Period	Paid and/or Matured During Period	Refunded During Period	Outstanding 6/30/2024
Governmental Activities									
NOTES PAYABLE									
Peoples Bank	\$ 493,575	3.00%	2018	12/31/2029	\$ 295,133	\$ -	\$ 44,915	\$ -	\$ 250,218
Total Notes Payable					\$ 295,133	\$ -	\$ 44,915	\$ -	\$ 250,218

CITY OF CLIFTON, TENNESSEE

Schedule of Utility Rates and Information

June 30, 2024

<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 585 water customers, 435 sewer customers and 335 natural gas customers at yearend.

*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, 2024

Assistance Listing Number	State Grant Number	Program Name	Grantor Agency	Receivable (Deferred) Balance July 1, 2023	Grant Receipts	Other Receipts	Grant Expenditures	Receivable (Deferred) Balance June 30, 2024
N/A	N/A	LRPF- Park	State of Tennessee Department of Finance and Administration	0	125,674	0	125,674	0
N/A	N/A	Highway Safety	State of Tennessee Department of Transportation	4,726	4,726	0	0	0
N/A	N/A	VCIF	State of Tennessee of Finance and Administration	0	33,869	0	33,869	0
			Total State programs	4,726	164,269	0	159,543	0
			Total State and Federal - Primary Government	4,726	164,269	0	159,543	0

State Program:

This schedule prepared on the modified basis of accounting.

CITY OF CLIFTON, TENNESSEE

Schedule of Federal and State Financial Assistance, Continued

For the Year Ended June 30, 2024

Component Unit:

Assistance Listing Number	State Grant Number	Program Name	Grantor Agency	Receivable (Deferred) Balance July 1, 2023	Grant Receipts	Deposits	Grant Expenditures	Receivable (Deferred) Balance June 30, 2024
Federal Program:								
20.106	N/A	T Hanger Improvements	U.S. Department of Transportation thru State of Tennessee Department of Transportation	0	153,000	0	153,000	0
State Program:								
N/A	N/A	Airport Maintenance	State of Tennessee Department of Transportation	0	17,240	0	17,240	0
Total - Component Unit				0	170,240	0	170,240	0

This schedule prepared on the modified basis of accounting.

COMPLIANCE AND INTERNAL CONTROL

JOHN R. POOLE, CPA
CERTIFIED PUBLIC ACCOUNTANT

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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, 2024, 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 October 31, 2024.

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 2024-001, 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. Pade, CPA

October 31, 2024

CITY OF CLIFTON, TENNESSEE

Schedule of Findings and Responses

June 30, 2024

2024-001 - 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."

CITY OF CLIFTON, TENNESSEE

Schedule of Disposition of Prior Year Comments

June 30, 2024

<u>Finding Number</u>	<u>Finding Title</u>	<u>Status</u>
2023 – 001	Separation of Duties	Repeated

The original finding number is 2001-001. The current year finding number is 2024-001.

