

CITY OF CLIFTON, TENNESSEE

Annual Financial Report

For the Year Ended June 30, 2019

CITY OF CLIFTON, TENNESSEE

Table of Contents

	<u>Page Number</u>
INTRODUCTORY SECTION:	
Officials of the City of Clifton, Tennessee	I
FINANCIAL SECTION:	
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-10
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	11
Statement of Activities	12
Fund Financial Statements:	
Balance Sheet - Governmental Funds	14
Reconciliation of Balance Sheet to Statement of Net Position of Governmental Activities	15
Statement of Revenues, Expenditures and Changes in Fund Balance- Governmental Fund	16
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance Of Governmental Funds to the Statement of Activities	17
Statement of Net Position - Proprietary Funds	18
Statement of Revenues, Expenses and Changes in Fund Net Position- Proprietary Funds	19
Statement of Cash Flows - Proprietary Funds	20
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (GAAP Basis) And Actual -	
General Fund	21-24
State Street Aid Fund	25
Sanitation Fund	26
Drug Fund	27
Notes to Financial Statements	28-51

CITY OF CLIFTON, TENNESSEE

Table of Contents, Continued

Page Number

REQUIRED SUPPLEMENTAL INFORMATION:

Schedule of Changes in Net Pension Liability (Asset)	53
Schedule of Contributions to the Employee Pension Plan	54
Schedule of Changes in Total Liability and Related Ratios	55

Supplemental Information

Capital Assets Used in the Operation of the Governmental Funds:

Schedule of Changes in Capital Assets - By Type	57
Schedule of Capital Assets by Function and Activity	58
Schedule of Cash and Cash Equivalents and Certificate of Deposit - All Funds	59
Schedule of Changes in Property Taxes Receivable	60
Schedule of Debt Service Requirements - General Obligation Debt	61
Schedule of Debt Service Requirements - Water and Sewer Fund	62
Schedule of Changes in Long-term Debt by Individual Issue	63
Schedule of Utility Rates and Information	64
Schedule of State and Federal Financial Assistance.	65
Schedule of Unaccounted for Water	66-67

COMPLIANCE AND INTERNAL CONTROL:

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	69-70
Schedule of Findings and Responses	71
Schedule of Disposition of Prior Year Comments	72
Management's Corrective Action Plan	73

INTRODUCTORY SECTION

CITY OF CLIFTON, TENNESSEE

Officials of the City of Clifton, Tennessee

June 30, 2019

Name

Title

Elected Officials:

Randy Burns

Mayor

Layton Packwood

Vice Mayor

Mark Staggs

Commissioner

Eva Ruth Warren

Commissioner

Bill Willoughby

Commissioner

Management:

Doug Kibbey

City Manager, CMFO

Barbara Culp

City Recorder

Kiersten Rainey

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 Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit and each major fund of the City of Clifton, Tennessee as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted the audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business - type activities, each major fund, and the aggregate discretely presented component unit of the City of Clifton, Tennessee as of June 30, 2019, and the respective changes in financial position and, where applicable, the cash flows thereof and the respective budgetary comparison for the General Fund, State Street Aid Fund, Sanitation Fund, and the Drug Fund for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters -Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Required Supplementary Information which includes the Management's Discussion and Analysis and the Schedule of Changes in Net Pension Liability (Asset) and the Schedule of Contributions to the Employee Pension Plan and the Schedule of Changes in Total Liability and Related Ratios be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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 we obtained during the 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 me with sufficient evidence to express an opinion or provide any assurance.

Other Matters -Other Information

The audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Introductory Section and the Supplementary Information are presented for purposes of additional analysis and are 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. 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 Supplementary Information (except for the Schedule of Unaccounted for Water) 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 our opinion, the Supplementary Information (except for the Schedule of Unaccounted for Water) is fairly stated in all material respects in relation to the basic financial statements as a whole.

The Introductory Section, Schedule of Unaccounted for Water, and Management's Corrective Action Plan have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, I do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated December 15, 2019 on the consideration of the City of Clifton's internal control over financial reporting and the tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely to describe the scope of the 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 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 entity's internal control over financial reporting and compliance.

John R Poole, CPA

December 15, 2019

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, 2019. 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 \$8,936,217. Of this amount, \$1,627,424 (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 \$243,856 due to increases in total revenues of \$345,047. Overall expenses were \$166,483 higher in the current year as the City had increased depreciation and airport-related expenses. The governmental funds showed a net increase in net position of \$207,334 and the business-type net position increased by \$36,522.

As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$642,504, a decrease of \$400,021 in comparison to the prior year. The decrease was the result of the City's increase in capital asset purchases of \$722,511. During the year, the City made governmental debt repayments of \$39,020.

At the end of the current fiscal year, unassigned fund balance of the General Fund was \$372,828 or 24% of the total general fund expenditures.

The City made capital improvements of \$222,297 for utility improvements. The City's utility debt decreased by \$67,389. All debts are being paid as scheduled.

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 14-20 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 28-51 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 \$8,936,217 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-2019

	Governmental <u>Activities</u>	Business -Type <u>Activities</u>
Current and other assets	\$ 1,108,125	1,600,670
Capital assets	<u>2,245,129</u>	<u>4,945,490</u>
Total assets	3,353,254	6,546,160
Deferred outflows	18,481	18,481
Long-term liabilities outstanding	454,555	21,313
Other liabilities	<u>72,689</u>	<u>121,222</u>
Total liabilities	527,244	142,535
Deferred Inflows	245,190	85,190
Net position:		
Net investment in capital assets	1,790,574	4,924,177
Restricted	431,859	162,183
Unrestricted	<u>376,868</u>	<u>1,250,556</u>
Total net position	\$ 2,599,301	6,336,916

City of Clifton's Net Position-2018

	Governmental <u>Activities</u>	Business -Type <u>Activities</u>
Current and other assets	\$1,547,140	1,488,136
Capital assets	<u>1,672,824</u>	<u>5,052,157</u>
Total assets	3,219,964	6,540,293
Deferred outflows	37,245	21,873
Long-term liabilities outstanding	493,575	88,702
Other liabilities	<u>92,991</u>	<u>103,371</u>
Total liabilities	586,566	192,073
Deferred Inflows	278,676	69,699
Net position:		
Net investment in capital assets	1,179,249	4,963,455
Restricted	583,728	110,643
Unrestricted	<u>628,990</u>	<u>1,226,296</u>
Total net position	\$ 2,391,967	6,300,394

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 2018 and 2019 revenues and expenses

	2019	2018	Change Between Years
Revenues:			
Program revenues:			
Charges for services	1,764,934	1,638,857	126,077
Operating grants and contributions	390,167	156,664	233,503
Capital grants and contributions	0	0	0
General revenues:			
Property taxes	194,468	192,226	2,242
Sales taxes	355,155	337,852	17,303
Beer taxes	49,721	51,126	(1,405)
Business taxes	40,882	36,451	4,431
Other state shared taxes	5,968	7,440	(1,472)
Other	62,988	98,620	(35,632)
Total revenues	<u>2,864,283</u>	<u>2,519,236</u>	<u>345,047</u>
Expenses:			
General government	361,934	180,930	181,004
Police department	408,289	411,530	(3,241)
Fire department	96,245	74,220	22,025
Highways and streets	97,327	84,124	13,203
Sanitation	169,983	255,675	(85,692)
Library	3,561	4,090	(529)
Parks and recreations	92,356	80,478	11,878
Natural gas	281,130	258,238	22,892
Water and Sewer	1,109,602	1,104,659	4,943
Total expenses	<u>2,620,427</u>	<u>2,453,944</u>	<u>166,483</u>
Increases in Net Position	<u>243,856</u>	<u>65,292</u>	<u>178,564</u>

The assets of the City of Clifton exceeded its liabilities at the close of the most recent fiscal year by \$8,936,217. Of this amount, \$1,627,424 (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 \$243,856 due to increases in total revenues of \$345,047. Overall expenses were \$166,483 higher in the current year as the City had increased depreciation and airport-related expenses. The governmental funds showed a net increase in net position of \$207,334 and the business-type net position increased by \$36,522.

Governmental Budgetary Highlights

The City amended its budgeted departmental expenditures during the year. See pages 21-27 for an analysis of the budgets.

Capital Assets

The City of Clifton's investment in capital assets from its governmental activities at June 30, 2018, amounts to \$1,672,824 (net of accumulated depreciation) and its business-type activities amounts to \$5,052,157. This investment in capital assets is in land, buildings, improvements, machinery and equipment.

City of Clifton's Capital Assets-2017

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>
Land, buildings and improvement	\$ 2,063,481	\$ 10,895,568
Equipment	<u>677,226</u>	<u>419,156</u>
Less accumulated depreciation	(970,693)	(6,075,214)
Net Capital Assets	\$ <u>1,770,014</u>	\$ <u>5,239,510</u>

City of Clifton's Capital Assets-2018

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>
Land, buildings and improvement	\$ 2,023,364	\$ 10,961,968
Equipment	<u>671,608</u>	<u>481,356</u>
Less accumulated depreciation	(1,022,148)	(6,391,167)
Net Capital Assets	\$ <u>1,672,824</u>	\$ <u>5,052,157</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 \$582,277. The General obligation debt of the City is \$493,575. Water and Sewer fund debt of \$67,702 and Natural Gas fund debt of \$21,000. All loans are paying down as scheduled.

Economic Factors and Next Year's Budget and Rates

In the 2019-2020 budget, General fund revenues are budgeted to increase from the 2018-2019 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 sales tax receipts.

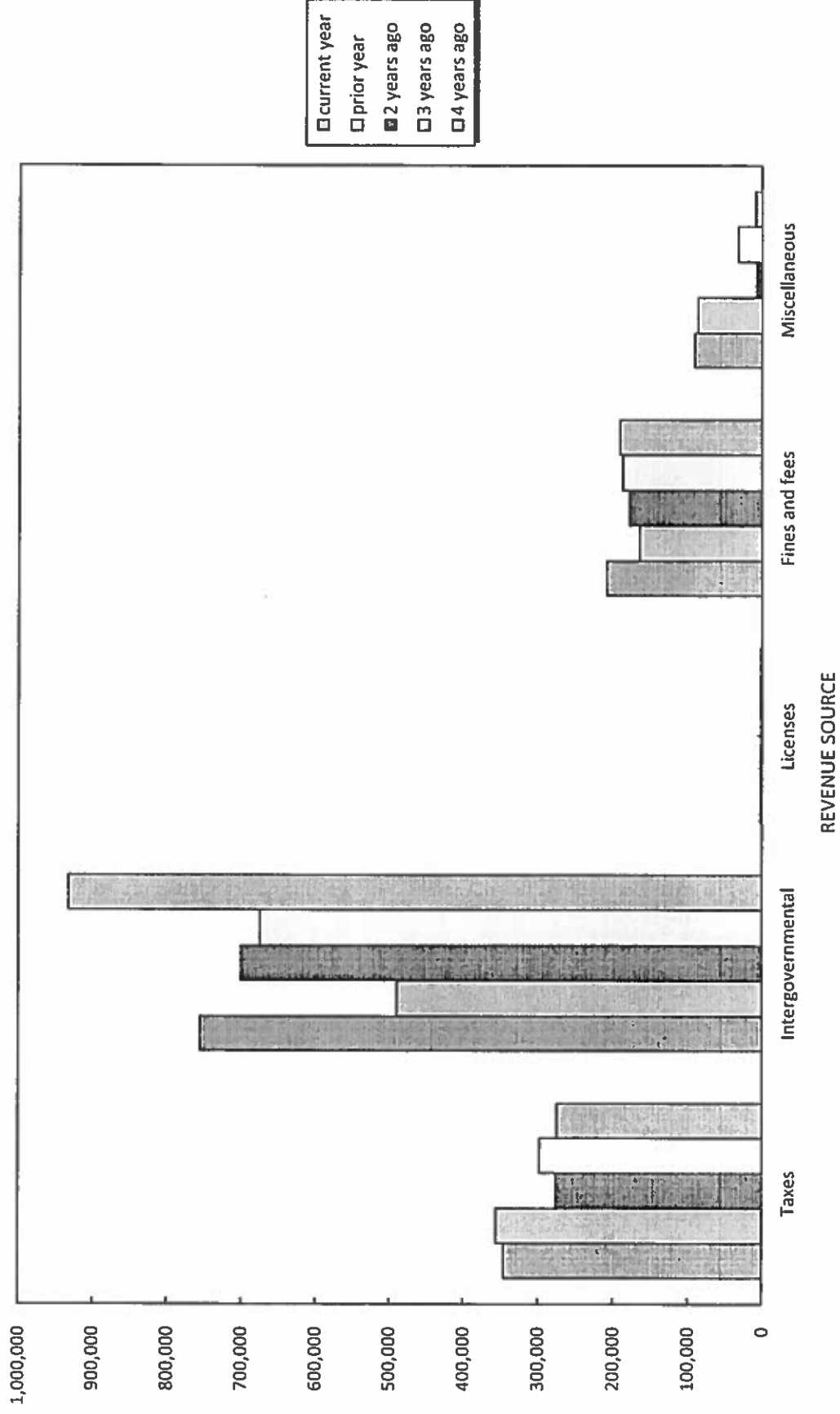
All of these factors were considered in preparing the City's budget for the 2019-2020 fiscal year.

Requests for Information

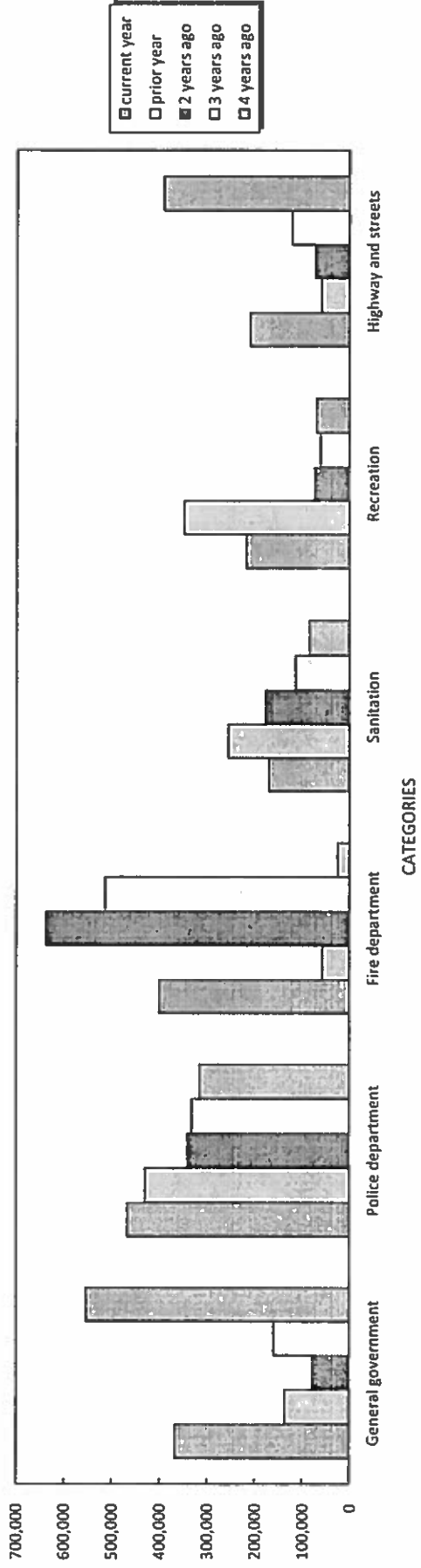
This financial report is designed to provide a general overview of the City of Clifton, Tennessee's finances for all those with an interest in the governments' finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed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

Doug Kibbey
City of Clifton

CITY OF CLIFTON, TENNESSEE GOVERNMENTAL FUND REVENUES



CITY OF CLIFTON, TENNESSEE GOVERNMENTAL FUND EXPENDITURES



BASIC FINANCIAL STATEMENTS

CITY OF CLIFTON, TENNESSEE
Statement of Net Position
June 30, 2019

	Governmental Activities	Business-type Activities	Total	Component Unit Governmental Fund- Airport
Assets and Deferred Outflows				
Cash and cash equivalents	453,581	411,735	865,316	4,764
Certificate of deposits	0	855,344	855,344	0
Receivables	286,502	184,410	470,912	0
Inventory	0	23,424	23,424	0
Net Pension asset	246,900	246,899	493,799	0
Internal balances	121,142	(121,142)	0	0
Capital assets not being depreciated	193,000	219,026	412,026	245,825
Capital assets, net of accumulated depreciation	2,052,129	4,726,464	6,778,593	1,609,843
Total Assets	3,353,254	6,546,160	9,899,414	1,860,432
Deferred Outflows:				
Deferred outflows of resources - OPEB	570	570	1,140	0
Deferred outflows of resources - pension	17,911	17,911	35,822	0
Total Deferred Outflows	18,481	18,481	36,962	0
Liabilities, Deferred Inflows, and Net Position				
Liabilities				
Accounts payable	33,307	62,469	95,776	0
Accrued expenses	24,045	18,282	42,327	0
Customer deposits	0	25,133	25,133	0
Total OPEB liability	15,337	15,338	30,675	0
Long-term liabilities:				
Due within one year	40,191	12,502	52,693	0
Due in more than one year	414,364	8,811	423,175	0
Total Liabilities	527,244	142,535	669,779	0
Deferred Inflows				
Deferred inflow of resources - current year property taxes	160,000	0	160,000	0
Deferred inflow of resources - OPEB	473	474	947	0
Deferred inflow of resources - pension	84,717	84,716	169,433	0
Total Deferred Inflows	245,190	85,190	330,380	0
Net Position:				
Net Investment in Capital Assets	1,790,574	4,924,177	6,714,751	1,855,668
Restricted - Sanitation	71,798	0	71,798	0
Restricted - State street aid	167,810	0	167,810	0
Restricted - Drug fund	30,068	0	30,068	0
Restricted - Pension	162,183	162,183	324,366	0
Unrestricted	376,868	1,250,556	1,627,424	4,764
Total Net Position	2,599,301	6,336,916	8,936,217	1,860,432

See accompanying notes to financial statements.

CITY OF CLIFTON, TENNESSEE

Statement of Activities

For the Year Ended June 30, 2019

Function/Programs	Program Revenues				Net (Expenses) Revenue and Changes in Net Position		Component Unit Governmental Fund
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Business-Type Activities		
					Governmental Activities	Activities	
Government Activities:							
General government	361,934	102,462	278,458	0	18,986	0	18,986
Police department	408,289	43,805	3,000	0	(361,484)	0	(361,484)
Fire department	96,245	0	1,020	0	(95,225)	0	(95,225)
Parks and recreations	92,356	0	0	0	(92,356)	0	(92,356)
Library	3,561	0	0	0	(3,561)	0	(3,561)
Sanitation	169,983	164,426	0	0	(5,557)	0	(5,557)
Highways and streets	97,327	0	107,689	0	10,362	0	10,362
Total Governmental Activities	1,229,695	310,693	390,167	0	(528,835)	0	(528,835)
Business - type Activities:							
Natural Gas	281,130	322,527	0	0	0	41,397	41,397
Water and Sewer	1,109,602	1,131,714	0	0	0	22,112	22,112
Total Business Type Activities	1,390,732	1,454,241	0	0	0	63,509	63,509
Component Unit - Airport	121,869	17,246	18,057	199,000	0	0	112,434
Total	2,742,296	1,782,180	408,224	199,000	(528,835)	63,509	(465,326)
General Revenues:							
Property taxes					162,566	0	162,566
Public utility taxes					31,902	0	31,902
Sales taxes					355,155	0	355,155
Beer taxes					49,721	0	49,721
Business taxes					40,882	0	40,882
State income and excise taxes					5,968	0	5,968
Interest income					1,858	8,062	9,920
Other					53,068	0	53,068
Total general revenues					701,120	8,062	709,182
Transfers - in lieu of property taxes					35,049	(35,049)	0
Changes in Net Position					207,334	36,522	243,856
Net Position - beginning of year					2,391,967	5,300,394	8,692,361
Net Position - ending of year					2,599,301	5,336,916	8,936,217
							1,860,432

See accompanying notes to financial statements.

FUND FINANCIAL STATEMENTS

CITY OF CLIFTON, TENNESSEE

Balance Sheet

Governmental Funds

June 30, 2019

<u>Assets</u>	<u>General Fund</u>	<u>State Street Aid Fund</u>	<u>Sanitation Fund</u>	<u>Drug Fund</u>	<u>Total Governmental Funds</u>
Cash and cash equivalents	<u>\$223,827</u>	<u>\$151,457</u>	<u>\$48,229</u>	<u>\$30,068</u>	<u>\$453,581</u>
Accounts receivable:					
Taxes receivable	185,414	0	0	0	185,414
Other receivables	<u>69,679</u>	<u>16,353</u>	<u>15,056</u>	<u>0</u>	<u>101,088</u>
	<u>255,093</u>	<u>16,353</u>	<u>15,056</u>	<u>0</u>	<u>286,502</u>
Due from other funds	<u>104,639</u>	<u>0</u>	<u>23,775</u>	<u>0</u>	<u>128,414</u>
Total Assets	<u>\$583,559</u>	<u>\$167,810</u>	<u>\$87,060</u>	<u>\$30,068</u>	<u>\$868,497</u>
<u>Liabilities, Deferred Inflows and Fund Balance</u>					
Liabilities:					
Accounts payable	\$25,317	\$0	\$7,990	\$0	\$33,307
Due to other funds	<u>0</u>	<u>0</u>	<u>7,272</u>	<u>0</u>	<u>7,272</u>
Total Liabilities	<u>25,317</u>	<u>0</u>	<u>15,262</u>	<u>0</u>	<u>40,579</u>
Deferred Inflow of Resources:					
Deferred current property taxes	\$160,000	\$0	\$0	\$0	\$160,000
Deferred delinquent property taxes	<u>25,414</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>25,414</u>
Total Deferred Inflow of Resources	<u>185,414</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>185,414</u>
Fund balance:					
Restricted	0	167,810	71,798	30,068	269,676
Unassigned	<u>372,828</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>372,828</u>
Total Fund Balance	<u>372,828</u>	<u>167,810</u>	<u>71,798</u>	<u>30,068</u>	<u>642,504</u>
Total Liabilities, Deferred Inflows and Fund Balance	<u>\$583,559</u>	<u>\$167,810</u>	<u>\$87,060</u>	<u>\$30,068</u>	<u>\$868,497</u>

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

CITY OF CLIFTON, TENNESSEE

**Reconciliation of the Balance Sheet to the Statement of Net Position
of Governmental Activities**

June 30, 2019

Amounts reported for fund balance - total governmental funds	\$ 642,504
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds	2,245,129
Other long term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds	25,414
Pension related accounts - governmental funds to not record these post-benefit obligations	
Net pension asset	246,900
Deferred outflow - pension	17,911
Deferred inflow - pension	(84,717)
OPEB related accounts - governmental funds to not record these post-benefit obligations	
Total OPEB Liability	(15,337)
Deferred outflow - OPEB	570
Deferred inflow - OPEB	(473)
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not recorded in the funds	
Accrued vacation	(24,045)
Loans payable	(454,555)
Net Position of governmental activities	\$ <u>2,599,301</u>

See accompanying notes to financial statements.

CITY OF CLIFTON, TENNESSEE

**Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances**

For the Year Ended June 30, 2019

	<u>General Fund</u>	<u>State Street Aid Fund</u>	<u>Sanitation Fund</u>	<u>Drug Fund</u>	<u>Total Governmental Funds</u>
Revenues:					
Taxes	345,407	0	0	0	345,407
Intergovernmental	653,183	102,333	0	0	755,516
Licenses and permits	2,380	0	0	0	2,380
Fines and fees	29,263	0	164,426	14,542	208,231
Miscellaneous	89,594	578	192	82	90,446
Total Revenues	<u>1,119,827</u>	<u>102,911</u>	<u>164,618</u>	<u>14,624</u>	<u>1,401,980</u>
Expenditures					
Current:					
General government	300,195	0	0	0	300,195
Police department	380,072	0	0	755	380,827
Fire department	50,284	0	0	0	50,284
Library	3,561	0	0	0	3,561
Parks and recreation	86,415	0	0	0	86,415
Sanitation	0	0	169,983	0	169,983
Highway and streets	67,479	0	0	0	67,479
Capital outlay:					
General government	11,127	0	0	0	11,127
Police department	87,264	0	0	0	87,264
Fire department	350,688	0	0	0	350,688
Parks and recreation	131,566	0	0	0	131,566
Highway and streets	0	141,866	0	0	141,866
Debt service:					
Principal	39,020	0	0	0	39,020
Interest	16,775	0	0	0	16,775
Total Expenditures	<u>1,524,446</u>	<u>141,866</u>	<u>169,983</u>	<u>755</u>	<u>1,837,050</u>
Excess (deficiency) of revenues over expenditures	<u>(404,619)</u>	<u>(38,955)</u>	<u>(5,365)</u>	<u>13,869</u>	<u>(435,070)</u>
In lieu of taxes	35,049	0	0	0	35,049
Net change in fund balance	<u>(369,570)</u>	<u>(38,955)</u>	<u>(5,365)</u>	<u>13,869</u>	<u>(400,021)</u>
Fund Balance, Beginning of year	<u>742,398</u>	<u>206,765</u>	<u>77,163</u>	<u>16,199</u>	<u>1,042,525</u>
Fund Balance, End of Year	<u>372,828</u>	<u>167,810</u>	<u>71,798</u>	<u>30,068</u>	<u>642,504</u>

See accompanying notes to financial statements

CITY OF CLIFTON, TENNESSEE

**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance
of Governmental Funds to the Statement of Activities**

For the Year Ended June 30, 2019

Net change in fund balances - total governmental funds: \$ (400,021)

Amounts reported for governmental activities in the statement of net
position are different because:

Governmental funds report capital outlays as expenditures. However, in the statement
of activities the cost of those assets is allocated over their estimated useful lives and
reported as depreciation expense.

Acquisition of capital assets	722,511
Depreciation expense	(150,206)

Expenses reported in the statement of activities that affect accrued liabilities that
are not reported as expenditures in the governmental funds

Change in pension plan accrual	(23,295)
Change in OPEB accounts	1,770
Change in employee vacation accrual	9,392

Revenues in the statement of activities that do not provide current financial resources
are not reported as revenues in the funds.

Deferred revenues	8,163
-------------------	-------

Expenses reported in the statement of governmental funds that reduce long-term liabilities

Principal debt repayments	<u>39,020</u>
---------------------------	---------------

Change in Net Position of governmental activities	\$ <u><u>207,334</u></u>
---	--------------------------

See accompanying notes to financial statements.

CITY OF CLIFTON, TENNESSEE

Statement of Net Position

Enterprise Funds

June 30, 2019

	<u>Water and Sewer Fund</u>	<u>Natural Gas Fund</u>	<u>Total</u>
<u>Assets and Deferred Outflows</u>			
Current Assets:			
Cash and cash equivalents	\$236,267	175,468	411,735
Certificate of deposits	642,708	212,636	855,344
Customer accounts receivable, net of allowance	171,495	12,915	184,410
Due from other funds	38,993	0	38,993
Inventory- natural gas	0	23,424	23,424
Total Current Assets	<u>1,089,463</u>	<u>424,443</u>	<u>1,513,906</u>
Capital Assets:			
Utility plant in service	10,706,605	883,684	11,590,289
Less accumulated depreciation	<u>(6,077,356)</u>	<u>(567,443)</u>	<u>(6,644,799)</u>
Total Capital Assets, Net	<u>4,629,249</u>	<u>316,241</u>	<u>4,945,490</u>
Net Pension asset	<u>207,396</u>	<u>39,503</u>	<u>246,899</u>
Total Assets	<u>\$5,926,108</u>	<u>\$780,187</u>	<u>\$6,706,295</u>
Deferred outflows:			
Deferred outflows - pension	\$15,045	\$2,866	17,911
Deferred outflows - OPEB	479	91	570
Total Deferred outflows	<u>\$15,524</u>	<u>\$2,957</u>	<u>\$18,481</u>
<u>Liabilities, Deferred Inflows, and Net Position</u>			
Current Liabilities (payable from current assets):			
Accounts payable	\$50,866	11,603	62,469
Accrued expenses	14,654	3,628	18,282
Total OPEB liability	12,884	2,454	15,338
Due to other funds	116,364	43,771	160,135
Current maturities - long-term debt	12,502	0	12,502
Total Current Liabilities (payable from current assets)	<u>207,270</u>	<u>61,456</u>	<u>268,726</u>
Other Liabilities:			
Customer deposits	14,955	10,178	25,133
Total Other Liabilities	<u>14,955</u>	<u>10,178</u>	<u>25,133</u>
Long-Term Debt	<u>8,811</u>	<u>0</u>	<u>8,811</u>
Total Liabilities	<u>231,036</u>	<u>71,634</u>	<u>302,670</u>
Deferred inflows:			
Deferred inflows - pension	\$71,162	\$13,554	84,716
Deferred inflows - OPEB	398	76	474
Total Deferred inflows	<u>\$71,560</u>	<u>\$13,630</u>	<u>\$85,190</u>
Net Position:			
Net Investment in Capital Assets	4,607,936	316,241	4,924,177
Restricted - Pension	136,234	25,949	162,183
Unrestricted	<u>894,866</u>	<u>355,690</u>	<u>1,250,556</u>
Total Net Position	<u>\$5,639,036</u>	<u>\$697,880</u>	<u>\$6,336,916</u>

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

CITY OF CLIFTON, TENNESSEE

**Statement of Revenues, Expenses
and Changes in Net Position**

Enterprise Funds

For the Year Ended June 30, 2019

	<u>Water and Sewer Fund</u>	<u>Natural Gas Fund</u>	<u>Total</u>
Operating Revenues:			
Metered sales	\$1,122,120	\$318,993	\$1,441,113
Tap and installation revenues	6,432	2,895	9,327
Other revenue	3,162	639	3,801
Total Operating Revenues	<u>1,131,714</u>	<u>322,527</u>	<u>1,454,241</u>
Operating Expenses:			
Salaries	328,483	45,807	374,290
Payroll taxes	24,741	3,502	28,243
Employee benefits	21,950	6,725	28,675
Fees	6,337	275	6,612
Office expense	12,847	2,391	15,238
Utilities	125,635	5,272	130,907
Professional services	56,215	27,649	83,864
Gas purchased	0	132,176	132,176
Insurance	35,672	3,938	39,610
Repair and maintenance	75,551	9,215	84,766
Supplies	116,550	17,030	133,580
Depreciation	302,935	26,029	328,964
Total Operating Expenses	<u>1,106,916</u>	<u>280,009</u>	<u>1,386,925</u>
Operating income (loss)	<u>24,798</u>	<u>42,518</u>	<u>67,316</u>
Nonoperating Revenues (Expenses):			
Interest expense	(2,686)	(1,121)	(3,807)
Interest income	5,707	2,355	8,062
Total Nonoperating Revenues (Expenses)	<u>3,021</u>	<u>1,234</u>	<u>4,255</u>
Operating transfer: In lieu of tax:	(27,445)	(7,604)	(35,049)
Net change in Net Position	374	36,148	36,522
Net Position, July 1, 2018	<u>5,638,662</u>	<u>661,732</u>	<u>6,300,394</u>
Net Position, June 30, 2019	<u>\$5,639,036</u>	<u>\$697,880</u>	<u>6,336,916</u>

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

CITY OF CLIFTON, TENNESSEE

Statement of Cash Flows

Proprietary Fund Type

Water and Sewer And Natural Gas Funds

For the Year Ended June 30, 2019

	<u>Water and Sewer Fund</u>	<u>Natural Gas Fund</u>	<u>Total</u>
Cash Flows from Operating Activities:			
Cash received from customers	1,153,458	311,557	1,465,015
Cash paid to suppliers	(528,753)	(185,687)	(714,440)
Cash paid to employees	(375,174)	(56,034)	(431,208)
Net Cash Provided (Used) by Operating Activities	<u>249,531</u>	<u>69,836</u>	<u>319,367</u>
Cash Flows from Capital and Related Financing Activities:			
Purchase of capital assets	(209,759)	(12,538)	(222,297)
Interest paid	(2,686)	(1,121)	(3,807)
Repayment of debt	(46,389)	(21,000)	(67,389)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(258,834)</u>	<u>(34,659)</u>	<u>(293,493)</u>
Cash Flows from Investing Activities:			
Redemption (purchase) of certificate of deposit	(4,800)	(2,018)	(6,818)
Interest received	5,707	2,355	8,062
Net Cash Flows Provided (Used) from Investing Activities:	<u>907</u>	<u>337</u>	<u>1,244</u>
Net Change in Cash	(8,396)	35,514	27,118
Cash and Cash Equivalents, July 1, 2018	244,663	139,954	384,617
Cash and Cash Equivalents, June 30, 2019	<u>236,267</u>	<u>175,468</u>	<u>411,735</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities			
Operating income (loss)	24,798	42,518	67,316
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
In lieu of taxes	(27,445)	(7,604)	(35,049)
Depreciation	302,935	26,029	328,964
Change in assets (increase) decrease:			
Accounts receivable	31,338	(7,436)	23,902
Inventory	0	(6,332)	(6,332)
Due from other funds	(22,121)	0	(22,121)
Deferred outflows	2,211	1,181	3,392
Net pension asset	(72,035)	(7,919)	(79,954)
Change in liabilities increase (decrease):			
Accounts payable and accrued expenses	11,293	1,830	13,123
Total OPEB liability	5,052	626	5,678
Due to other funds	(20,992)	26,899	5,907
Customer deposits	(550)	(400)	(950)
Deferred inflows	15,047	444	15,491
Net Cash Provided (Used) by Operating Activities	<u>249,531</u>	<u>69,836</u>	<u>319,367</u>

See accompanying notes to financial statements.

CITY OF CLIFTON, TENNESSEE

**Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget (GAAP Basis) and Actual**

General Fund

For the Year Ended June 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Budget</u>
Revenues:				
Taxes:				
Property taxes	\$160,000	\$160,000	\$162,566	2,566
Local beer tax	48,600	48,600	48,038	(562)
Local sales tax	95,000	95,000	93,921	(1,079)
Franchise taxes	2,100	2,100	2,286	186
Business taxes	36,600	36,600	38,596	1,996
Total Taxes	<u>342,300</u>	<u>342,300</u>	<u>345,407</u>	<u>3,107</u>
Intergovernmental:				
TVA in lieu	30,548	30,548	31,902	1,354
State sales tax	226,250	226,250	261,234	34,984
State income tax	2,700	2,700	4,531	1,831
State alcohol taxes	1,400	1,400	1,683	283
State gasoline tax - special petroleum tax	5,400	5,400	5,356	(44)
State supplement	3,000	3,000	3,000	0
Grants	159,182	286,484	278,458	(8,026)
River resort	64,000	64,000	65,582	1,582
Corporate excise tax	5,000	5,000	1,437	(3,563)
Total Intergovernmental Revenue	<u>497,480</u>	<u>624,782</u>	<u>653,183</u>	<u>28,401</u>
Licenses and permits:				
Building permits	1,000	1,000	0	(1,000)
Beer permits	1,400	1,400	2,380	980
Total License and Permits Revenue	<u>2,400</u>	<u>2,400</u>	<u>2,380</u>	<u>(20)</u>
Fines:				
Police citation	24,330	24,330	29,263	4,933
Total Fines Revenue	<u>24,330</u>	<u>24,330</u>	<u>29,263</u>	<u>4,933</u>
Miscellaneous:				
Miscellaneous	4,620	4,620	3,355	(1,265)
Sale of assets	10,000	21,000	16,870	(4,130)
Special fire protection	1,350	1,350	1,020	(330)
Insurance proceeds	0	17,708	32,843	15,135
Lease of property	0	0	34,500	34,500
Interest income	1,500	1,500	1,006	(494)
Total Miscellaneous Revenue	<u>17,470</u>	<u>46,178</u>	<u>89,594</u>	<u>43,416</u>
Total Revenues	<u>883,980</u>	<u>1,039,990</u>	<u>1,119,827</u>	<u>79,837</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 (GAAP Basis) and Actual**

General Fund

For the Year Ended June 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Budget</u>
Expenditures:				
General Government:				
Current:				
Personnel costs	72,138	72,138	10,628	(61,510)
Advertising	1,200	1,200	3,460	2,260
Dues and subscriptions	2,000	2,000	1,996	(4)
Utilities	2,550	2,550	2,870	320
Professional services	14,500	14,500	15,488	988
Supplies and maintenance	6,100	7,600	15,050	7,450
Donations	36,600	36,600	32,814	(3,786)
Airport	21,797	193,000	208,000	15,000
Other	37,700	11,700	3,502	(8,198)
	<u>194,585</u>	<u>341,288</u>	<u>293,808</u>	<u>(47,480)</u>
Debt service	51,648	51,648	51,619	(29)
Capital outlay	<u>0</u>	<u>0</u>	<u>11,127</u>	<u>11,127</u>
Total General Government	<u>246,233</u>	<u>392,936</u>	<u>356,554</u>	<u>(36,382)</u>
Board of Commissioners:				
Salaries	6,515	6,515	367	(6,148)
Election	1,500	1,500	520	(980)
Miscellaneous	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>8,015</u>	<u>8,015</u>	<u>887</u>	<u>(7,128)</u>
Capital outlay	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Board of Commissioners	<u>8,015</u>	<u>8,015</u>	<u>887</u>	<u>(7,128)</u>
Judicial - Judge's fee	<u>6,000</u>	<u>6,000</u>	<u>5,500</u>	<u>(500)</u>
Total General Government	<u>260,248</u>	<u>406,951</u>	<u>362,941</u>	<u>(44,010)</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 (GAAP Basis) and Actual**

General Fund

For the Year Ended June 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Budget</u>
Public Safety:				
Police Department:				
Salaries	251,929	251,929	241,561	(10,368)
Payroll taxes	18,855	18,855	17,521	(1,334)
Employee benefits	54,458	54,458	54,752	294
Training	1,400	1,400	964	(436)
Fees	2,230	2,230	2,484	254
Utilities	2,300	2,300	3,993	1,693
Repair and maintenance	5,000	5,000	2,659	(2,341)
Travel	1,400	1,400	1,974	574
Supplies	12,900	12,900	18,451	5,551
Vehicle expense	18,500	18,500	15,713	(2,787)
Insurance	24,000	24,000	20,000	(4,000)
Miscellaneous	0	0	0	0
	<u>392,972</u>	<u>392,972</u>	<u>380,072</u>	<u>(12,900)</u>
Capital outlay	60,000	90,000	87,264	(2,736)
Total Police Department	<u>452,972</u>	<u>482,972</u>	<u>467,336</u>	<u>(15,636)</u>
Fire Department:				
Current:				
Salaries	12,856	12,856	12,132	(724)
Payroll taxes	734	734	754	20
Gas and oil	1,000	1,000	860	(140)
Supplies and maintenance	73,000	73,000	24,272	(48,728)
Utilities	3,000	3,000	4,216	1,216
Volunteer firemen	7,000	7,000	4,050	(2,950)
Insurance	4,000	4,000	4,000	0
Miscellaneous	0	0	0	0
	<u>101,590</u>	<u>101,590</u>	<u>50,284</u>	<u>(51,306)</u>
Capital outlay	150,862	299,961	350,688	50,727
Total Fire Department	<u>252,452</u>	<u>401,551</u>	<u>400,972</u>	<u>(579)</u>
Total Public Safety	<u>705,424</u>	<u>884,523</u>	<u>868,308</u>	<u>(16,215)</u>

Continued on next page

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 (GAAP Basis) and Actual**

General Fund

For the Year Ended June 30, 2019

	<u>Original Budget</u>	<u>Original Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Budget</u>
Streets:				
Inmate lunches	6,500	6,500	5,602	(898)
Repair and maintenance	1,000	4,000	0	(4,000)
Supplies	2,700	2,700	1,005	(1,695)
Street lighting	50,000	55,000	60,872	5,872
Miscellaneous	0	0	0	0
	<u>60,200</u>	<u>68,200</u>	<u>67,479</u>	<u>(721)</u>
Capital outlay	0	0	0	0
Total Streets Department	<u>60,200</u>	<u>68,200</u>	<u>67,479</u>	<u>(721)</u>
Parks and Recreation:				
Current:				
Salaries	42,088	42,088	33,446	(8,642)
Employee benefits	11,945	11,945	11,969	24
Inmate lunches	3,500	3,500	3,608	108
Repair and maintenance	3,200	9,700	15,511	5,811
Supplies	5,400	5,400	6,402	1,002
Vehicle expense	4,500	4,500	4,237	(263)
Insurance	4,000	4,000	3,925	(75)
Utilities	6,600	6,600	6,940	340
Miscellaneous	3,500	3,500	377	(3,123)
	<u>84,733</u>	<u>91,233</u>	<u>86,415</u>	<u>(4,818)</u>
Debt service	0	0	4,176	4,176
Capital outlay	224,000	131,500	131,566	66
Total Parks and Recreation	<u>308,733</u>	<u>222,733</u>	<u>222,157</u>	<u>(576)</u>
Library	<u>5,000</u>	<u>6,500</u>	<u>3,561</u>	<u>(2,939)</u>
Total Expenditures	<u>1,339,605</u>	<u>1,588,907</u>	<u>1,524,446</u>	<u>(64,461)</u>
Excess (deficiency) of Revenues over Expenditures	<u>(455,625)</u>	<u>(548,917)</u>	<u>(404,619)</u>	<u>144,298</u>
In lieu of taxes	<u>36,000</u>	<u>36,000</u>	<u>35,049</u>	<u>(951)</u>
Net change in fund balance	<u>(419,625)</u>	<u>(512,917)</u>	<u>(369,570)</u>	<u>143,347</u>
Fund Balance, July 1, 2018	<u>742,398</u>	<u>742,398</u>	<u>742,398</u>	<u>0</u>
Fund Balance, June 30, 2019	<u>\$322,773</u>	<u>\$229,481</u>	<u>\$372,828</u>	<u>\$143,347</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**

State Street Aid Fund

For the Year Ended June 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Budget</u>
Revenues:				
Intergovernmental:				
Gasoline .03 tax	\$12,620	\$13,420	\$15,142	1,722
Gasoline 1989 tax	7,790	7,790	8,172	382
Gasoline 2017 tax	17,991	17,991	19,548	1,557
Gasoline and motor fuel	57,260	56,460	59,471	3,011
Miscellaneous:				
Interest	<u>550</u>	<u>550</u>	<u>578</u>	<u>28</u>
Total Revenues	<u>96,211</u>	<u>96,211</u>	<u>102,911</u>	<u>6,700</u>
Expenditures:				
Streets:				
Maintenance and repair	15,000	15,000	0	(15,000)
Capital outlay	<u>0</u>	<u>0</u>	<u>141,866</u>	<u>141,866</u>
Total Expenditures	<u>15,000</u>	<u>15,000</u>	<u>141,866</u>	<u>126,866</u>
Excess (deficiency) of revenues over expenditures	<u>81,211</u>	<u>81,211</u>	<u>(38,955)</u>	<u>(120,166)</u>
 Fund Balance, July 1, 2018	 <u>206,765</u>	 <u>206,765</u>	 <u>206,765</u>	 <u>-</u>
Fund Balance, June 30, 2019	<u>\$287,976</u>	<u>\$287,976</u>	<u>\$167,810</u>	<u>(\$120,166)</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**

Sanitation Fund

For the Year Ended June 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Budget</u>
Revenues:				
Fees	150,000	150,000	164,426	14,426
Miscellaneous:				
Interest	<u>0</u>	<u>0</u>	<u>192</u>	<u>192</u>
Total Revenues	<u>150,000</u>	<u>150,000</u>	<u>164,618</u>	<u>14,618</u>
Expenditures:				
Sanitation:				
Salaries	55,335	55,335	53,171	(2,164)
Payroll taxes	4,191	4,191	3,881	(310)
Employee benefits	20,332	20,332	14,900	(5,432)
Utility	2,850	2,850	2,770	(80)
Professional services	6,600	6,600	8,159	1,559
Supplies and maintenance	7,575	9,075	8,834	(241)
Collection fees	75,000	75,000	70,065	(4,935)
Insurance	8,000	8,000	7,918	(82)
Miscellaneous	<u>1,000</u>	<u>1,000</u>	<u>285</u>	<u>(715)</u>
	<u>180,883</u>	<u>182,383</u>	<u>169,983</u>	<u>(12,400)</u>
Capital outlay	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenditures	<u>180,883</u>	<u>182,383</u>	<u>169,983</u>	<u>(12,400)</u>
 Excess (deficiency) of revenues over expenditures	 (30,883)	 (32,383)	 (5,365)	 27,018
 Fund Balance, July 1, 2018	 <u>77,163</u>	 <u>77,163</u>	 <u>77,163</u>	 <u>0</u>
 Fund Balance, June 30, 2019	 <u><u>\$46,280</u></u>	 <u><u>\$44,780</u></u>	 <u><u>71,798</u></u>	 <u><u>27,018</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**

Drug Fund

For the Year Ended June 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Budget</u>
Revenues:				
Fines and Fees:				
Drug related	2,000	2,000	14,542	12,542
Miscellaneous:				
Interest	<u>550</u>	<u>550</u>	<u>82</u>	<u>(468)</u>
Total Revenues	<u>2,550</u>	<u>2,550</u>	<u>14,624</u>	<u>12,074</u>
Expenditures:				
Program costs	2,000	2,000	755	(1,245)
Capital outlay	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total expenses	<u>2,000</u>	<u>2,000</u>	<u>755</u>	<u>(1,245)</u>
Excess (deficiency) of revenues over expenditures	550	550	13,869	13,319
Fund Balance, July 1, 2018	<u>16,199</u>	<u>16,199</u>	<u>16,199</u>	<u>0</u>
Fund Balance, June 30, 2019	<u><u>\$16,749</u></u>	<u><u>\$16,749</u></u>	<u><u>30,068</u></u>	<u><u>13,319</u></u>

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

NOTES TO THE FINANCIAL STATEMENTS

CITY OF CLIFTON, TENNESSEE

Notes to Financial Statements

June 30, 2019

(1) Summary of Significant Accounting Policies

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

Reporting Entity:

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

Accounting Pronouncements:

Effective July 1, 2003, the City adopted GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis for State and Local Governments: Omnibus, an amendment of GASB Statements No. 21 and 34, Statement No. 38, Certain Financial Statement Note Disclosures and Interpretation No. 6, Recognition and measurement of Certain Liabilities and Expenditures in Government Fund Financial Statements. The requirements of these statements represent a significant change in the financial reporting model used by the City. 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. Other significant changes include 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, 2019

(1) Summary of Significant Accounting Policies, Continued

Government -Wide and Fund Financial Statements

The Government-wide financial statements, the statement of Net Position and the statement of changes in Net Position, report information on all of the nonfiduciary activities of the primary government and its component units. For the most part the effect of the interfund activity has been removed from these statements. Government activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (i) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and (ii) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues.

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

CITY OF CLIFTON, TENNESSEE

Notes to Financial Statements

June 30, 2019

(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.

The government reports the following major proprietary funds:

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

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

Amounts reported as program revenues include (i) charges to customers or applicants for goods, services, or privileges provided, (ii) operating grants and contributions, and (iii) capital grants and contributions. General revenues include all taxes and internally dedicated resources. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the various utility funds are charges to customers for sales and services. The Utility Fund also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

CITY OF CLIFTON, TENNESSEE

Notes to Financial Statements

June 30, 2019

(1) Summary of Significant Accounting Policies, Continued

Cash and Cash Equivalents

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

Receivables and Payables

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

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

Property Tax

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

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

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

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

Payments may be made during the period from November 1 through March 31. Current tax collections of \$145,722 for the fiscal year ended June 30, 2019 were approximately 88 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, 2019

(1) Summary of Significant Accounting Policies, Continued

Capital Assets

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

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

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

The estimated useful lives are as follows:

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

Deferred Outflows/Inflows of Resources

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

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

CITY OF CLIFTON, TENNESSEE

Notes to Financial Statements

June 30, 2019

(1) Summary of Significant Accounting Policies, Continued

Budgets and Budgetary Accounting

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

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

Long-term Obligations

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

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

CITY OF CLIFTON, TENNESSEE

Notes to Financial Statements

June 30, 2019

(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 balances – amounts that are not in a spendable form, Restricted fund balance – amounts constrained to specific purposes by their providers, provisions, or by enabling legislation, Committed fund balance – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint, Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority, Unassigned fund balance – amounts that are available for any purpose; these amounts are reported only in the general fund.

Board approval (via ordinance) is required to establish, modify or rescind a fund balance requirement. Only by Board approval can fund balance amounts be classified as committed or assigned.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Financial instruments that potentially subject the City to significant concentrations of credit risk consist principally of cash and accounts receivable. The City places its cash with federally-insured financial institutions, institutions participating in the State collateral pool. With respect to accounts receivable, credit risk is dispersed across a large number of customers concentrated within one area of service.

Inventory

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

Compensated Absences

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

	July 1, <u>2018</u>	Addi- <u>tions</u>	Retire- <u>ments</u>	June 30, <u>2019</u>
Governmental activities	<u>33,437</u>	<u>-</u>	<u>9,392</u>	<u>24,045</u>
Business-type activities	<u>13,813</u>	<u>69</u>	<u>-</u>	<u>13,882</u>

CITY OF CLIFTON, TENNESSEE

Notes to Financial Statements

(1) Summary of Significant Accounting Policies, Continued

Other Post-Employment Benefit Plan- (OPEB)

Plan description. The City provides certain retiree health insurance benefits in a single employer defined benefit OPEB Plan through the LGIP which is administered by the State of Tennessee. All employees covered by the LGIP and hired prior to July 1, 2015 are covered by the OPEB Plan. According to State law in effect on the measurement date, employees first hired on or after July 1, 2015 are not eligible to continue health insurance coverage under the OPEB Plan after retiring. Any changes to the law will be recognized in future measurements. For eligible employees, some employers provide a direct subsidy toward the premium for certain employees; all employers provide an implicit subsidy; and the retiree pays any balance of the required premium remaining.

Funding policy. There are no assets or trust fund accumulating to pre-fund the OPEB obligation. The funding policy is to pay the OPEB obligation as it comes due each month on a pay-as-you-go basis. The total premium rate structure required for LGIP coverage is established by and may be amended by the Benefits Administration unit of the State and the State Insurance Committee. The local employer sets its own level of subsidy for the designated classification of members.

Eligibility. Eligibility to commence OPEB coverage is the same as eligibility for retirement under the Tennessee Consolidated Retirement System (TCRS), with the added conditions of (a) having being at least 10 years of employment with the employer and three continuous years of insurance coverage in the LGIP immediately prior to final termination for retirement (or age 55 with at least 20 years of such employment if only one year of such coverage) and (b) receiving a monthly pension from TCRS. Additional rules apply for OPEB coverage for TCRS-approved disabilities. Alternative conditions are made for any locally sponsored public safety retirement plan or utility board member.

With the exception of a small group of grandfathered individuals, retirees are required to discontinue coverage under the LGIP and this OPEB Plan upon attaining eligibility for Medicare benefits. In addition to subsidies that may be provided by the local employers for retiree premiums, the OPEB benefits include access to coverage for the retiree and dependents under the Medical, Prescription, Dental, Vision and Long Term Care (LTC access for retirees was discontinued effective January 1, 2018).

Benefits. The employer may provide a flat dollar or percent subsidy depending on years of service, job classification, health plan option and tier selected. The State does not provide a subsidy for local government participants.

Net Position Flow Assumption

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