

CITY OF CLIFTON, TENNESSEE

Annual Financial Report

For the Year Ended June 30, 2023

CITY OF CLIFTON, TENNESSEE

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INTRODUCTORY SECTION

CITY OF CLIFTON, TENNESSEE

Officials of the City of Clifton, Tennessee

June 30, 2023

Name

Title

Elected Officials:

Mark Staggs

Mayor

Eva Ruth Warren

Vice Mayor

Jeff Letson

Commissioner

Michael Francis

Commissioner

Tammy Prince

Commissioner

Management:

Doug Kibbey

City Manager, CMFO

Kiersten Rainey

Assistant City Manager/City Recorder

Sam Haines

Finance Director

FINANCIAL SECTION

JOHN R. POOLE, CPA
CERTIFIED PUBLIC ACCOUNTANT

134 NORTHLAKE DRIVE
HENDERSONVILLE, TN 37075

(615) 822-4177

Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

I have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, and each major fund of the City of Clifton, Tennessee (the "City"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In my opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, and each major fund of the City, as of June 30, 2023, and the respective changes in financial position and the respective budgetary comparison for the General Fund, State Street Aid Fund, Sanitation Fund, River Resort Act Fund, and the Drug Fund for the year then ended and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Government Auditing Standards, issued by the Comptroller General of the United States. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the City and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and Government Auditing Standards, I:

- ❖ Exercise professional judgment and maintain professional skepticism throughout the audit.
- ❖ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- ❖ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- ❖ Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- ❖ Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that I identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Required Supplementary Information, which includes the Management's Discussion and Analysis, the Schedule of Changes in Net Pension Liability (Asset), the Schedule of Contributions to the Employee Pension Plan, and Schedule of Changes in Total Liability and Related Ratios, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries,

the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards, and the other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information section, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Information – Introductory Section

Management is responsible for the Introductory Section included in the annual report. The Introductory Section, as listed in the table of contents, does not include the basic financial statements and my auditor's report thereon. My opinion on the basic financial statements does not cover the Introductory Section, and I do not express an opinion or any other assurance thereon.

In connection with my audit of the basic financial statements, my responsibility is to read the Introductory Section and consider whether a material inconsistency exists between the Introductory Section and basic financial statements, or the Introductory Section otherwise appears to be materially misstated. If, based on the work performed, I conclude that an uncorrected material misstatement of the Introductory Section exists, I am required to describe it in my report.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report dated December 20, 2023, on my consideration of the City's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control over financial reporting and compliance.

John R Poole, CPA

December 20, 2023

MANAGEMENT'S
DISCUSSION AND
ANALYSIS

CITY OF CLIFTON, TENNESSEE

Management's Discussion and Analysis

As management of the City of Clifton, Tennessee (the City) we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2023. The analysis focuses on significant financial position, budget changes and variances from the budget, and specific issues related to funds and the economic factors affecting the City. Management's Discussion and Analysis (MD&A) focuses on current year activities and resulting changes.

Financial Highlights:

The assets of the City of Clifton exceeded its liabilities at the close of the most recent fiscal year by \$12,202,383. Of this amount, \$3,812,833 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors. The government's total net position increased by \$1,354,396 due to total increase in revenues of \$138,001 and despite an increase of expenses of \$90,767 in comparison to the prior year. The governmental funds showed a net increase in net position of \$119,764 and the business-type net position increased by \$1,234,632.

As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$1,009,925, a decrease of \$124,572 in comparison to the prior year. The decrease was the result of the City's stable expenses and decreased revenues. During the year, the City made governmental capital asset purchases of \$336,359 and debt repayments of \$40,694.

At the end of the current fiscal year, unassigned fund balance of the General Fund was \$502,821 or 42% of the total general fund expenditures.

The City had capital improvements of \$599,649 for utility improvements.

Overview of the Financial Statements:

This discussion and analysis is intended to serve as an introduction to the City of Clifton's basic financial statements. The City's basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Clifton include general government, personnel, finance, parks, planning, police, fire, disposal service, streets and public works. The government-wide financial statements can be found on pages 11-12 of this report.

Fund financial statements. A Fund is a grouping of related accounts that is used to maintain control over resources that have been segregated from specific activities or objectives. The City of Clifton, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City are governmental funds.

Governmental Funds. Governmental Funds are funds used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of resources, as well as on balances of resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the funds all of which are considered to be major funds.

The City of Clifton adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget. The basic financial statements can be found on pages 14-28 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 30-52 of this report.

Financial Analysis of the Financial Statements

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Clifton, assets exceeded liabilities by \$12,202,383 at the close of the most recent fiscal year.

By far the largest portion of the City's assets reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Clifton's Net Position - 2022

	Governmental Activities	Business -Type Activities
Current and other assets	\$ 1,618,568	2,895,444
Capital assets	<u>2,403,772</u>	<u>4,927,363</u>
Total assets	4,022,340	7,822,807
Deferred outflows	96,231	150,517
Long-term liabilities outstanding	335,827	-
Other liabilities	<u>114,833</u>	<u>271,954</u>
Total liabilities	450,660	271,954
Deferred Inflows	313,105	208,189
Net position:		
Net investment in capital assets	2,067,945	4,927,363
Restricted	661,862	217,376
Unrestricted	<u>624,999</u>	<u>2,348,442</u>
Total net position	\$ 3,354,806	7,493,181

City of Clifton's Net Position - 2023

	Governmental <u>Activities</u>	Business -Type <u>Activities</u>
Current and other assets	\$ 1,397,262	3,531,649
Capital assets	<u>2,562,346</u>	<u>5,231,499</u>
Total assets	3,959,608	8,763,148
Deferred outflows	109,202	170,803
Long-term liabilities outstanding	295,133	-
Other liabilities	<u>88,317</u>	<u>163,722</u>
Total liabilities	383,450	163,722
Deferred Inflows	210,790	42,416
Net position:		
Net investment in capital assets	2,267,213	5,231,499
Restricted	656,761	234,077
Unrestricted	<u>550,596</u>	<u>3,262,237</u>
Total net position	\$ 3,474,570	8,727,813

At the end to the current fiscal year, the City is able to report positive balances in all categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior year.

Comparison of revenues and expenses 2022 and 2023

	2023 Governmental Activities	2022 Governmental Activities	Change Between Years	2023 Business- type Activities	2022 Business- type Activities	Change Between Years
Revenues:						
Program revenues:						
Charges for services	296,544	227,725	68,819	2,215,280	2,265,265	(49,985)
Operating grants and contributions	129,706	124,882	4,824	0	0	0
Capital grants and contributions	141,963	147,182	(5,219)	931,099	670,927	260,172
General revenues:						
Property taxes	254,356	221,434	32,922	0	0	0
Sales taxes	474,245	541,861	(67,616)	0	0	0
Other local taxes	109,229	124,797	(15,568)	0	0	0
Other state shared taxes	17,107	12,346	4,761	0	0	0
Other	5,941	110,359	(104,418)	16,785	7,476	9,309
Total revenues	1,429,091	1,510,586	(81,495)	3,163,164	2,943,668	219,496
Expenses:						
General government	\$295,948	\$207,053	88,895	0	0	0
Police department	411,777	424,426	(12,649)	0	0	0
Fire department	94,653	91,257	3,396	0	0	0
Parks and recreations	199,150	155,231	43,919	0	0	0
Library	3,358	3,984	(626)	0	0	0
Sanitation	186,143	158,068	28,075	0	0	0
Highways and streets	118,298	121,086	(2,788)	0	0	0
Water and Sewer	0	0	0	1,928,532	1,985,987	(57,455)
Total expenses	1,309,327	1,161,105	148,222	1,928,532	1,985,987	(57,455)
Change in net position	119,764	349,481	(229,717)	1,234,632	957,681	276,951

Governmental Budgetary Highlights

The City maintained its budgeted expenditures during the year. See pages 21-28 for an analysis of the budgets.

Capital Assets

The City of Clifton's investment in capital assets from its governmental activities at June 30, 2023, amounts to \$2,562,346 (net of accumulated depreciation) and its business-type activities amounts to \$5,231,499. This investment in capital assets is in land, buildings, improvements, machinery and equipment.

City of Clifton's Capital Assets – 2022

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>
Land, buildings and improvement	\$ 2,961,054	\$ 12,121,856
Equipment	<u>970,974</u>	<u>425,547</u>
Less accumulated depreciation	(1,528,256)	(7,620,040)
Net Capital Assets	<u>\$ 2,403,772</u>	<u>\$ 4,927,363</u>

City of Clifton's Capital Assets – 2023

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>
Land, buildings and improvement	\$ 3,208,349	\$ 12,686,885
Equipment	<u>1,060,038</u>	<u>460,167</u>
Less accumulated depreciation	(1,706,041)	(7,915,553)
Net Capital Assets	<u>\$ 2,562,346</u>	<u>\$ 5,231,499</u>

Additional information on the City of Clifton's capital assets can be found in the notes to the financial statements section of this report.

Debt

The City has debt totaling \$295,133. The City made debt payments totaling \$40,694. All loans are paying down as scheduled.

Economic Factors and Next Year's Budget and Rates

In the 2023-2024 budget, General fund revenues are budgeted to increase from the 2022-2023 budget year primarily due to increases in local tax revenues and user charges which will be partially reduced by a reduction in the state shared revenues. The City's budget has benefited by an expanding commercial and retail base producing increased local property tax receipts.

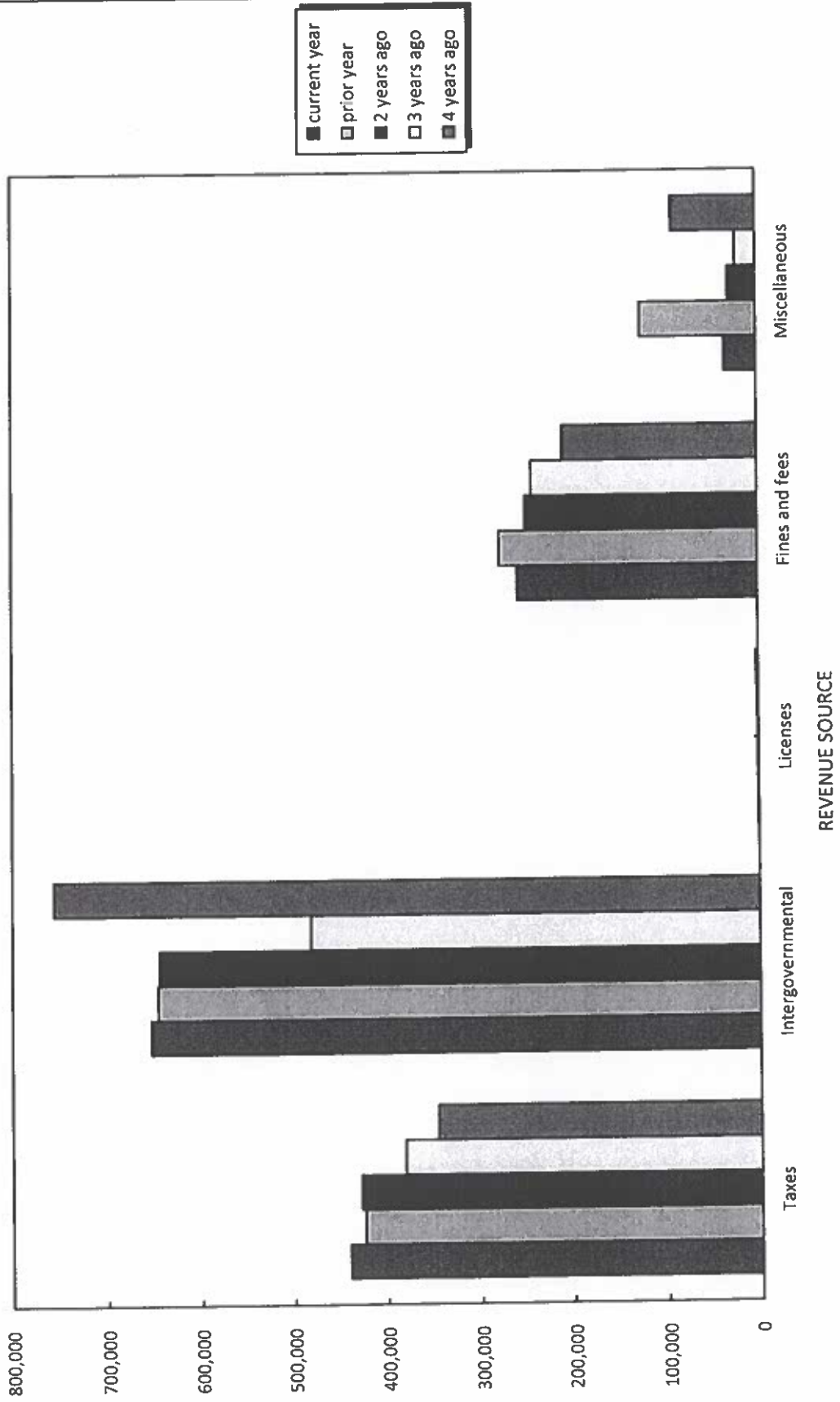
All of these factors were considered in preparing the City's budget for the 2023-2024 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the City of Clifton, Tennessee's finances for all those with an interest in the governments' finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Doug Kibbey
City of Clifton

CITY OF CLIFTON, TENNESSEE
GOVERNMENTAL FUND REVENUES



CITY OF CLIFTON, TENNESSEE

**Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual**

Drug Fund

For the Year Ended June 30, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Fines and Fees:				
Drug related	500	500	4,172	3,672
Miscellaneous:				
Interest	<u>100</u>	<u>100</u>	<u>106</u>	<u>6</u>
Total Revenues	<u>600</u>	<u>600</u>	<u>4,278</u>	<u>3,678</u>
Expenditures:				
Program costs	1,500	1,500	479	1,021
Capital outlay	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total expenses	<u>1,500</u>	<u>1,500</u>	<u>479</u>	<u>1,021</u>
Excess (deficiency) of revenues over expenditures	(900)	(900)	3,799	4,699
Fund Balance, July 1, 2022	<u>33,335</u>	<u>33,335</u>	<u>33,335</u>	<u>0</u>
Fund Balance, June 30, 2023	<u><u>\$32,435</u></u>	<u><u>\$32,435</u></u>	<u><u>37,134</u></u>	<u><u>4,699</u></u>

The notes accompanying the financial statements are an integral part of these financial statements.

CITY OF CLIFTON, TENNESSEE

**Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual**

River Resort Act Fund

For the Year Ended June 30, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Intergovernmental:				
River resort act revenues	<u>37,250</u>	<u>37,250</u>	<u>38,500</u>	<u>1,250</u>
Total Revenues	<u>37,250</u>	<u>37,250</u>	<u>38,500</u>	<u>1,250</u>
Expenditures:				
Streets:				
Professional services	54,000	54,000	3,490	50,510
Capital outlay	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenditures	<u>54,000</u>	<u>54,000</u>	<u>3,490</u>	<u>50,510</u>
Excess (deficiency) of revenues over expenditures	(16,750)	(16,750)	35,010	51,760
Fund Balance, July 1, 2022	<u>71,609</u>	<u>71,609</u>	<u>71,609</u>	<u>-</u>
Fund Balance, June 30, 2023	<u><u>\$54,859</u></u>	<u><u>\$54,859</u></u>	<u><u>\$106,619</u></u>	<u><u>\$51,760</u></u>

The notes accompanying the financial statements are an integral part of these financial statements.