



FINANCIAL REPORT
YEAR ENDED JUNE 30, 2020

TOWN OF CLIFTON FORGE, VIRGINIA

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2020

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FOR THE YEAR ENDED JUNE 30, 2020

COUNCIL

Jeff Irvine, Mayor

Pam Marshall, Vice-Mayor

David Oeltjen

Robert Umstead

Dr. Ronald S. Goings

OFFICIALS

Darlene L. Burcham Town Manager
LeeAnna Tyler Assistant Town Manager/Finance Director
Jared Jenkins Town Attorney

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FOR THE YEAR ENDED JUNE 30, 2020

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Independent Auditors' Report

**To the Honorable Members of
the Town Council
Town of Clifton Forge, Virginia**

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB funding on pages 4-9, 56, and 57-62 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Clifton Forge, Virginia's basic financial statements. The combining and individual fund financial statements, supporting schedules, and other statistical information, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual fund financial statements, supporting schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 our opinion, the combining and individual fund financial statements, supporting schedules and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The other statistical information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2020, on our consideration of the Town of Clifton Forge, Virginia's internal control over financial reporting and on our 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 our 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 Town of Clifton Forge, Virginia'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 Town of Clifton Forge, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Charlottesville, Virginia
December 11, 2020

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Town of Clifton Forge, Virginia Management's Discussion and Analysis

As management of the Town of Clifton Forge (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2020. Please read it in conjunction with the Town's basic financial statements, which follow this section.

Financial Highlights

- The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$10.56 million (*net position*). Of this amount, \$3.18 million (*unrestricted net position*) may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Town's total net position increased by \$196,446, of which the governmental activities accounted for a \$187,429 decrease and business-type activities accounted for an increase of \$383,875. Explanation of the changes can be found under the analysis section of the Management's Discussion and Analysis.
- As of the close of the current fiscal year, the Town's general fund reported a deficit ending fund balance in the amount of \$4,469, a decrease of \$71,793 compared to the prior year. The unassigned fund balance at June 30, 2020 reported a deficit balance of \$16,711. The Town had \$12,242 in restricted fund balance at June 30, 2020.
- The Town's total long-term obligations increased by \$1,620,127 during the current fiscal year.

Overview of the Financial Statements

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

Government-wide financial statements

The *government-wide financial statements* are designed to provide the readers with a broad overview of the Town's finances, in a manner similar to a private-sector business. The *statement of net position* presents information on all of the Town's assets/deferred outflows of resources and liabilities/deferred inflows of resources, 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 how the financial position of the Town may be changing. Increases in net position may indicate an improved financial position; however, even decreases in net position may reflect a changing manner in which the Town may have used previously accumulated funds.

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

Government-wide financial statements: (Continued)

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Town include general government administration, public safety, and public works. The business-type activities are for public utilities. The government-wide financial statements can be found on pages 10 and 11 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 for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

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 Town's near-term financing decisions. Both the governmental fund balance sheet and the 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 Town maintains one governmental fund. The Town 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 governmental fund financial statements can be found on exhibits 3 and 5 of this financial report.

The Town maintains one type of **Proprietary Fund**. The Town uses *enterprise funds*, which are used to report the same functions presented as *business-type activities* in the government-wide financial statements, to account for its public utilities. The basic proprietary fund financial statements can be found on exhibits 7 through 9 of this report.

Notes to 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 financial statements can be found on pages 21 through 55 of this report.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning budgetary comparisons for the general fund and the schedules relating to the Town's participation in its defined benefit pension plan. Required supplementary information can be found on pages 56 through 62 of this report. The Town's report includes other supplementary information of combining and individual fund statements, supporting schedules and other statistical information. This information can be found on pages 63 through 83 of this report.

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 Town, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$10.56 million at the close of the most recent fiscal year. A large portion of the Town's net position (\$7.3 million, 69% of total) reflects its investment in capital assets (e.g., land, buildings, improvements, infrastructure machinery and equipment, and vehicles), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Town'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 (i.e., the Town's investment in capital assets are of a permanent nature as assets acquired are generally not sold or otherwise disposed of during their useful life).

The following table summarizes the Town's Statement of Net Position:

Town of Clifton Forge, Virginia Summary of Net Position						
	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 627,782	\$ 629,630	\$ 4,752,292	\$ 4,036,012	\$ 5,380,074	\$ 4,665,642
Capital assets	4,240,214	4,256,114	11,476,931	9,866,323	15,717,145	14,122,437
Total assets	\$ 4,867,996	\$ 4,885,744	\$ 16,229,223	\$ 13,902,335	\$ 21,097,219	\$ 18,788,079
Deferred outflows of resources	\$ 308,610	\$ 144,780	\$ 94,132	\$ 40,482	\$ 402,742	\$ 185,262
Long-term liabilities						
outstanding	\$ 1,734,613	\$ 1,404,101	\$ 7,649,525	\$ 6,309,910	\$ 9,384,138	\$ 7,714,011
Other liabilities	221,872	218,063	892,486	224,879	1,114,358	442,942
Total liabilities	\$ 1,956,485	\$ 1,622,164	\$ 8,542,011	\$ 6,534,789	\$ 10,498,496	\$ 8,156,953
Deferred inflows of resources	\$ 408,766	\$ 409,576	\$ 31,908	\$ 42,467	\$ 440,674	\$ 452,043
Net position:						
Net investment in capital assets	\$ 3,768,489	\$ 3,658,051	\$ 3,535,432	\$ 3,754,980	\$ 7,303,921	\$ 7,413,031
Restricted	12,242	28,560	67,673	67,901	79,915	96,461
Unrestricted	(969,376)	(687,827)	4,146,331	3,542,680	3,176,955	2,854,853
Total net position	\$ 2,811,355	\$ 2,998,784	\$ 7,749,436	\$ 7,365,561	\$ 10,560,791	\$ 10,364,345

At the end of the current fiscal year, the Town is able to report positive balances in all categories of net position for the business-type activities. Governmental-activities reported a positive balance in net investment in capital assets; however, a negative balance of \$969,376 was reported in unrestricted net position. Similar to many local governments participating in the Virginia Retirement System, the Town reports net pension and OPEB obligations related to its participation in the pension and group life plans. These obligations reduce the Town's unrestricted net position. As displayed in the table above, the unrestricted net position decreased during fiscal year 2020.

Government-wide Financial Analysis: (Continued)

As noted previously, the Town's total net position increased by \$196,446 during the current fiscal year. Governmental activities decreased the Town's net position by \$187,429. The following table summarizes the Town's Statement of Activities:

Town of Clifton Forge, Virginia Changes in Net Position						
	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	\$ 103,606	\$ 87,991	\$ 3,060,345	\$ 3,151,024	\$ 3,163,951	\$ 3,239,015
Operating grants and contributions	901,414	1,312,584	-	-	901,414	1,312,584
Capital grants and contributions	72,376	40,249	-	8,314	72,376	48,563
General revenues:						
Property taxes	620,791	618,302	-	-	620,791	618,302
Other taxes	1,018,502	1,077,693	-	-	1,018,502	1,077,693
Unrestricted revenues from use of money and property	40,227	47,922	816	1,149	41,043	49,071
Miscellaneous	116,132	176,598	-	-	116,132	176,598
Grants and contributions not restricted to specific programs	408,318	396,689	-	-	408,318	396,689
Total revenues	\$ 3,281,366	\$ 3,758,028	\$ 3,061,161	\$ 3,160,487	\$ 6,342,527	\$ 6,918,515
Expenses:						
General government administration	\$ 647,212	\$ 421,771	-	-	\$ 647,212	\$ 421,771
Public safety	1,210,544	1,102,469	-	-	1,210,544	1,102,469
Public works	1,075,072	1,321,651	-	-	1,075,072	1,321,651
Health and welfare	6,586	6,228	-	-	6,586	6,228
Parks, recreation and cultural	437,684	410,157	-	-	437,684	410,157
Community development	69,602	551,885	-	-	69,602	551,885
Interest on long-term debt	22,095	27,188	-	-	22,095	27,188
Water fund	-	-	1,073,705	1,008,244	1,073,705	1,008,244
Sewer fund	-	-	1,603,581	2,062,011	1,603,581	2,062,011
Total expenses	\$ 3,468,795	\$ 3,841,349	\$ 2,677,286	\$ 3,070,255	\$ 6,146,081	\$ 6,911,604
Increase (decrease) in net position before transfers	\$ (187,429)	\$ (83,321)	\$ 383,875	\$ 90,232	\$ 196,446	\$ 6,911
Change in net position	\$ (187,429)	\$ (83,321)	\$ 383,875	\$ 90,232	\$ 196,446	\$ 6,911
Net position - beginning of year	\$ 2,998,784	\$ 3,082,105	\$ 7,365,561	\$ 7,275,329	\$ 10,364,345	\$ 10,357,434
Net position - end of year	\$ 2,811,355	\$ 2,998,784	\$ 7,749,436	\$ 7,365,561	\$ 10,560,791	\$ 10,364,345

Business-type activities increased the Town's net position by \$383,875. Similar to how changes arise in the governmental activities, business-type activities also experience budgetary differences; however, as a public utility function comprises the Town's business-type activities there is more of a direct correlation to the revenues generated relative to the expenses incurred because of service demands.

The total expenses reported in the sewer fund (business-type activities) decreased by approximately \$458,000 resulting from a decrease in contractual obligations and payments for services to Alleghany County.

Financial Analysis of the Town's Funds

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental fund: The focus of the Town's *governmental fund* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Town's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Town's governmental fund (General Fund) reported an ending deficit fund balance of \$4,469, a decrease of \$71,793 in comparison with the prior year. Of this amount \$16,711 deficit is reported as unassigned. At June 30, 2020, The Town had \$12,242 in restricted fund balance. The Town's unassigned fund balance reported as a deficit as of June 30, 2020 will be monitored in the future.

Proprietary funds: The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Total net position of the proprietary funds was \$7.7 million, of which \$3.5 million was attributable to the Town's net investment in capital assets. The increase in net position is explained under Government-wide Financial Analysis.

Capital Asset and Debt Administration

Capital assets: The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2020, amounts to \$15.7 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, and machinery and equipment as well as construction in progress. Capital assets, net of accumulated depreciation, are illustrated in the following table:

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 784,994	\$ 784,994	\$ 73,412	\$ 73,412	\$ 858,406	\$ 858,406
Buildings	986,019	895,719	-	-	986,019	895,719
Infrastructure	1,959,869	2,016,017	8,682,170	9,030,689	10,642,039	11,046,706
Machinery & equipment	440,654	395,866	-	-	440,654	395,866
Construction in progress	68,678	163,518	2,721,349	762,222	2,790,027	925,740
Total	<u>\$ 4,240,214</u>	<u>\$ 4,256,114</u>	<u>\$ 11,476,931</u>	<u>\$ 9,866,323</u>	<u>\$ 15,717,145</u>	<u>\$ 14,122,437</u>

Additional information on the Town's capital assets can be found in Note 5 on pages 32 through 34.

Capital Asset and Debt Administration: (Continued)

Long-term Obligations: At the end of the current fiscal year, the Town had total outstanding obligations of \$9.38 million and details are summarized in the following table:

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Capital leases	\$ 130,038	\$ 157,133	\$ 53,688	\$ 80,892	\$ 183,726	\$ 238,025
Notes payable	-	-	2,416,185	857,054	2,416,185	857,054
Revenue bonds	-	-	1,762,526	1,875,600	1,762,526	1,875,600
General obligation bonds	324,429	399,439	-	-	324,429	399,439
Premium on issuance	17,258	18,491	50,428	54,030	67,686	72,521
Revolving loan funds	-	-	3,047,941	3,243,767	3,047,941	3,243,767
Landfill closure and post-closure	82,500	90,000	-	-	82,500	90,000
Net pension liability	1,019,952	553,301	254,062	137,486	1,274,014	690,787
Net OPEB liability	93,192	89,709	23,157	22,291	116,349	112,000
Compensated absences	67,244	96,028	41,538	38,790	108,782	134,818
Total	<u>\$ 1,734,613</u>	<u>\$ 1,404,101</u>	<u>\$ 7,649,525</u>	<u>\$ 6,309,910</u>	<u>\$ 9,384,138</u>	<u>\$ 7,714,011</u>

Obligations associated with governmental activities increased by \$330,512 and \$1.3 million by obligations of the business-type activities. The Town secured interim financing in advance of an impending USDA/Rural Development loan to provide permanent financing upon completion of the water fund water improvement project. The amount of the interim financing as of June 30, 2020 is \$1.8 million.

The Town is subject to a statutory debt limitation. The legal debt margin is limited to 10% of total assessed value. The margin is computed as all bonded debt and long-term notes except for enterprise indebtedness over total assessed value of taxed real property. The Town was in compliance with the debt limitation as of June 30, 2020.

Additional information on the Town's long-term obligations and compliance can be found in Note 6.

Economic Factors and Next Year's Budgets and Rates

In 2001, Clifton Forge became only the second city in Virginia's modern history to revert from city to town status. Since that time, the Town has continued to make advancements towards increasing fund balances, implementing a capital improvements program and improving the quality of life for our citizens.

Clifton Forge continues to find innovative ways to promote and encourage business in the Town. The Town partnered with private citizens, businesses, and churches to improve Booker T. Washington Park. The former railroad property now owned by the Town and leased by a new business continues to be utilized for new economic development. The Town was also the winner of the "Best Small Adventure" Town in 2018 and 2019 from Blue Ridge Outdoors magazine. These innovative projects bring jobs and tourists to the Town. Meals tax, business license and sales tax revenue continue to increase over previous years. The Town's real estate tax has remained at \$.21 for over ten years and the personal property tax rate of \$6.70 has also remained the same for many years.

The town began consumption based billing for water and sewer in July 2011 with a base rate for 5,000 gallons set at \$94.00. The current rate is \$109 for water and sewer service.

Requests for Information

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the Town's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town Manager, Town of Clifton Forge, 547 Main Street, Clifton Forge, VA 24422.

Basic Financial Statements

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Government-wide Financial Statements

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Statement of Net Position
June 30, 2020

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ -	\$ 4,350,099	\$ 4,350,099
Receivables (net of allowance for uncollectibles):			
Taxes receivable	416,027	-	416,027
Accounts receivable	79,987	204,897	284,884
Notes receivable	94,206	-	94,206
Due from other governmental units	25,320	43,849	69,169
Restricted assets:			
Cash and cash equivalents	12,242	153,447	165,689
Capital assets (net of accumulated depreciation):			
Land	784,994	73,412	858,406
Buildings and improvements	986,019	-	986,019
Machinery and equipment	440,654	-	440,654
Infrastructure	1,959,869	8,682,170	10,642,039
Construction in progress	68,678	2,721,349	2,790,027
Total assets	\$ 4,867,996	\$ 16,229,223	\$ 21,097,219
DEFERRED OUTFLOWS OF RESOURCES			
Pension related items	\$ 291,516	\$ 89,442	\$ 380,958
OPEB related items	17,094	4,690	21,784
Total deferred outflows of resources	\$ 308,610	\$ 94,132	\$ 402,742
LIABILITIES			
Accounts payable	\$ 47,958	\$ 707,549	\$ 755,507
Reconciled overdraft payable	100,090	-	100,090
Retainage payable	-	73,965	73,965
Deposits for utility customers	-	85,774	85,774
Accrued payroll	67,524	11,262	78,786
Accrued interest payable	-	13,936	13,936
Due to other funds	6,300	-	6,300
Long-term liabilities:			
Due within one year	145,584	609,065	754,649
Due in more than one year	1,589,029	7,040,460	8,629,489
Total liabilities	\$ 1,956,485	\$ 8,542,011	\$ 10,498,496
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue - property taxes	\$ 342,728	\$ -	\$ 342,728
Pension related items	52,679	28,589	81,268
OPEB related items	13,359	3,319	16,678
Total deferred inflows of resources	\$ 408,766	\$ 31,908	\$ 440,674
NET POSITION			
Net investment in capital assets	\$ 3,768,489	\$ 3,535,432	\$ 7,303,921
Restricted for:			
Forfeited assets - law enforcement	1,804	-	1,804
Library improvements	5,874	-	5,874
CDBG programs	4,564	-	4,564
Debt service reserve	-	67,673	67,673
Unrestricted (deficit)	(969,376)	4,146,331	3,176,955
Total net position	\$ 2,811,355	\$ 7,749,436	\$ 10,560,791

The notes to financial statements are an integral part of this statement.

Statement of Activities
For the Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business- type Activities	Total
PRIMARY GOVERNMENT:							
Governmental activities:							
General government							
administration	\$ 647,212	\$ -	\$ -	\$ -	\$ (647,212)	\$ -	\$ (647,212)
Public safety	1,210,544	98,712	226,459	-	(885,373)	-	(885,373)
Public works	1,075,072	225	618,980	72,376	(383,491)	-	(383,491)
Health and welfare	6,586	-	-	-	(6,586)	-	(6,586)
Parks, recreation, and cultural	437,684	3,644	51,565	-	(382,475)	-	(382,475)
Community development	69,602	1,025	4,410	-	(64,167)	-	(64,167)
Interest on long-term debt	22,095	-	-	-	(22,095)	-	(22,095)
Total governmental activities	\$ 3,468,795	\$ 103,606	\$ 901,414	\$ 72,376	\$ (2,391,399)	\$ -	\$ (2,391,399)
Business-type activities:							
Water	\$ 1,073,705	\$ 1,382,218	\$ -	\$ -	\$ -	\$ 308,513	\$ 308,513
Sewer	1,603,581	1,678,127	-	-	-	74,546	74,546
Total business-type activities	\$ 2,677,286	\$ 3,060,345	\$ -	\$ -	\$ -	\$ 383,059	\$ 383,059
Total primary government	\$ 6,146,081	\$ 3,163,951	\$ 901,414	\$ 72,376	\$ (2,391,399)	\$ 383,059	\$ (2,008,340)
General revenues:							
General property taxes					\$ 620,791	\$ -	\$ 620,791
Other local taxes:							
Local sales and use tax					121,123	-	121,123
Consumers' utility tax					161,466	-	161,466
Business licenses tax					184,528	-	184,528
Restaurant food tax					395,400	-	395,400
Motor vehicle licenses					43,487	-	43,487
Bank stock taxes					92,918	-	92,918
Other local taxes					19,580	-	19,580
Unrestricted revenues from use of money and property					40,227	816	41,043
Miscellaneous					116,132	-	116,132
Grants and contributions not restricted to specific programs					408,318	-	408,318
Total general revenues					\$ 2,203,970	\$ 816	\$ 2,204,786
Change in net position					\$ (187,429)	\$ 383,875	\$ 196,446
Net position - beginning					2,998,784	7,365,561	10,364,345
Net position - ending					\$ 2,811,355	\$ 7,749,436	\$ 10,560,791

The notes to financial statements are an integral part of this statement.

Fund Financial Statements

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Balance Sheet
Governmental Fund
June 30, 2020

	<u>General</u>
ASSETS	
Cash and cash equivalents	\$ -
Receivables (net of allowance for uncollectibles):	
Taxes receivable	416,027
Accounts receivable	79,987
Notes receivables	94,206
Due from other governmental units	25,320
Restricted assets:	
Cash and cash equivalents	<u>12,242</u>
Total assets	<u><u>\$ 627,782</u></u>
LIABILITIES	
Accounts payable	\$ 47,958
Reconciled overdraft payable	100,090
Accrued payroll	67,524
Due to other funds	<u>6,300</u>
Total liabilities	<u>\$ 221,872</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue-property taxes	<u>\$ 410,379</u>
FUND BALANCE	
Restricted for:	
Forfeited assets - law enforcement	\$ 1,804
Library improvements	5,874
CDBG programs	4,564
Unassigned (deficit)	<u>(16,711)</u>
Total fund balance (deficit)	<u>\$ (4,469)</u>
Total liabilities, deferred inflows, and fund balances (deficits)	<u><u>\$ 627,782</u></u>

The notes to financial statements are an integral part of this statement.

Reconciliation of the Balance Sheet of Governmental Fund
to the Statement of Net Position
June 30, 2020

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

Total fund balance per Exhibit 3 - Balance Sheet - Governmental Fund	\$	(4,469)
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When capital assets (land, buildings, equipment) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net position includes those capital assets among the assets of the locality as a whole.

Capital assets	\$ 7,581,472	
Less: accumulated depreciation	<u>(3,341,258)</u>	4,240,214

Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds.

Unavailable revenue related to property taxes	67,651
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Items related to measurement of net pension and OPEB liabilities are considered deferred outflows or deferred inflows and will be amortized and recognized in pension and OPEB expense over future years.

Deferred outflows - pension related	\$ 291,516	
Deferred outflows - OPEB related	17,094	
Deferred inflows - pension related	(52,679)	
Deferred inflows - OPEB related	<u>(13,359)</u>	242,572

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. All liabilities - both current and long-term - are reported in the Statement of Net Position.

Compensated absences	\$ (67,244)	
Net pension liability	(1,019,952)	
Net OPEB liability	(93,192)	
Capital leases	(130,038)	
Bonds and notes payable	(324,429)	
Premium on bonds payable	(17,258)	
Landfill postclosure liability	<u>(82,500)</u>	<u>(1,734,613)</u>

Net position of governmental activities	\$	<u>2,811,355</u>
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The notes to financial statements are an integral part of this statement.

Statement of Revenues, Expenditures, and Change in Fund Balance
Governmental Fund
For the Year Ended June 30, 2020

	<u>General</u>
REVENUES	
General property taxes	\$ 621,647
Other local taxes	1,018,502
Permits, privilege fees, and regulatory licenses	1,890
Fines and forfeitures	17,847
Revenue from the use of money and property	40,227
Charges for services	83,869
Miscellaneous	116,132
Recovered costs	77,360
Intergovernmental:	
Commonwealth	1,299,133
Federal	82,975
Total revenues	<u>\$ 3,359,582</u>
EXPENDITURES	
Current:	
General government administration	\$ 339,564
Public safety	1,037,935
Public works	994,008
Health and welfare	6,586
Parks, recreation, and cultural	351,607
Community development	58,408
Nondepartmental	273,135
Capital outlay	244,699
Debt service:	
Principal retirement	126,707
Interest and other fiscal charges	23,328
Total expenditures	<u>\$ 3,455,977</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (96,395)</u>
OTHER FINANCING SOURCES (USES)	
Issuance of capital leases	<u>\$ 24,602</u>
Total other financing sources (uses)	<u>\$ 24,602</u>
Net change in fund balance	<u>\$ (71,793)</u>
Fund balance - beginning	<u>\$ 67,324</u>
Fund balance (deficit) - ending	<u><u>\$ (4,469)</u></u>

The notes to financial statements are an integral part of this statement.

Reconciliation of Statement of Revenues,
Expenditures, and Change in Fund Balance of Governmental Fund
to the Statement of Activities
For the Year Ended June 30, 2020

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

Net change in fund balance - total governmental fund	\$	(71,793)
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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. This is the amount by which depreciation exceeded capital asset additions in the current period.

Capital asset additions	\$	227,456	
Less: depreciation expense		<u>(243,356)</u>	(15,900)

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

Property taxes			(856)
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The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal repayments	\$	126,707	
Issuance of capital leases		(24,602)	
Amortization of premiums		1,233	
Decrease in landfill postclosure liability		<u>7,500</u>	110,838

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

(Increase)/decrease in compensated absences	\$	28,784	
(Increase)/decrease in net pension liability		(466,651)	
(Increase)/decrease in net OPEB liability		(3,483)	
(Increase)/decrease in deferred inflows - pension related		66,743	
(Increase)/decrease in deferred inflows - OPEB related		1,059	
Increase/(decrease) in deferred outflows - pension related		156,581	
Increase/(decrease) in deferred outflows - OPEB related		<u>7,249</u>	(209,718)

Change in net position of governmental activities	\$	<u><u>(187,429)</u></u>
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The notes to financial statements are an integral part of this statement.

Statement of Net Position
 Proprietary Funds
 June 30, 2020

	Enterprise Fund	Enterprise Fund	
	Water	Sewer	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 2,867,579	\$ 1,482,520	\$ 4,350,099
Accounts receivables, net of allowance for uncollectibles	69,256	135,641	204,897
Due from other governmental units	43,849	-	43,849
Total current assets	\$ 2,980,684	\$ 1,618,161	\$ 4,598,845
Noncurrent assets:			
Restricted assets:			
Cash and cash equivalents	\$ 153,447	\$ -	\$ 153,447
Capital assets (net of accumulated depreciation):			
Land	\$ 27,362	\$ 46,050	\$ 73,412
Construction in progress	2,721,349	-	2,721,349
Infrastructure and equipment	3,508,852	5,173,318	8,682,170
Total capital assets	\$ 6,257,563	\$ 5,219,368	\$ 11,476,931
Total noncurrent assets	\$ 6,411,010	\$ 5,219,368	\$ 11,630,378
Total assets	\$ 9,391,694	\$ 6,837,529	\$ 16,229,223
DEFERRED OUTFLOWS OF RESOURCES			
Pension related items	\$ 87,306	\$ 2,136	\$ 89,442
OPEB related items	4,441	249	4,690
Total deferred outflows of resources	\$ 91,747	\$ 2,385	\$ 94,132
LIABILITIES			
Current liabilities:			
Accounts payable and other accrued liabilities	\$ 572,888	\$ 134,661	\$ 707,549
Retainage payable	73,965	-	73,965
Deposits for utility customers	85,774	-	85,774
Accrued payroll	9,606	1,656	11,262
Accrued interest payable	11,273	2,663	13,936
Bonds and notes payable - current portion	156,057	420,444	576,501
Capital leases - current portion	14,205	14,205	28,410
Compensated absences - current portion	4,154	-	4,154
Total current liabilities	\$ 927,922	\$ 573,629	\$ 1,501,551
Noncurrent liabilities:			
Bonds and notes payable - net of current portion	\$ 4,002,458	\$ 2,698,121	\$ 6,700,579
Capital leases - net of current portion	12,639	12,639	25,278
Net pension liability	246,213	7,849	254,062
Net OPEB liability	21,487	1,670	23,157
Compensated absences - net of current portion	37,384	-	37,384
Total noncurrent liabilities	\$ 4,320,181	\$ 2,720,279	\$ 7,040,460
Total liabilities	\$ 5,248,103	\$ 3,293,908	\$ 8,542,011
DEFERRED INFLOWS OF RESOURCES			
Pension related items	\$ 12,887	\$ 15,702	\$ 28,589
OPEB related items	3,080	239	3,319
Total deferred inflows of resources	\$ 15,967	\$ 15,941	\$ 31,908
NET POSITION			
Net investment in capital assets	\$ 1,461,473	\$ 2,073,959	\$ 3,535,432
Restricted for debt service reserve	67,673	-	67,673
Unrestricted	2,690,225	1,456,106	4,146,331
Total net position	\$ 4,219,371	\$ 3,530,065	\$ 7,749,436

The notes to financial statements are an integral part of this statement.

Statement of Revenues, Expenses, and Changes in Net Position
 Proprietary Funds
 For the Year Ended June 30, 2020

	Enterprise Fund	Enterprise Fund	
	Water	Sewer	Total
OPERATING REVENUES			
Charges for services:			
Water revenues	\$ 1,379,093	\$ -	\$ 1,379,093
Sewer revenues	-	1,651,978	1,651,978
Connection Fees	1,200	1,200	2,400
Other revenues	1,925	1,912	3,837
Penalties	-	23,037	23,037
Total operating revenues	\$ 1,382,218	\$ 1,678,127	\$ 3,060,345
OPERATING EXPENSES			
Transmissional distribution	\$ 193,517	\$ -	\$ 193,517
Water filtration plant	441,571	-	441,571
Wastewater treatment plant	-	1,147,986	1,147,986
Sewage collection	-	65,511	65,511
Sewer inflow and infiltration	-	3,045	3,045
Depreciation	204,743	262,821	467,564
Other costs	131,174	113,081	244,255
Small tools and repairs	52,154	-	52,154
Total operating expenses	\$ 1,023,159	\$ 1,592,444	\$ 2,615,603
Operating income (loss)	\$ 359,059	\$ 85,683	\$ 444,742
NONOPERATING REVENUES (EXPENSES)			
Interest revenue	\$ 816	\$ -	\$ 816
Interest expense	(50,546)	(11,137)	(61,683)
Total nonoperating revenues (expenses)	\$ (49,730)	\$ (11,137)	\$ (60,867)
Income before contributions and transfers	\$ 309,329	\$ 74,546	\$ 383,875
Change in net position	\$ 309,329	\$ 74,546	\$ 383,875
Total net position - beginning	\$ 3,910,042	\$ 3,455,519	\$ 7,365,561
Total net position - ending	\$ 4,219,371	\$ 3,530,065	\$ 7,749,436

The notes to financial statements are an integral part of this statement.

Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2020

	Enterprise Fund	Enterprise Fund	
	Water	Sewer	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 1,366,363	\$ 1,706,241	\$ 3,072,604
Payments to suppliers	(445,884)	(1,219,114)	(1,664,998)
Payments to employees	(320,130)	(65,820)	(385,950)
Net cash provided by (used for) operating activities	\$ 600,349	\$ 421,307	\$ 1,021,656
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Additions to utility plant	\$ (1,398,029)	\$ (56,691)	\$ (1,454,720)
Principal payments on bonds and notes	(151,672)	(419,243)	(570,915)
Principal payments on lease obligations	(13,602)	(13,602)	(27,204)
Proceeds from indebtedness	1,821,146	-	1,821,146
Interest payments	(49,782)	(12,458)	(62,240)
Net cash provided by (used for) capital and related financing activities	\$ 208,061	\$ (501,994)	\$ (293,933)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	\$ 816	\$ -	\$ 816
Net increase (decrease) in cash and cash equivalents	\$ 809,226	\$ (80,687)	\$ 728,539
Cash and cash equivalents - beginning (including restricted)	2,211,800	1,563,207	3,775,007
Cash and cash equivalents - ending (including restricted)	\$ 3,021,026	\$ 1,482,520	\$ 4,503,546
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ 359,059	\$ 85,683	\$ 444,742
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation expense	\$ 204,743	\$ 262,821	\$ 467,564
(Increase) decrease in accounts receivable	(24,782)	28,114	3,332
(Increase) decrease in intergovernmental receivables	8,927	-	8,927
(Increase) decrease in deferred outflows - pension related	(52,880)	1,473	(51,407)
(Increase) decrease in deferred outflows - OPEB related	(2,171)	(72)	(2,243)
Increase (decrease) in deferred inflows - pension related	(10,530)	234	(10,296)
Increase (decrease) in deferred inflows - OPEB related	(244)	(19)	(263)
Increase (decrease) in net pension liability	118,643	(2,067)	116,576
Increase (decrease) in net OPEB liability	804	62	866
Increase (decrease) in operating accounts payable	(9,966)	44,449	34,483
Increase (decrease) in deposits for utility customers	2,481	-	2,481
Increase (decrease) in accrued payroll	3,517	629	4,146
Increase (decrease) in compensated absences	2,748	-	2,748
Total adjustments	\$ 241,290	\$ 335,624	\$ 576,914
Net cash provided by (used for) operating activities	\$ 600,349	\$ 421,307	\$ 1,021,656

The notes to financial statements are an integral part of this statement.

Statement of Fiduciary Net Position
 Fiduciary Funds
 June 30, 2020

	<u>Private-Purpose Trusts</u>
ASSETS	
Cash and cash equivalents	\$ 263,685
Due from other funds	<u>6,300</u>
Total assets	<u>\$ 269,985</u>
LIABILITIES	
Amounts held for others	\$ <u>-</u>
Total liabilities	<u>\$ -</u>
NET POSITION	
Held in trust for cemeteries	<u>\$ 269,985</u>

The notes to financial statements are an integral part of this statement.

Statement of Change in Fiduciary Net Position
 Fiduciary Funds
 For the Year Ended June 30, 2020

	<u>Private-Purpose Trust</u>
ADDITIONS	
Contributions:	
Sale of cemetery lots	\$ <u>3,141</u>
Total contributions	\$ <u>3,141</u>
Total additions	\$ <u>3,141</u>
DEDUCTIONS	
Total deductions	\$ <u>-</u>
Change in net position	\$ <u>3,141</u>
Net position - beginning	\$ <u>266,844</u>
Net position - ending	\$ <u><u>269,985</u></u>

The notes to financial statements are an integral part of this statement.

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TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements June 30, 2020

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of the Town conform to generally accepted accounting principles (GAAP) applicable to governmental units promulgated by the Governmental Accounting Standards Board (GASB). The following is a summary of the more significant policies:

A. The Financial Reporting Entity

Town of Clifton Forge, Virginia (The Town) is a municipal corporation governed by an elected five-member Town Council. The accompanying financial statements present the government. Accounting principles generally accepted in the United States require financial statements to present the primary government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of a government's operations and so data from these units are combined with data of the primary government. The Town has no component units that meet the requirements for blending. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide statements to emphasize they are legally separate from the primary government. The Town does not have any discretely presented component units.

Jointly Governed Organizations - The Town has no jointly governed organizations for the fiscal year ended June 30, 2020.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental 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.

Statement of Net Position - The Statement of Net Position is designed to display the financial position of the primary government (governmental and business-type activities). Governments will report all capital assets in the government-wide Statement of Net Position and will report depreciation expense - the cost of "using up" capital assets - in the Statement of Activities. The net position of a government will be broken down into three categories 1) net investment in capital assets; 2) restricted; and 3) unrestricted.

Statement of Activities - The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

B. Government-wide and Fund Financial Statements: (Continued)

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

Budgetary comparison schedules - Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in one way or another in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. Many governments revise their original budgets over the course of the year for a variety of reasons. The budgetary comparison schedules present the original budget, the final budget, the actual activity of the major governmental funds.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The accompanying financial statements are prepared in accordance with pronouncements issued by the Governmental Accounting Standards Board. The principles prescribed by GASB represent generally accepted accounting principles applicable to governmental units.

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.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (public safety, public works, health and welfare, etc.) which are otherwise being supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.) The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions. The program revenues must be directly associated with the function (public safety, public works, health and welfare, etc.) or a business-type activity.

Governmental fund financial statements are reported using the *current financial resources measurement focus and the modified accrual basis of accounting*. Revenues are recognized when they have been earned and they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service principal and interest expenditures on general long-term debt, as well as expenditures related to compensated absences, are recorded only when payment is due.

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2020 (Continued)

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation: (Continued)

The Town's fiduciary funds are presented in the fund financial statements by type. Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide financial statements.

In the fund financial statements, financial transactions and accounts of the Town are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

Property taxes, franchise taxes, licenses, 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. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts. Property taxes not collected within 60 days after year-end are reflected as unavailable revenues. Sales and utility taxes, which are collected by the state or utilities and subsequently remitted to the Town, are recognized as revenues and receivables upon collection by the state or utility, which is generally in the month preceding receipt by the Town.

Licenses, permits, fines and rents are recorded as revenues when received. Intergovernmental revenues, consisting primarily of federal, state and other grants for the purpose of funding specific expenditures, are recognized when earned or at the time of the specific expenditure. Revenues from general purpose grants are recognized in the period to which the grant applies. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Town reports the following major governmental fund:

The *General Fund* is the Town's primary operating fund. It accounts for and reports all financial resources of the general government, except those required to be accounted for in another fund.

The Town reports the following major proprietary funds:

Enterprise Funds

Enterprise Funds account for operations that are financed and operated in a manner similar to private business enterprises. The intent of the Town is that the cost of providing services to the general public be financed or recovered through user charges. Currently the Town's Water and Sewer Funds are accounted for as enterprise funds.

The *Water Fund* accounts for the activities of the Town's water system. The fund reports the operations of the Town's water distribution system.

The *Sewer Fund* accounts for the activities of the Town's sewer system. The fund reports the operations of the Town's sewage treatment plant, sewage pumping station and collection system.

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2020 (Continued)

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation: (Continued)

Enterprise Funds: (Continued)

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 Town's enterprise funds are charges to customers for sales and services. The enterprise funds also recognize the portion of tap fees intended to recover the cost of connecting new customers to the system as operating revenue. Operating expenses for enterprise funds include the cost of sales and services, administrative expense, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Fiduciary Funds (Trust Funds)

Fiduciary Funds (Trust Funds) account for assets held by the Town in a trustee capacity or as an agent or custodian for individuals, private organizations or other governmental units. Private purpose trust funds utilize the accrual basis of accounting. The Town reports the following funds as private purpose trust funds:

- Mountain View Cemetery Fund
- Crown Hill Cemetery Fund

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Cash and Cash Equivalents/Investments

Cash and cash equivalents include cash on hand, amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government. For purposes of the statement of cash flows, the government's proprietary funds consider their demand deposits and all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Investments with a maturity of less than one year when purchased, non-negotiable certificates of deposit, other nonparticipating investments, and external investment pools are stated at cost or amortized cost. Investments with a maturity greater than one year when purchased are stated at fair value. Fair value is the price that would be received to sell an investment in an orderly transaction at year end.

2. Receivables and Payables

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

3. Restricted Assets

Cash restricted by bond documents on the Statement of Net Position are restricted as debt service reserve requirements. Other cash is restricted for various purposes by donors and grantors as reported on the Balance Sheet and Statement of Net Position.

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2020 (Continued)

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance: (Continued)

4. Property Taxes

Property is assessed at its value on January 1. Property taxes attach as an enforceable lien on property as of January 1. Real estate taxes are payable in two installments on June 5th and December 5th. Personal property taxes are due and collectible annually on December 5th. The Town bills and collects its own property taxes.

5. Allowance for Uncollectible Accounts

The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$46,883 at June 30, 2020 for property taxes, and water and sewer allowances were \$124,314 and \$243,257, respectively.

6. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

7. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, equipment and infrastructure of the Town, is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	15-40
Machinery and equipment, vehicles	5-15
Infrastructure	30

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2020 (Continued)

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance: (Continued)

8. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported in the government-wide financial statements. No expenditure is reported for these amounts in the fund financial statements. No liability is recorded for nonvesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that it is estimated will be taken as "terminal leave" prior to retirement. The Town accrues salary-related payments associated with the payment of compensated absences.

9. Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are 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.

10. Fund Balance

The following classifications of fund balance describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance - amounts that are not in spendable form (such as inventory and prepaids) or are required to be maintained intact (corpus of a permanent fund);
- Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional 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;

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2020 (Continued)

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance: (Continued)

10. Fund Balance: (Continued)

- Unassigned fund balance - amounts that are available for any purpose; positive amounts are only reported in the general fund.

When fund balance resources are available for a specific purpose in more than one classification, it is the Town's policy to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed.

Town Council establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by Town Council through adoption or amendment of the budget as intended for specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes).

11. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial 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 Town has one item that qualifies for reporting in this category. It is comprised of certain items related to the measurement of the net pension liability and net OPEB liability and contributions to the pension and OPEB plans made during the current year and subsequent to the net pension liability and net OPEB liability measurement date. For more detailed information on these items, reference the related notes.

In addition to liabilities, the statement of financial 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 Town has two types of items that qualify for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30 and amounts prepaid on the 2nd half installments and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, amounts prepaid on the 2nd half installments are reported as deferred inflows of resources. In addition, certain items related to the measurement of the net pension liability and net OPEB liability are reported as deferred inflows of resources. For more detailed information on these items, reference the related notes.

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2020 (Continued)

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance: (Continued)

12. Pensions

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

13. Other Postemployment Benefits (OPEB)

For purposes of measuring the net VRS related OPEB liability, deferred outflows of resources and deferred inflows of resources related to the OPEB, and OPEB expense, information about the fiduciary net position of the VRS GLI Plan and the additions to/deductions from the VRS OPEB Plan's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

14. Net Position

For government-wide reporting as well as in proprietary funds, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

- Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.
- Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.
- Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.
- Sometimes the Town will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) 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 Town's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2020 (Continued)

NOTE 2—STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

A. Budgetary Information

The following procedures are used by the Town in establishing the budgetary data reflected in the financial statements:

1. Prior to May 1, the Town Manager submits to the Town Council a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them. All funds have legally adopted budgets.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the fund level. The appropriation for each fund can be revised only by the Town Council. The Town Manager is authorized to transfer budgeted amounts within general government departments.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30, for all Town units.

B. Deficit Fund Equity

At June 30, 2020, the General Fund reported a deficit fund balance in the amount of \$4,469.

C. Expenditures in Excess of Appropriations

The General Fund reported expenditures in excess of appropriations of \$149,765.

NOTE 3—DEPOSITS AND INVESTMENTS:

Deposits

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the “Act”) Section 2.2-4400 et. seq. of the Code of Virginia. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial Institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2020 (Continued)

NOTE 3—DEPOSITS AND INVESTMENTS: (CONTINUED)

Investments

Statutes authorize local governments and other public bodies to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, “prime quality” commercial paper that has received at least two of the following ratings: P-1 by Moody’s Investors Service, Inc.; A-1 by Standard and Poor’s; or F1 by Fitch Ratings, Inc. (Section 2.2-4502), banker’s acceptances, repurchase agreements, and the State Treasurer’s Local Government Investment Pool (LGIP).

Credit Risk of Debt Securities

The Town has no formal investment policy.

The Town’s rated debt investments as of June 30, 2020 were rated by Standard & Poor’s and the ratings are presented below using Standard & Poor’s rating scale.

Town's Rated Debt Investments' Values	
Rated Debt Investments	Fair Quality Ratings
	AAAm
Money Market Mutual Funds - US Government Funds	\$ 67,673
Total	\$ 67,673

Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The Town maximizes the use of observable inputs and minimizes the use of unobservable inputs. Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels as follows:

- Level 1. Quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at a measurement date
- Level 2. Directly or indirectly observable inputs for the asset or liability other than quoted prices
- Level 3. Unobservable inputs that are supported by little or no market activity for the asset or liability

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk.

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2020 (Continued)

NOTE 3—DEPOSITS AND INVESTMENTS: (CONTINUED)

Fair Value Measurements: (Continued)

The Town has the following recurring fair value measurements as of June 30, 2020:

	Total June 30, 2020	Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money Market Mutual Funds -				
US Government Funds	\$ 67,673	\$ 67,673	\$ -	\$ -
Total	\$ 67,673	\$ 67,673	\$ -	\$ -

NOTE 4—DUE FROM OTHER GOVERNMENTAL UNITS:

Amounts due from other governmental units at June 30, 2020, are as follows:

Governmental Activities:

Commonwealth of Virginia:

Rolling stock tax	\$ 22
Communications tax	12,780
Total due from the Commonwealth	\$ 12,802

Federal:

Highway Planning & Construction	\$ 4,728
Total due from Federal Government	\$ 4,728

Alleghany County:

COVID-19 - Coronavirus Relief Fund	7,790
Grand Total	\$ 25,320

Business-type Activities:

Alleghany County:

Bulk water sales	\$ 43,849
Grand Total	\$ 43,849

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2020 (Continued)

NOTE 5—CAPITAL ASSETS:

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2020.

Governmental Activities:

	Balance July 1, 2019	Increases	Decreases	Balance June 30, 2020
Capital assets not being depreciated:				
Land	\$ 784,994	\$ -	\$ -	\$ 784,994
Construction in progress	163,518	68,678	163,518	68,678
Total capital assets not being depreciated	\$ 948,512	\$ 68,678	\$ 163,518	\$ 853,672
Capital assets being depreciated:				
Buildings and improvements	\$ 2,151,895	\$ 163,518	\$ -	\$ 2,315,413
Infrastructure (1)	2,155,933	-	-	2,155,933
Machinery and equipment	2,097,676	158,778	-	2,256,454
Total capital assets being depreciated	\$ 6,405,504	\$ 322,296	\$ -	\$ 6,727,800
Accumulated depreciation:				
Buildings and improvements	\$ (1,256,176)	\$ (73,218)	\$ -	\$ (1,329,394)
Infrastructure	(139,916)	(56,148)	-	(196,064)
Machinery and equipment	(1,701,810)	(113,990)	-	(1,815,800)
Total accumulated depreciation	\$ (3,097,902)	\$ (243,356)	\$ -	\$ (3,341,258)
Total capital assets being depreciated, net	\$ 3,307,602	\$ 78,940	\$ -	\$ 3,386,542
Net capital assets	\$ 4,256,114	\$ 147,618	\$ 163,518	\$ 4,240,214

(1) The Town has elected not to record infrastructure assets acquired prior to July 1, 2003.

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2020 (Continued)

NOTE 5—CAPITAL ASSETS: (CONTINUED)

Business-type Activities:

	<u>Balance July 1, 2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2020</u>
Water Fund				
Capital assets not being depreciated:				
Land	\$ 27,362	\$ -	\$ -	\$ 27,362
Construction in progress	<u>762,222</u>	<u>1,959,127</u>	<u>-</u>	<u>2,721,349</u>
Total capital assets not being depreciated	\$ <u>789,584</u>	\$ <u>1,959,127</u>	\$ <u>-</u>	\$ <u>2,748,711</u>
Capital assets being depreciated:				
Infrastructure and equipment	\$ 7,133,598	\$ 62,354	\$ -	\$ 7,195,952
Accumulated depreciation	<u>(3,482,357)</u>	<u>(204,743)</u>	<u>-</u>	<u>(3,687,100)</u>
Total capital assets being depreciated, net	\$ <u>3,651,241</u>	\$ <u>(142,389)</u>	\$ <u>-</u>	\$ <u>3,508,852</u>
Net capital assets	\$ <u><u>4,440,825</u></u>	\$ <u><u>1,816,738</u></u>	\$ <u><u>-</u></u>	\$ <u><u>6,257,563</u></u>
Sewer Fund				
Capital assets not being depreciated:				
Land	\$ <u>46,050</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>46,050</u>
Total capital assets not being depreciated	\$ <u>46,050</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>46,050</u>
Capital assets being depreciated:				
Infrastructure and equipment	\$ 8,428,893	\$ 56,691	\$ -	\$ 8,485,584
Accumulated depreciation	<u>(3,049,445)</u>	<u>(262,821)</u>	<u>-</u>	<u>(3,312,266)</u>
Total capital assets being depreciated, net	\$ <u>5,379,448</u>	\$ <u>(206,130)</u>	\$ <u>-</u>	\$ <u>5,173,318</u>
Net capital assets	\$ <u><u>5,425,498</u></u>	\$ <u><u>(206,130)</u></u>	\$ <u><u>-</u></u>	\$ <u><u>5,219,368</u></u>

As of June 30, 2020, the Town reports the following construction contract and related commitments:

<u>Project</u>	<u>Outstanding Commitment</u>
Dam Improvement	\$ <u><u>2,150,653</u></u>

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2020 (Continued)

NOTE 5—CAPITAL ASSETS: (CONTINUED)

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

Governmental activities:		
General government administration	\$	71,534
Public safety		48,860
Public works		60,345
Parks, recreation, and cultural		62,617
Total depreciation expense-governmental activities	\$	<u>243,356</u>
Business-type activities:		
Water Fund	\$	204,743
Sewer Fund		262,821
Total depreciation expense-business-type activities	\$	<u>467,564</u>

NOTE 6—LONG-TERM OBLIGATIONS:

Governmental Activities Long-term Obligations:

The following is a summary of long-term obligation transactions of the Town for the year ended June 30, 2020.

	Balance July 1, 2019	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2020
Capital leases	\$ 157,133	\$ 24,602	\$ 51,697	\$ 130,038
Direct borrowings and direct placements:				
General obligation bonds	399,439	-	75,010	324,429
Premium on issuance	18,491	-	1,233	17,258
Accrued landfill and postclosure liability	90,000	-	7,500	82,500
Net pension liability	553,301	674,517	207,866	1,019,952
Net OPEB liability	89,709	25,814	22,331	93,192
Compensated absences	96,028	-	28,784	67,244
Total	<u>\$ 1,404,101</u>	<u>\$ 724,933</u>	<u>\$ 394,421</u>	<u>\$ 1,734,613</u>

Annual requirements to amortize long-term obligations and related interest are as follows:

Year Ending June 30,	Principal	Interest
2021	\$ 127,248	\$ 17,536
2022	85,593	13,813
2023	41,281	10,639
2024	20,345	8,917
2025	15,000	7,997
2026-2030	85,000	28,491
2031-2034	80,000	7,341
Total	<u>\$ 454,467</u>	<u>\$ 94,734</u>

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2020 (Continued)

NOTE 6—LONG-TERM OBLIGATIONS: (CONTINUED)

Governmental Activities Long-term Obligations: (Continued)

Details of Long-term Obligations:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
Capital Leases:		
\$335,000 Capital lease dated December 15, 2008 with annual payments of \$31,799, including interest at 4.634%. Final installment due in 2023.	\$ 76,828	\$ 27,795
\$90,334 Capital lease dated November 28, 2017 with annual payments of \$19,242, including interest at 3.25%. Obligation is shared evenly between the water fund, sewer fund and governmental activities. Final installment due in 2022.	12,230	6,017
\$94,660 Capital lease dated July 28, 2017 with annual payments of \$26,266, including interest at 5.21%. Obligation is shared evenly between the water fund, sewer fund and governmental activities. Final installment due in 2022.	14,614	8,188
\$30,430 Capital lease dated August 24, 2017 with annual payments of \$10,944, including interest at 5%. Final installment due 2021.	2,706	2,706
\$24,602 Capital lease dated March 4, 2020 with annual payments of \$6,491, including interest at 3%. Final installment due 2024.	23,660	5,948
Total capital leases	\$ 130,038	\$ 50,654
Direct Borrowings and Direct Placements - General Obligation Bonds:		
\$132,000 General Obligation Bond dated June 23, 2017 to finance various capital purchases. Payments of \$28,593 due annually with the final installment due June 23, 2022, bearing interest at 2.72%.	\$ 54,934	\$ 27,099
\$290,000 General Obligation VRA Bond dated November 20, 2013. Principal paid annually; interest paid semi-annually at 2.125% to 4.25%. Final payment due October 1, 2033.	230,000	10,000
\$189,000 General Obligation Bond dated June 17, 2016. Principal and interest at 2.2% paid monthly commencing July 2016. Final payment due June 17, 2021.	39,495	39,495
Premium on bond issuance	17,258	1,233
Total general obligation bonds	\$ 341,687	\$ 77,827
Accrued landfill and postclosure liability	\$ 82,500	\$ 7,500
Compensated absences	\$ 67,244	\$ 9,603
Net pension liability	\$ 1,019,952	\$ -
Net OPEB liability	\$ 93,192	\$ -
Total	\$ 1,734,613	\$ 145,584

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2020 (Continued)

NOTE 6—LONG-TERM OBLIGATIONS: (CONTINUED)

Governmental Activities Long-term Obligations: (Continued)

The assets acquired through capital leases are as follows:

Asset:		
Equipment	\$	626,158
Less: Accumulated depreciation		(425,076)
Total	\$	<u>201,082</u>

Business-type Activities Long-term Obligations:

The following is a summary of long-term obligation transactions of the Town for the year ended June 30, 2020:

	Balance July 1, 2019	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2020
Capital leases	\$ 80,892	\$ -	\$ 27,204	\$ 53,688
Direct borrowings and direct placements:				
Revenue bonds	1,875,600	-	113,074	1,762,526
Premium on issuance	54,030	-	3,602	50,428
Virginia revolving loan fund	3,243,767	-	195,826	3,047,941
Note payable - CoBank bridge loan	-	1,821,146	-	1,821,146
Notes payable - County of Alleghany	857,054	-	262,015	595,039
Net pension liability	137,486	167,650	51,074	254,062
Net OPEB liability	22,291	7,590	6,724	23,157
Compensated absences	38,790	2,748	-	41,538
Total	\$ <u>6,309,910</u>	\$ <u>1,999,134</u>	\$ <u>659,519</u>	\$ <u>7,649,525</u>

Annual requirements to amortize long-term obligations and related interest are as follows:

Year Ending June 30,	Principal	Interest
2021	\$ 601,310	\$ 51,954
2022	560,221	46,970
2023	431,044	38,035
2024	322,209	33,795
2025	324,448	29,409
2026-2030	1,573,236	82,178
2031-2035	1,203,149	13,181
2036-2040	443,577	-
Total	\$ <u>5,459,194</u>	\$ <u>295,522</u>

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements June 30, 2020 (Continued)

NOTE 6—LONG-TERM OBLIGATIONS: (CONTINUED)

Business-type Activities Long-term Obligations: (Continued)

Details of long-term obligations:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
Capital Leases:		
\$90,334 Capital lease dated November 28, 2017 with annual payments of \$19,242, including interest at 3.25%. Obligation is shared evenly between the water fund, sewer fund and governmental activities. Final installment due in 2022.	\$ 24,459	\$ 12,034
\$94,660 Capital lease dated July 28, 2017 with annual payments of \$26,266, including interest at 5.21%. Obligation is shared evenly between the water fund, sewer fund and governmental activities. Final installment due in 2022.	29,229	16,376
Total capital leases	\$ 53,688	\$ 28,410
Direct Borrowings and Direct Placements - Revenue Bonds:		
\$760,500 Water Revenue Bonds (VRA), maturing semi-annually in equal installments of \$12,675 through November 1, 2038, 0% interest.	\$ 468,975	\$ 25,350
\$1,250,000 Water Revenue Bonds (VRA), maturing semi-annually in equal installments of \$42,759, including interest at 3.05%, through November 1, 2028.	635,267	66,536
\$1,153,088 Water Revenue Bonds (VRA), maturing semi-annually in equal installments of \$19,218 through November 1, 2039, 0% interest.	749,507	38,436
\$1,349,739 Sewer Revenue Bonds (VRA), maturing semi-annually in equal installments of \$33,743 through June 1, 2038, 0% interest.	1,194,192	67,487
\$610,624 Taxable General Obligation Sewer System Revenue Bonds (VRA), Series 2014, maturing semi-annually in equal installments of \$15,265 through February 1, 2035, 0% interest.	457,968	30,531
\$843,502 Taxable General Obligation Sewer System Revenue Bonds (VRA), Series 2014B, maturing semi-annually in equal installments of \$23,771 through September 1, 2035, 0% interest.	629,558	47,543
\$860,000 Double Barrel Revenue Bonds (VRA) dated November 20, 2013. Principal paid annually; interest paid semi-annually at 2.125% to 5.125%. Final payment due October 1, 2033.	675,000	35,000
Premium on bond issuance	50,428	3,603
Total revenue bonds	\$ 4,860,895	\$ 314,486
Direct Borrowings and Direct Placements - Notes Payable:		
\$200,000 note payable to the County of Alleghany dated April 19, 2016. Principal payments in the amount of \$40,000 payable annually commencing January 1, 2017 through January 2021. No interest is due.	\$ 40,000	\$ 40,000
\$1,443,098 note payable to the County of Alleghany dated April 19, 2016. Principal payments in the amount of \$222,015 commencing September 2016 through September 2021 with a final payment of \$111,008 payable September 2022. No interest is due.	555,039	222,015
\$2,847,000 multiple advance term promissory note payable to CoBank dated January 17, 2019 issued in advance of the impending USDA/Rural Development loan to finance water impoundment improvements. As of June 30, 2020 \$1,821,146 outstanding on the note. Interest is payable at a rate equal to the greater of the one-month LIBOR Index Rate or 1.75%.	1,821,146	-
Total notes payable	\$ 2,416,185	\$ 262,015
Net pension liability	\$ 254,062	\$ -
Net OPEB liability	\$ 23,157	\$ -
Compensated absences	\$ 41,538	\$ 4,154
Total	\$ 7,649,525	\$ 609,065

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2020 (Continued)

NOTE 7—UNAVAILABLE/DEFERRED REVENUE:

Unavailable/Deferred revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Under the accrual basis, assessments for future periods are deferred.

A. Unavailable/Deferred Property Tax Revenue

Unavailable Property Tax Revenue - Unavailable revenue representing uncollected tax billings not available for funding of current expenditures totaled \$410,379 (including 2nd half tax billings of \$342,728 not due until December 5) at June 30, 2020.

NOTE 8—COMPENSATED ABSENCES:

Town employees earn sick leave based upon length of service. Upon termination of 10 years of employment, employees are paid 25% sick leave. Maximum payout of sick leave at retirement is \$2,000. Vacation leave is earned at various rates depending on the date of employment and number of years of service. Vacation leave accrued above the maximum allowable must be taken by the end of the year or the excess balance will be forfeited. Upon separation or retirement, an employee shall be paid for all accrued annual leave. The Town has outstanding accrued compensated absences totaling \$67,244 in the Primary Government and \$41,538 in the Enterprise Funds.

NOTE 9—PENSION PLAN:

Plan Description

All full-time, salaried permanent employees of the Town are automatically covered by a VRS Retirement Plan upon employment. This is an agent multiple-employer plan that is administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the Code of Virginia, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2020 (Continued)

NOTE 9—PENSION PLAN: (CONTINUED)

Benefit Structures

The System administers three different benefit structures for covered employees - Plan 1, Plan 2 and Hybrid. Each of these benefit structures has different eligibility criteria, as detailed below.

- a. Employees hired before July 1, 2010, vested as of January 1, 2013, and have not taken a refund, are covered under Plan 1, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of service credit or age 50 with at least 30 years of service credit. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least 5 years of service credit or age 50 with at least 10 years of service credit. Hazardous duty employees (law enforcement officers, firefighters, and sheriffs) are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of service credit.
- b. Employees hired on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013 are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit or when the sum of their age plus service credit equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. Hazardous duty employees are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of service credit.
- c. Non-hazardous duty employees hired on or after January 1, 2014 are covered by the Hybrid Plan combining the features of a defined benefit plan and a defined contribution plan. Plan 1 and Plan 2 members also had the option of opting into this plan during the election window held January 1 - April 30, 2014 with an effective date of July 1, 2014. Employees covered by this plan are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit, or when the sum of their age plus service credit equals 90. Employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. For the defined contribution component, members are eligible to receive distributions upon leaving employment, subject to restrictions.

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2020 (Continued)

NOTE 9—PENSION PLAN: (CONTINUED)

Average Final Compensation and Service Retirement Multiplier

The VRS defined benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the employee's average final compensation multiplied by the employee's total service credit. Under Plan 1, average final compensation is the average of the employee's 36 consecutive months of highest compensation and the multiplier is 1.70% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.70% or 1.85% for hazardous duty employees as elected by the employer. Under Plan 2, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the retirement multiplier is 1.65% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.70% or 1.85% for hazardous duty employees as elected by the employer. Under the Hybrid Plan, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the multiplier is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

Cost-of-Living Adjustment (COLA) in Retirement and Death and Disability Benefits

Retirees with an unreduced benefit or with a reduced benefit with at least 20 years of service credit are eligible for an annual COLA beginning July 1 after one full calendar year from the retirement date. Retirees with a reduced benefit and who have less than 20 years of service credit are eligible for an annual COLA beginning on July 1 after one calendar year following the unreduced retirement eligibility date. Under Plan 1, the COLA cannot exceed 5.00%. Under Plan 2 and the Hybrid Plan, the COLA cannot exceed 3.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia, as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

Employees Covered by Benefit Terms

As of the June 30, 2018 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	59
Inactive members:	
Vested inactive members	4
Non-vested inactive members	22
Inactive members active elsewhere in VRS	<u>44</u>
Total inactive members	70
Active members	<u>42</u>
Total covered employees	<u><u>171</u></u>

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2020 (Continued)

NOTE 9—PENSION PLAN: (CONTINUED)

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement.

The Town’s contractually required contribution rate for the year ended June 30, 2020 was 11.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Town were \$143,402 and \$157,111 for the years ended June 30, 2020 and June 30, 2019, respectively.

Net Pension Liability

The net pension liability (NPL) is calculated separately for each employer and represents that particular employer’s total pension liability determined in accordance with GASB Statement No. 68, less that employer’s fiduciary net position. The Town’s net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2018, and rolled forward to the measurement date of June 30, 2019.

Actuarial Assumptions - General Employees

The total pension liability for General Employees in the Town’s Retirement Plan was based on an actuarial valuation as of June 30, 2018, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019.

Inflation	2.50%
Salary increases, including inflation	3.50% - 5.35%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of pension liabilities.

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2020 (Continued)

NOTE 9—PENSION PLAN: (CONTINUED)

Actuarial Assumptions - General Employees (Continued)

Mortality rates:

All Others (Non-10 Largest) - Non-Hazardous Duty: 15% of deaths are assumed to be service related

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

All Others (Non-10 Largest) - Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the Town's Retirement Plan was based on an actuarial valuation as of June 30, 2018, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019.

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2020 (Continued)

NOTE 9—PENSION PLAN: (CONTINUED)

Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits (Continued)

Inflation	2.50%
Salary increases, including inflation	3.50% - 4.75%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of pension liabilities.

Mortality rates:

All Others (Non-10 Largest) - Hazardous Duty: 45% of deaths are assumed to be service related

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year, 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

All Others (Non-10 Largest) - Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60.00% to 45.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2020 (Continued)

NOTE 9—PENSION PLAN: (CONTINUED)

Long-term Expected Rate of Return

The long-term expected rate of return on pension System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	34.00%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS - Multi-Asset Public Strateg	6.00%	3.52%	0.21%
PIP - Private Investment Partners	3.00%	6.29%	0.19%
Total	100.00%		5.13%
		Inflation	2.50%
		Expected arithmetic nominal return*	7.63%

* The above allocation provides a one-year return of 7.63%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation.

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the Town was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2019, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017 actuarial valuations, whichever was greater. Through the fiscal year ended June 30, 2019, the rate contributed by the employer for the Town Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2019 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2020 (Continued)

NOTE 9—PENSION PLAN: (CONTINUED)

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2018	\$ 9,804,850	\$ 9,114,063	\$ 690,787
Changes for the year:			
Service cost	\$ 176,119	\$ -	\$ 176,119
Interest	667,083	-	667,083
Differences between expected and actual experience	271,417	-	271,417
Assumption changes	282,879	-	282,879
Contributions - employer	-	157,111	(157,111)
Contributions - employee	-	66,422	(66,422)
Net investment income	-	597,230	(597,230)
Benefit payments, including refunds of employee contributions	(550,180)	(550,180)	-
Administrative expenses	-	(6,118)	6,118
Other changes	-	(374)	374
Net changes	\$ 847,318	\$ 264,091	\$ 583,227
Balances at June 30, 2019	\$ 10,652,168	\$ 9,378,154	\$ 1,274,014

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Town using the discount rate of 6.75%, as well as what the Town's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
Net Pension Liability	\$ 2,550,061	\$ 1,274,014	\$ 252,206

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2020 (Continued)

NOTE 9—PENSION PLAN: (CONTINUED)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2020, the Town recognized pension expense of \$441,602. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 116,322	\$ -
Change in proportionate share	121,234	-
Net difference between projected and actual earnings on pension plan investments	-	81,268
Employer contributions subsequent to the measurement date	143,402	-
Total	<u>\$ 380,958</u>	<u>\$ 81,268</u>

\$143,402 reported as deferred outflows of resources related to pensions resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year Ended June 30	
2021	\$ 235,979
2022	(83,998)
2023	(1,511)
2024	5,818
2025	-
Thereafter	-

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2019-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2020 (Continued)

NOTE 10—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN):

Plan Description

The Group Life Insurance (GLI) Plan was established pursuant to §51.1-500 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. All full-time, salaried permanent employees of the state agencies, teachers, and employees of participating political subdivisions are automatically covered by the VRS GLI Plan upon employment. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

In addition to the Basic GLI benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional GLI Plan. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured plan, it is not included as part of the GLI Plan OPEB.

The specific information for GLI OPEB, including eligibility, coverage and benefits is described below:

Eligible Employees

The GLI Plan was established July 1, 1960, for state employees, teachers, and employees of political subdivisions that elect the plan. Basic GLI coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement member contributions and accrued interest.

Benefit Amounts

The GLI Plan is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to basic natural and accidental death benefits, the plan provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, safety belt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value. For covered members with at least 30 years of service credit, the minimum benefit payable was set at \$8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was \$8,463 as of June 30, 2020.

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2020 (Continued)

NOTE 10—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

Contributions

The contribution requirements for the GLI Plan are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Plan was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% x 60%) and the employer component was 0.52% (1.31% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2020 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the GLI Plan from the entity were \$6,700 and \$7,292 for the years ended June 30, 2020 and June 30, 2019, respectively.

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Plan OPEB

At June 30, 2020, the entity reported a liability of \$116,349 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2019 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2018, and rolled forward to the measurement date of June 30, 2019. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Plan for the year ended June 30, 2019 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the participating employer's proportion was 0.00715% as compared to 0.00738% at June 30, 2018.

For the year ended June 30, 2020, the participating employer recognized GLI OPEB expense of \$320. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2020, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 7,738	\$ 1,510
Net difference between projected and actual earnings on GLI OPEB plan investments	-	2,390
Change in assumptions	7,346	3,508
Changes in proportion	-	9,270
Employer contributions subsequent to the measurement date	6,700	-
Total	\$ 21,784	\$ 16,678

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2020 (Continued)

NOTE 10—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Plan OPEB: (Continued)

\$6,700 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2021	\$ (1,957)
2022	(1,957)
2023	(945)
2024	969
2025	1,818
Thereafter	478

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2018, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019. The assumptions include several employer groups as noted below. Salary increases and mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS CAFR.

Inflation	2.50%
Salary increases, including inflation:	
Locality - General employees	3.50%-5.35%
Locality - Hazardous Duty employees	3.50%-4.75%
Investment rate of return	6.75%, net of investment expenses, including inflation*

*Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of OPEB liabilities.

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2020 (Continued)

NOTE 10—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

Actuarial Assumptions: (Continued)

Mortality Rates - Non-Largest Ten Locality Employers - General Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

Mortality Rates - Non-Largest Ten Locality Employers - Hazardous Duty Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2020 (Continued)

NOTE 10—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

Actuarial Assumptions (Continued)

Mortality Rates - Non-Largest Ten Locality Employers - Hazardous Duty Employees (Continued)

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60.00% to 45.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

NET GLI OPEB Liability

The net OPEB liability (NOL) for the GLI Plan represents the plan's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2019, NOL amounts for the GLI Plan is as follows (amounts expressed in thousands):

		GLI OPEB Plan
Total GLI OPEB Liability	\$	3,390,238
Plan Fiduciary Net Position		1,762,972
GLI Net OPEB Liability (Asset)	\$	<u>1,627,266</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		52.00%

The total GLI OPEB liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net GLI OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information.

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2020 (Continued)

NOTE 10—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

Long-Term Expected Rate of Return

The long-term expected rate of return on the System's investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of System's investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	34.00%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS - Multi-Asset Public Strategies	6.00%	3.52%	0.21%
PIP - Private Investment Partnership	3.00%	6.29%	0.19%
Total	100.00%		5.13%
		Inflation	2.50%
		Expected arithmetic nominal return*	7.63%

*The above allocation provides a one-year return of 7.63%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation.

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ended June 30, 2019, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2019 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2020 (Continued)

NOTE 10—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

Sensitivity of the Employer's Proportionate Share of the Net GLI OPEB Liability to Changes in the Discount Rate

The following presents the employer's proportionate share of the net GLI OPEB liability using the discount rate of 6.75%, as well as what the employer's proportionate share of the net GLI OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	Rate		
	1% Decrease	Current Discount	1% Increase
	(5.75%)	(6.75%)	(7.75%)
Town's proportionate share of the GLI Plan			
Net OPEB Liability	\$ 152,851	\$ 116,349	\$ 86,747

GLI Plan Fiduciary Net Position

Detailed information about the GLI Plan's Fiduciary Net Position is available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2019-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

NOTE 11—CONTINGENT LIABILITIES (INCLUDING FEDERALLY ASSISTED PROGRAMS-COMPLIANCE AUDITS):

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

NOTE 12—RISK MANAGEMENT:

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town joined together with other local governments in Virginia to form the Virginia Municipal Group Self Insurance Association, a public entity risk pool currently operating as a common risk management and insurance program for participating local governments. The Town pays an annual premium to the Association for its workers' compensation insurance. The Town also joined together with other local governments in Virginia to form the Virginia Municipal Liability Pool, a public entity risk pool currently operating as a common property and liability program for participating local governments. The Town pays annual premiums to the Pool for its automobile, liability, property, boiler and machinery, and fidelity crime coverage.

In the event of a loss deficit and depletion of all available excess insurance, these pools may assess all members in the proportion which the premium of each bears to the total premiums of all members in the year in which such deficit occurs.

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2020 (Continued)

NOTE 12—RISK MANAGEMENT: (CONTINUED)

The Town continues to carry commercial insurance for employee health and accident insurance. Settled claims resulting from this risk have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 13—CLOSURE AND POSTCLOSURE CARE COST:

State and federal laws and regulations require the Town to place a final cover on its Peters Mountain landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the Town reports a portion of these closure and postclosure care liabilities in each period based on landfill capacity used as of each balance sheet date. The \$82,500 reported as landfill postclosure care liability at June 30, 2020, represents the Town's estimate of its share of the postclosure monitoring costs based on the use of 100 percent of the estimated capacity of the landfill. Closure of the landfill site has been completed in prior years. The City of Covington is primarily responsible for postclosure costs and the Town of Clifton Forge pays the City its share of the costs. The Town of Clifton Forge's expected portion of these contracts is 12%. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

NOTE 14—RESTRICTED CASH:

Cash is restricted for the following:

	Governmental Activities	Business-type Activities	Total Primary Government
Bond principal payments	\$ -	\$ 67,673	\$ 67,673
Utility deposits held	-	85,774	85,774
Library improvements	5,874	-	5,874
CDBG programs	4,564	-	4,564
Forfeited assets	1,804	-	1,804
Total	\$ 12,242	\$ 153,447	\$ 165,689

NOTE 15—UPCOMING PRONOUNCEMENTS:

Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Statement No. 87, *Leases*, requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2020 (Continued)

NOTE 15—UPCOMING PRONOUNCEMENTS: (CONTINUED)

Statement No. 90, *Majority Equity Interests - An Amendment of GASB Statements No. 14 and No. 61*, provides guidance for reporting a government's majority equity interest in a legally separate organization and for reporting financial statement information for certain component units. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021.

Statement No. 92, *Omnibus 2020*, addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics such as leases, assets related to pension and postemployment benefits, and reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature. The effective dates differ by topic, ranging from January 2020 to periods beginning after June 15, 2021.

Statement No. 93, *Replacement of Interbank Offered Rates*, establishes accounting and financial reporting requirements related to the replacement of Interbank Offered Rates (IBORs) in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The requirements of this Statement, except for removal of London Interbank Offered Rate (LIBOR) as an appropriate benchmark interest rate and the requirements related to lease modifications, are effective for reporting periods beginning after June 15, 2020. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All requirements related to lease modifications in this Statement are effective for reporting periods beginning after June 15, 2021.

Statement No. 94, *Public-Private and Public-Public Partnerships and Availability of Payment Arrangements*, addresses issues related to public-private and public-public partnership arrangements. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

Management is currently evaluating the impact these standards will have on the financial statements when adopted.

NOTE 16—COVID-19 PANDEMIC SUBSEQUENT EVENT:

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency stemming from a new strain of coronavirus that was spreading globally (the "COVID-19 outbreak"). On March 11, 2020, the WHO classified the COVID-19 outbreak as a pandemic, triggering volatility in financial markets and a significant negative impact on the global economy. The COVID-19 pandemic has developed rapidly in 2020 and remains a quickly evolving situation. As a result of the spread of COVID-19, economic uncertainties have arisen which are likely to negatively impact economic activity. The Town is not able to estimate the effects of the COVID-19 pandemic for fiscal year 2021.

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Required Supplementary Information

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General Fund

Schedule of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual
For the Year Ended June 30, 2020

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
General property taxes	\$ 618,750	\$ 618,750	\$ 621,647	\$ 2,897
Other local taxes	1,039,500	1,039,500	1,018,502	(20,998)
Permits, privilege fees, and regulatory licenses	1,700	1,700	1,890	190
Fines and forfeitures	10,750	10,750	17,847	7,097
Revenue from the use of money and property	41,866	41,866	40,227	(1,639)
Charges for services	76,300	82,300	83,869	1,569
Miscellaneous	29,200	136,648	116,132	(20,516)
Recovered costs	25,225	86,648	77,360	(9,288)
Intergovernmental:				
Commonwealth	1,287,348	1,288,050	1,299,133	11,083
Federal	-	-	82,975	82,975
Total revenues	\$ 3,130,639	\$ 3,306,212	\$ 3,359,582	\$ 53,370
EXPENDITURES				
Current:				
General government administration	\$ 315,182	\$ 315,921	\$ 339,564	\$ (23,643)
Public safety	1,051,180	1,100,352	1,037,935	62,417
Public works	879,620	927,620	994,008	(66,388)
Health and welfare	-	-	6,586	(6,586)
Parks, recreation, and cultural	391,595	408,977	351,607	57,370
Community development	112,368	115,793	58,408	57,385
Nondepartmental	241,134	297,818	273,135	24,683
Capital projects	-	-	244,699	(244,699)
Debt service:				
Principal retirement	126,707	126,707	126,707	-
Interest and other fiscal charges	12,853	13,024	23,328	(10,304)
Total expenditures	\$ 3,130,639	\$ 3,306,212	\$ 3,455,977	\$ (149,765)
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ (96,395)	\$ (96,395)
OTHER FINANCING SOURCES (USES)				
Issuance of capital leases	\$ -	\$ -	\$ 24,602	\$ 24,602
Total other financing sources (uses)	\$ -	\$ -	\$ 24,602	\$ 24,602
Net change in fund balances	\$ -	\$ -	\$ (71,793)	\$ (71,793)
Fund balances - beginning	-	-	67,324	67,324
Fund balances - ending	\$ -	\$ -	\$ (4,469)	\$ (4,469)

Schedule of Changes in Net Pension Liability and Related Ratios
For the Measurement Dates of June 30, 2014 through June 30, 2019

	2019	2018	2017	2016	2015	2014
Total pension liability						
Service cost	\$ 176,119	\$ 174,972	\$ 174,151	\$ 187,272	\$ 185,703	\$ 193,371
Interest	667,083	656,629	623,944	634,081	618,539	589,737
Differences between expected and actual experience	271,417	(159,012)	113,352	(591,579)	(222,902)	-
Changes in assumptions	282,879	-	3,698	-	-	-
Benefit payments, including refunds of employee contributions	(550,180)	(496,317)	(400,109)	(349,066)	(369,558)	(373,742)
Net change in total pension liability	\$ 847,318	\$ 176,272	\$ 515,036	\$ (119,292)	\$ 211,782	\$ 409,366
Total pension liability - beginning	9,804,850	9,628,578	9,113,542	9,232,834	9,021,052	8,611,686
Total pension liability - ending (a)	\$ 10,652,168	\$ 9,804,850	\$ 9,628,578	\$ 9,113,542	\$ 9,232,834	\$ 9,021,052
Plan fiduciary net position						
Contributions - employer	\$ 157,111	\$ 143,407	\$ 142,505	\$ 252,404	\$ 251,356	\$ 152,529
Contributions - employee	66,422	67,280	81,055	72,377	72,543	72,619
Net investment income	597,230	640,045	964,912	138,130	345,854	1,044,749
Benefit payments, including refunds of employee contributions	(550,180)	(496,317)	(400,109)	(349,066)	(369,558)	(373,742)
Administrative expense	(6,118)	(5,649)	(5,632)	(4,853)	(4,715)	(5,703)
Other	(374)	(566)	(857)	(58)	(73)	55
Net change in plan fiduciary net position	\$ 264,091	\$ 348,200	\$ 781,874	\$ 108,934	\$ 295,407	\$ 890,507
Plan fiduciary net position - beginning	9,114,063	8,765,863	7,983,989	7,875,055	7,579,648	6,689,141
Plan fiduciary net position - ending (b)	\$ 9,378,154	\$ 9,114,063	\$ 8,765,863	\$ 7,983,989	\$ 7,875,055	\$ 7,579,648
Town's net pension liability - ending (a) - (b)	\$ 1,274,014	\$ 690,787	\$ 862,715	\$ 1,129,553	\$ 1,357,779	\$ 1,441,404
Plan fiduciary net position as a percentage of the total pension liability	88.04%	92.95%	91.04%	87.61%	85.29%	84.02%
Covered payroll	\$ 1,397,113	\$ 1,400,675	\$ 1,383,756	\$ 1,477,823	\$ 1,464,471	\$ 1,452,945
Town's net pension liability as a percentage of covered payroll	91.19%	49.32%	62.35%	76.43%	92.71%	99.21%

This schedule is intended to show information for 10 years. 2014 valuation is the first year for this presentation, no other data is available. Additional years will be included as they become available.

Schedule of Employer Contributions - Pension

For the Years Ended June 30, 2011 through June 30, 2020

Date	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2020	\$ 143,402	\$ 143,402	\$ -	\$ 1,288,474	11.13%
2019	157,111	157,111	-	1,397,113	11.25%
2018	143,402	143,402	-	1,400,675	10.24%
2017	142,344	142,344	-	1,383,756	10.29%
2016	252,392	252,392	-	1,477,823	17.08%
2015	252,035	252,035	-	1,464,471	17.21%
2014	152,559	217,942	(65,383)	1,452,945	15.00%
2013	145,724	208,177	(62,453)	1,387,844	15.00%
2012	117,929	117,929	-	1,328,027	8.88%
2011	116,235	116,235	-	1,308,952	8.88%

Notes to Required Supplementary Information - Pension
For the Year Ended June 30, 2020

Changes of benefit terms - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions - The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

All Others (Non-10 Largest) - Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

All Others (Non-10 Largest) - Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60.00% to 45.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

Schedule of Town's Share of Net OPEB Liability
 Group Life Insurance (GLI) Plan
 For the Measurement Dates of June 30, 2017 through June 30, 2019

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
2019	0.00715%	\$ 116,349	\$ 1,402,323	8.30%	52.00%
2018	0.00738%	112,000	1,403,392	7.98%	51.22%
2017	0.00753%	114,000	1,388,548	8.21%	48.86%

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available. However, additional years will be included as they become available.

Schedule of Employer Contributions

Group Life Insurance (GLI) Plan

For the Years Ended June 30, 2011 through June 30, 2020

Date	Contributions in Relation to					Contributions as a % of Covered Payroll (5)
	Contractually Required Contribution (1)	Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)		
2020	\$ 6,700	\$ 6,700	\$ -	\$ 1,288,474		0.52%
2019	7,292	7,292	-	1,402,323		0.52%
2018	7,298	7,298	-	1,403,492		0.52%
2017	7,220	7,220	-	1,388,548		0.52%
2016	7,094	7,094	-	1,477,823		0.48%
2015	7,082	7,082	-	1,475,467		0.48%
2014	6,974	6,974	-	1,452,945		0.48%
2013	6,662	6,662	-	1,387,844		0.48%
2012	3,718	3,718	-	1,328,027		0.28%
2011	3,665	3,665	-	1,308,952		0.28%

Notes to Required Supplementary Information
 Group Life Insurance (GLI) Plan
 For the Year Ended June 30, 2020

Changes of benefit terms - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions - The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Non-Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

Non-Largest Ten Locality Employers - Hazardous Duty Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60.00% to 45.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

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Other Supplementary Information

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Combining and Individual Fund Financial Statements

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Combining Statement of Fiduciary Net Position
 Fiduciary Funds
 June 30, 2020

	Private-Purpose Trust Funds		
	Mountain View Cemetery	Crown Hill Cemetery	Total Private-Purpose Trust Funds
ASSETS			
Cash and cash equivalents	\$ 210,827	\$ 52,858	\$ 263,685
Due from other funds	6,300	-	6,300
Total assets	<u>\$ 217,127</u>	<u>\$ 52,858</u>	<u>\$ 269,985</u>
LIABILITIES			
Amounts held for others	\$ -	\$ -	\$ -
Total liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
NET POSITION			
Held in trust for cemeteries	<u>\$ 217,127</u>	<u>\$ 52,858</u>	<u>\$ 269,985</u>

Combining Statement of Changes in Fiduciary Net Position
 Fiduciary Funds
 For the Year Ended June 30, 2020

	Mountain View Cemetery Private-Purpose Trust	Crown Hill Cemetery Private-Purpose Trust	Total Private-Purpose Trust
ADDITIONS			
Contributions:			
Sale of cemetery lots	\$ 3,141	\$ -	\$ 3,141
Total contributions	\$ 3,141	\$ -	\$ 3,141
Total additions	\$ 3,141	\$ -	\$ 3,141
DEDUCTIONS			
Total deductions	\$ -	\$ -	\$ -
Change in net position	\$ 3,141	\$ -	\$ 3,141
Net position - beginning	\$ 213,986	\$ 52,858	\$ 266,844
Net position - ending	\$ 217,127	\$ 52,858	\$ 269,985

Supporting Schedules

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Schedule of Revenues - Budget and Actual
Governmental Fund
For the Year Ended June 30, 2020

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 302,500	\$ 302,500	\$ 312,004	\$ 9,504
Real and personal public service corporation taxes	38,750	38,750	38,777	27
Personal property taxes	259,000	259,000	249,781	(9,219)
Machinery and tools taxes	5,500	5,500	1,994	(3,506)
Penalties	7,000	7,000	8,427	1,427
Interest	6,000	6,000	10,664	4,664
Total general property taxes	\$ 618,750	\$ 618,750	\$ 621,647	\$ 2,897
Other local taxes:				
Local sales and use taxes	\$ 120,000	\$ 120,000	\$ 121,123	\$ 1,123
Consumers' utility taxes	150,000	150,000	161,466	11,466
Business license taxes	215,000	215,000	184,528	(30,472)
Motor vehicle licenses	53,500	53,500	43,487	(10,013)
Bank stock taxes	75,000	75,000	92,918	17,918
Transient occupancy taxes	12,500	12,500	10,638	(1,862)
Restaurant food taxes	400,000	400,000	395,400	(4,600)
Tobacco tax	13,500	13,500	8,942	(4,558)
Total other local taxes	\$ 1,039,500	\$ 1,039,500	\$ 1,018,502	\$ (20,998)
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 1,200	\$ 1,200	\$ 865	\$ (335)
Zoning Fees	500	500	1,025	525
Total permits, privilege fees, and regulatory licenses	\$ 1,700	\$ 1,700	\$ 1,890	\$ 190
Fines and forfeitures:				
Court fines and forfeitures	\$ 10,750	\$ 10,750	\$ 17,847	\$ 7,097
Revenue from use of money and property:				
Revenue from use of money	\$ 11,250	\$ 11,250	\$ 11,060	\$ (190)
Revenue from use of property	30,616	30,616	29,167	(1,449)
Total revenue from use of money and property	\$ 41,866	\$ 41,866	\$ 40,227	\$ (1,639)
Charges for services:				
Charges for fire protection	\$ 53,000	\$ 56,000	\$ 59,000	\$ 3,000
Charges for first responders	18,000	21,000	21,000	-
Charges for sanitation and waste removal	300	300	225	(75)
Charges for library	5,000	5,000	3,644	(1,356)
Total charges for services	\$ 76,300	\$ 82,300	\$ 83,869	\$ 1,569
Miscellaneous:				
Cemetery income	\$ 15,200	\$ 15,200	\$ 14,150	\$ (1,050)
Friends of Library	4,000	4,000	4,845	845
Sale of Salvage/Surplus	5,000	33,000	28,797	(4,203)
Donations	3,000	3,000	2,590	(410)
Miscellaneous	2,000	81,448	65,750	(15,698)
Total miscellaneous	\$ 29,200	\$ 136,648	\$ 116,132	\$ (20,516)

Schedule of Revenues - Budget and Actual
Governmental Fund
For the Year Ended June 30, 2020 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (continued)				
Revenue from local sources: (continued)				
Recovered costs:				
Alleghany County - library	\$ 25,225	\$ 25,225	\$ 25,225	\$ -
Other costs	-	61,423	52,135	(9,288)
Total recovered costs	\$ 25,225	\$ 86,648	\$ 77,360	\$ (9,288)
Total revenue from local sources	\$ 1,843,291	\$ 2,018,162	\$ 1,977,474	\$ (40,688)
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Rolling stock tax	\$ 6,000	\$ 6,000	\$ 5,994	\$ (6)
Communications taxes	90,000	90,000	77,890	(12,110)
PPTRA Reimbursement	316,644	316,644	316,644	-
Total noncategorical aid	\$ 412,644	\$ 412,644	\$ 400,528	\$ (12,116)
Categorical aid:				
Virginia Commission for the Arts grant	\$ 4,500	\$ 4,500	\$ 4,500	\$ -
DCJ Grants	194,445	194,445	209,504	15,059
Department of fire programs funds	13,444	14,146	14,146	-
Litter control grant	2,750	2,750	2,229	(521)
Street and highway maintenance funds	610,000	610,000	616,751	6,751
Library	47,065	47,065	47,065	-
Other state grants	2,500	2,500	4,410	1,910
Total categorical aid	\$ 874,704	\$ 875,406	\$ 898,605	\$ 23,199
Total revenue from the Commonwealth	\$ 1,287,348	\$ 1,288,050	\$ 1,299,133	\$ 11,083
Revenue from the Federal Government:				
Noncategorical aid:				
CARES Act - Coronavirus Relief Fund	\$ -	\$ -	\$ 7,790	\$ 7,790
Total noncategorical aid	\$ -	\$ -	\$ 7,790	\$ 7,790
Categorical aid:				
TEA - Highway planning and construction	\$ -	\$ -	\$ 72,376	\$ 72,376
Edward Byrne Memorial Justice Assistance Grant	-	-	2,809	2,809
Total categorical aid	\$ -	\$ -	\$ 75,185	\$ 75,185
Total revenue from the Federal Government	\$ -	\$ -	\$ 82,975	\$ 82,975
Total General Fund	\$ 3,130,639	\$ 3,306,212	\$ 3,359,582	\$ 53,370

Schedule of Expenditures - Budget and Actual
 Governmental Fund
 For the Year Ended June 30, 2020

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
General government administration:				
Legislative:				
Town Council	\$ 14,062	\$ 14,062	\$ 12,953	\$ 1,109
General and financial administration:				
Town manager	\$ 120,748	\$ 121,916	\$ 142,037	\$ (20,121)
Legal services	7,625	6,536	6,524	12
Accounting and auditing services	18,125	15,597	20,099	(4,502)
Finance	154,622	157,810	157,951	(141)
Total general and financial administration	\$ 301,120	\$ 301,859	\$ 326,611	\$ (24,752)
Total general government administration	\$ 315,182	\$ 315,921	\$ 339,564	\$ (23,643)
Public safety:				
Law enforcement and traffic control:				
Police department	\$ 837,207	\$ 857,566	\$ 795,381	\$ 62,185
Fire and rescue services:				
Fire department	\$ 213,973	\$ 242,786	\$ 242,554	\$ 232
Total public safety	\$ 1,051,180	\$ 1,100,352	\$ 1,037,935	\$ 62,417
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Highways, streets, bridges and sidewalks	\$ 728,002	\$ 776,002	\$ 214,464	\$ 561,538
Administration	57,613	51,924	48,771	3,153
Eligible Streets	-	-	631,919	(631,919)
Total maintenance of highways, streets, bridges and sidewalks	\$ 785,615	\$ 827,926	\$ 895,154	\$ (67,228)
Maintenance of general buildings and grounds:				
General properties	\$ 32,767	\$ 32,767	\$ 29,643	\$ 3,124
Cemeteries	61,238	66,927	69,211	(2,284)
Total maintenance of general buildings and grounds	\$ 94,005	\$ 99,694	\$ 98,854	\$ 840
Total public works	\$ 879,620	\$ 927,620	\$ 994,008	\$ (66,388)
Health and welfare:				
Welfare:				
Tax relief for the elderly	\$ -	\$ -	\$ 6,586	\$ (6,586)

Schedule of Expenditures - Budget and Actual
 Governmental Fund
 For the Year Ended June 30, 2020 (Continued)

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Parks, recreation, and cultural:				
Parks and recreation:				
Parks and grounds	\$ 169,220	\$ 173,042	\$ 131,653	\$ 41,389
Cultural enrichment:				
Cultural enrichment	\$ 9,000	\$ 9,000	\$ 9,000	\$ -
Masonic Theatre preservation	10,000	10,000	10,000	-
Total cultural enrichment	\$ 19,000	\$ 19,000	\$ 19,000	\$ -
Library:				
Library	\$ 203,375	\$ 216,935	\$ 200,954	\$ 15,981
Total parks, recreation, and cultural	\$ 391,595	\$ 408,977	\$ 351,607	\$ 57,370
Community development:				
Planning and community development:				
Community development	\$ 91,268	\$ 91,303	\$ 33,918	\$ 57,385
Contributions local civic organizations	11,000	12,250	12,250	-
Roanoke Valley-Alleghany Regional Commission	3,600	3,565	3,565	-
Other planning community development	6,500	8,675	8,675	-
Total planning and community development	\$ 112,368	\$ 115,793	\$ 58,408	\$ 57,385
Total community development	\$ 112,368	\$ 115,793	\$ 58,408	\$ 57,385
Nondepartmental:				
Nondepartmental	\$ 181,062	\$ 201,027	\$ 191,879	\$ 9,148
Contingencies	60,072	96,791	81,256	15,535
Total nondepartmental	\$ 241,134	\$ 297,818	\$ 273,135	\$ 24,683
Capital projects:				
Capital projects - grants	\$ -	\$ -	\$ 244,699	\$ (244,699)
Total capital projects	\$ -	\$ -	\$ 244,699	\$ (244,699)
Debt service:				
Principal retirement	\$ 126,707	\$ 126,707	\$ 126,707	\$ -
Interest and other fiscal charges	12,853	13,024	23,328	(10,304)
Total debt service	\$ 139,560	\$ 139,731	\$ 150,035	\$ (10,304)
Total General Fund	\$ 3,130,639	\$ 3,306,212	\$ 3,455,977	\$ (149,765)

Schedule of Revenues, Expenses, and Changes in Net Position - Budget and Actual
 Water Enterprise Fund
 For the Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Operating Revenues:				
Sale of services, commodities and properties:				
Sale of water	\$ 860,000	\$ 860,000	\$ 770,858	\$ (89,142)
Connection fees	2,000	2,000	1,200	(800)
Administration fees	2,000	2,000	1,925	(75)
County water	585,000	585,000	597,412	12,412
Penalties	12,000	12,000	10,823	(1,177)
Miscellaneous	9,200	9,200	-	(9,200)
Total operating revenues	\$ 1,470,200	\$ 1,470,200	\$ 1,382,218	\$ (87,982)
Operating Expenses:				
Water filtration plant	\$ 464,805	\$ 464,805	\$ 441,571	\$ 23,234
Transmissional distribution	197,739	197,739	193,517	4,222
Other costs	126,651	126,651	131,174	(4,523)
Depreciation	-	-	204,743	(204,743)
Capital outlay	487,127	487,127	52,154	434,973
Total operating expenses	\$ 1,276,322	\$ 1,276,322	\$ 1,023,159	\$ 253,163
Net operating income (loss)	\$ 193,878	\$ 193,878	\$ 359,059	\$ 165,181
Nonoperating revenues (expenses):				
Interest revenue	\$ -	\$ -	\$ 816	\$ 816
Interest expense	(193,878)	(193,878)	(50,546)	143,332
Net nonoperating revenues (expenses)	\$ (193,878)	\$ (193,878)	\$ (49,730)	\$ 144,148
Income (loss) before contributions and operating transfers	\$ -	\$ -	\$ 309,329	\$ 309,329
Change in net position	\$ -	\$ -	\$ 309,329	\$ 309,329

Schedule of Revenues, Expenses, and Changes in Net Position - Budget and Actual
 Sewer Enterprise Fund
 For the Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Operating Revenues:				
Sale of services, commodities and properties:				
Sewage treatment charges	\$ 1,500,000	\$ 1,500,000	\$ 1,651,672	\$ 151,672
Sewer lateral line fee	-	-	306	306
Connection fees	-	-	1,200	1,200
Administration fees	2,000	2,000	1,912	(88)
Penalties	22,000	22,000	23,037	1,037
Total operating revenues	\$ 1,524,000	\$ 1,524,000	\$ 1,678,127	\$ 154,127
Operating Expenses:				
Wastewater treatment plant	\$ 1,318,000	\$ 1,318,000	\$ 1,147,986	\$ 170,014
Sewage collection	120,241	110,241	65,511	44,730
Sewer I and I	26,027	26,027	3,045	22,982
Other costs	114,139	114,139	113,081	1,058
Depreciation	-	-	262,821	(262,821)
Capital outlay	-	10,000	-	10,000
Total operating expenses	\$ 1,578,407	\$ 1,578,407	\$ 1,592,444	\$ (14,037)
Net operating income	\$ (54,407)	\$ (54,407)	\$ 85,683	\$ 140,090
Nonoperating Revenues (Expenses):				
Interest expense	\$ (208,529)	\$ (208,529)	\$ (11,137)	\$ 197,392
Net nonoperating revenues (expenses)	\$ (208,529)	\$ (208,529)	\$ (11,137)	\$ 197,392
Income (loss) before contributions and operating transfers	\$ (262,936)	\$ (262,936)	\$ 74,546	\$ 337,482
Transfer from reserve	\$ 262,936	\$ 262,936	\$ -	\$ (262,936)
Change in net position	\$ -	\$ -	\$ 74,546	\$ 74,546

Other Statistical Information

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Government-wide Information

TOWN OF CLIFTON FORGE, VIRGINIA

Government-wide Expenses by Function
Last Ten Fiscal Years

Fiscal Year	General Government Administration	Public Safety	Public Works	Parks, Recreation, and Cultural
2010-11	\$ 522,019	\$ 992,001	\$ 729,685	\$ 268,278
2011-12	522,765	982,527	737,596	277,107
2012-13	520,236	1,048,094	807,040	275,235
2013-14	590,768	1,167,341	928,631	329,347
2014-15	475,226	1,023,906	660,928	594,200
2015-16	405,327	1,035,099	998,874	833,947
2016-17	382,151	978,824	555,605	409,685
2017-18	358,116	1,007,657	952,033	398,343
2018-19	421,771	1,102,469	1,321,651	410,157
2019-20	647,212	1,210,544	1,075,072	437,684

Table 1

Community Development	Interest on Long- term Debt	Other	Water Fund	Sewer Fund	Total
\$ 88,082	\$ 12,635	\$ 8,825	\$ 923,244	\$ 1,129,984	\$ 4,674,753
89,307	16,528	6,447	1,111,478	1,428,145	5,171,900
127,727	18,702	7,117	1,004,570	1,221,660	5,030,381
129,521	42,944	6,282	1,100,685	1,351,775	5,647,294
138,854	26,842	7,339	965,997	1,389,447	5,282,739
393,010	21,510	8,164	932,505	4,224,181	8,852,617
589,430	23,140	8,898	840,885	1,435,860	5,224,478
536,792	25,308	7,762	949,612	1,421,998	5,657,621
551,885	27,188	6,228	1,008,244	2,062,011	6,911,604
69,602	22,095	6,586	1,073,705	1,603,581	6,146,081

TOWN OF CLIFTON FORGE, VIRGINIA

Government-wide Revenues
Last Ten Fiscal Years

PROGRAM REVENUES				
Fiscal Year		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
2010-11	\$	2,223,803	\$ 921,231	\$ 32,864
2011-12		2,713,934	757,442	19,223
2012-13		2,603,083	910,554	15,188
2013-14		2,750,398	899,149	14,785
2014-15		2,641,003	894,274	1,286,659
2015-16		2,635,889	1,200,250	594,103
2016-17		3,173,977	1,189,138	506,250
2017-18		3,352,230	1,046,581	2,057,701
2018-19		3,239,015	1,312,584	48,563
2019-20		3,163,951	901,414	72,376

GENERAL REVENUES

General Property Taxes	Other Local Taxes	Unrestricted Investment Earnings	Miscellaneous	Grants and Contributions Not Restricted to Specific Programs	Transfers	Total
\$ 574,130	\$ 771,811	\$ 3,151	\$ 26,432	\$ 436,076	\$ -	\$ 4,989,498
638,317	783,193	9,010	23,289	422,021	-	5,366,429
536,411	772,556	10,845	77,034	420,338	-	5,346,009
662,508	818,958	17,927	21,105	418,651	-	5,603,481
602,480	838,486	16,106	381,559	418,442	-	7,079,009
585,139	914,881	16,271	409,998	415,280	10,000	6,781,811
597,153	901,126	18,163	306,253	412,783	-	7,104,843
588,575	964,716	41,930	77,912	409,754	15,000	8,554,399
618,302	1,077,693	49,071	176,598	396,689	-	6,918,515
620,791	1,018,502	41,043	116,132	408,318	-	6,342,527

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Fund Information

TOWN OF CLIFTON FORGE, VIRGINIA

General Governmental Expenditures by Function
Last Ten Fiscal Years

Fiscal Year		General Government Administration		Public Safety		Public Works		Parks, Recreation, and Cultural
2010-11	\$	277,385	\$	956,894	\$	858,419	\$	281,446
2011-12		263,094		914,198		815,527		280,794
2012-13		269,640		1,001,607		812,979		286,893
2013-14		278,136		1,033,675		870,189		328,276
2014-15		289,287		1,009,379		631,237		606,841
2015-16		296,571		1,026,178		927,495		425,897
2016-17		311,771		1,011,462		584,096		431,323
2017-18		293,687		1,050,389		987,940		418,239
2018-19		324,933		1,081,609		1,288,669		367,372
2019-20		339,564		1,037,935		994,008		351,607

Table 3

<u>Community Development</u>	<u>Capital Projects</u>	<u>Non- departmental</u>	<u>Debt Service</u>	<u>Other</u>	<u>Total</u>
\$ 190,721	\$ 39,912	\$ 210,165	\$ 85,106	\$ 8,825	\$ 2,908,873
127,224	197,206	239,566	72,078	6,447	2,916,134
134,365	275,038	233,582	100,230	7,117	3,121,451
122,887	176,244	266,948	410,218	6,282	3,492,855
148,878	737,495	184,872	125,123	7,339	3,740,451
144,171	1,253,858	215,575	106,662	8,164	4,404,571
104,721	1,105,844	142,481	131,507	8,898	3,832,103
84,119	1,793,968	188,202	138,318	7,762	4,962,624
112,197	569,035	184,143	150,419	6,228	4,084,605
58,408	244,699	273,135	150,035	6,586	3,455,977

TOWN OF CLIFTON FORGE, VIRGINIA

General Governmental Revenues by Source
Last Ten Fiscal Years

Fiscal Year	General Property Taxes	Other Local Taxes	Permits, Privilege Fees, Regulatory Licenses	Fines and Forfeitures	Revenue from the Use of Money and Property
2010-11	\$ 578,391	\$ 771,811	\$ 6,156	\$ 8,242	\$ 3,151
2011-12	588,602	783,193	8,951	11,966	9,010
2012-13	610,187	772,556	4,780	8,072	10,783
2013-14	604,824	818,958	7,702	16,461	16,972
2014-15	610,843	838,486	9,824	14,377	15,958
2015-16	584,409	914,881	4,210	9,336	16,271
2016-17	583,768	901,126	21,355	9,032	18,139
2017-18	592,333	964,716	4,004	13,402	41,930
2018-19	623,765	1,077,693	1,414	11,394	47,922
2019-20	621,647	1,018,502	1,890	17,847	40,227

Table 4

	<u>Charges for Services</u>	<u>Miscellaneous</u>	<u>Recovered Costs</u>	<u>Inter- governmental</u>	<u>Total</u>
\$	56,493	\$ 26,432	\$ 145,225	\$ 1,357,307	\$ 2,953,208
	59,413	23,289	100,080	1,179,463	2,763,967
	56,078	77,034	75,945	1,330,892	2,946,327
	57,097	21,105	96,636	1,313,700	2,953,455
	67,517	381,559	78,110	1,589,617	3,606,291
	59,141	409,998	174,734	1,963,038	4,136,018
	70,969	306,253	52,813	2,084,009	4,047,464
	72,950	77,912	119,757	2,846,512	4,733,516
	75,183	174,807	119,526	1,749,522	3,881,226
	83,869	116,132	77,360	1,382,108	3,359,582

Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy (1,3)	Current Tax (1,3) Collections	Percent of Levy Collected	Delinquent Tax (1,2) Collections	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (1,2)	Percent of Delinquent Taxes to Tax Levy
2010-11	\$ 568,628	\$ 535,191	94.12%	\$ 24,326	\$ 559,517	98.40%	\$ 92,067	16.19%
2011-12	596,623	551,944	92.51%	22,982	574,926	96.36%	106,660	17.88%
2012-13	612,146	571,025	93.28%	26,146	597,171	97.55%	118,992	19.44%
2013-14	616,167	563,247	91.41%	27,724	590,971	95.91%	106,881	17.35%
2014-15	616,253	559,856	90.85%	35,518	595,374	96.61%	99,024	16.07%
2015-16	599,401	551,035	91.93%	28,778	579,813	96.73%	99,070	16.53%
2016-17	593,548	545,112	91.84%	26,860	571,972	96.36%	112,202	18.90%
2017-18	603,587	552,032	91.46%	28,144	580,176	96.12%	121,362	20.11%
2018-19	611,574	578,029	94.51%	32,668	610,697	99.86%	124,671	20.39%
2019-20	613,246	568,898	92.77%	23,620	592,518	96.62%	120,182	19.60%

(1) Exclusive of penalties and interest.

(2) Does not include land redemptions, supplemental assessments or abatements.

(3) Exclusive of PPTRA levy and collections.

Assessed Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year	Real Estate (1)	Machinery & Tools and Personal Property (3)	Mobile Homes	Public Utility (2)		Total
				Real Estate	Personal Property	
2010-11	\$ 145,606,800	\$ 8,289,201	\$ 32,400	\$ 17,325,209	\$ 15,947	\$ 171,269,557
2011-12	146,306,600	8,604,873	49,900	18,970,801	23,007	173,955,181
2012-13	146,111,800	8,905,432	53,900	18,310,728	15,307	173,397,167
2013-14	142,806,600	9,044,173	24,700	15,315,207	15,307	167,205,987
2014-15	142,925,700	8,649,145	44,700	14,435,672	4,990	166,060,207
2015-16	143,019,900	8,730,534	44,700	14,338,130	8,175	166,141,439
2016-17	142,907,600	8,744,459	23,200	14,115,119	24,578	165,814,956
2017-18	143,317,800	8,747,231	15,800	17,303,286	20,203	169,404,320
2018-19	144,121,400	17,696,754	11,200	18,069,233	16,893	179,915,480
2019-20	145,391,000	17,853,175	6,900	18,435,969	1,846	181,688,890

(1) Real estate is assessed at 100% of fair market value.

(2) Assessed values are established by the State Corporation Commission.

(3) Personal property assessments were reported at 100% of assessed value starting in FY2019. Tax rates adjusted accordingly.

Property Tax Rates (1)
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Real Estate</u>	<u>Mobile Homes</u>	<u>Personal Property</u>	<u>Machinery and Tools</u>
2010-11	\$ 0.21	\$ 0.21	\$ 6.70	\$ 6.70
2011-12	0.21	0.21	6.70	6.70
2012-13	0.21	0.21	6.70	6.70
2013-14	0.21	0.21	6.70	6.70
2014-15	0.21	0.21	6.70	6.70
2015-16	0.21	0.21	6.70	6.70
2016-17	0.21	0.21	6.70	6.70
2017-18	0.21	0.21	6.70	6.70
2018-19	0.21	0.21	3.35	6.70
2019-20	0.21	0.21	3.35	3.35

(1) Per \$100 of assessed value.

Ratio of Net General Bonded Debt to
Assessed Value and Net Bonded Debt Per Capita
Last Ten Fiscal Years

Fiscal Year	Population (1)	Assessed Value (2)	Gross Bonded Debt (3)	Less:		Governmental Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
				Debt Service Monies Available	Debt Payable from Enterprise Activities			
2010-11	3,874	\$ 171,269,557	\$ 6,111,596	\$ -	\$ 6,111,596	\$ -	0.00%	-
2011-12	3,903	173,955,181	5,822,539	-	5,672,539	150,000	0.09%	38
2012-13	3,880	173,397,167	7,793,970	-	5,285,776	2,508,194	1.45%	646
2013-14	3,869	167,205,987	7,422,908	-	7,016,451	406,457	0.24%	105
2014-15	3,790	166,060,207	6,733,317	-	6,391,503	341,814	0.21%	90
2015-16	3,740	166,141,439	6,688,922	-	6,198,705	490,217	0.30%	131
2016-17	3,715	165,814,956	6,250,738	-	5,705,880	544,858	0.33%	147
2017-18	3,570	169,404,320	6,737,273	-	6,264,370	472,903	0.28%	132
2018-19	3,528	179,915,480	6,375,860	-	5,976,421	399,439	0.22%	113
2019-20	3,494	181,688,890	7,551,081	-	7,226,652	324,429	0.18%	93

(1) US Census Bureau (includes 2010 Census, when applicable, and annual population estimates)

(2) From Table 6

(3) Includes all long-term general obligation bonded debt, revenue bonds, notes payable. Excludes premiums.

Computation of Legal Debt Margin
June 30, 2020

Total Assessed Value of Real Estate	\$ <u>163,826,969</u>
Legal Debt Margin - 10% of assessed value of real estate	\$ 16,382,697
Less: Applicable gross indebtedness	<u>3,860,741</u>
Legal margin for creation of additional debt	\$ <u>12,521,956</u>

(1) Includes water and sewer debt general obligations pledged by the system's revenues and supplemented with the Town's general obligation.

Compliance

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**Independent Auditors' Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

To the Honorable Members of
the Town Council
Town of Clifton Forge, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Clifton Forge, Virginia, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town of Clifton Forge, Virginia's basic financial statements, and have issued our report thereon dated December 11, 2020.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Robinson, Farmer, Cox Associates

Charlottesville, Virginia
December 11, 2020

**Independent Auditors' Report on Compliance for Each Major Program and on
Internal Control over Compliance Required by the Uniform Guidance**

To the Honorable Members of
the Town Council
Town of Clifton Forge, Virginia

Report on Compliance for Each Major Federal Program

We have audited the Town of Clifton Forge, Virginia's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Town of Clifton Forge, Virginia's major federal programs for the year ended June 30, 2020. Town of Clifton Forge, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Clifton Forge, Virginia's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Clifton Forge, Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Town of Clifton Forge, Virginia's compliance.

Opinion on Each Major Federal Program

In our opinion, the Town of Clifton Forge, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control over Compliance

Management of the Town of Clifton Forge, Virginia is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Clifton Forge, Virginia's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Clifton Forge, Virginia's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Charlottesville, Virginia
December 11, 2020

TOWN OF CLIFTON FORGE, VIRGINIA

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2020

Federal Grantor/State Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
United States Department of Agriculture: Direct Payments:			
Water and Waste Disposal Systems for Rural Communities	10.760		\$ 1,821,146
Total United States Department of Agriculture			\$ 1,821,146
Department of Justice: Pass-through Payments:			
Virginia Department of Criminal Justice: Edward Byrne Memorial Justice Assistance Grant Program	16.738	20-P1109LO17	\$ 2,809
Total Department of Justice			\$ 2,809
Department of Transportation: Pass-through Payments:			
Virginia Department of Transportation: Highway Planning and Construction	20.205	5014510 / 5014310	\$ 72,376
Total Department of Transportation			\$ 72,376
United States Department of the Treasury: Pass-through Payments:			
County of Alleghany, Virginia COVID-19 - Coronavirus Relief Fund	21.019	unknown	\$ 7,790
Total United States Department of the Treasury			\$ 7,790
Total Expenditures of Federal Awards			\$ 1,904,121

See accompanying notes to schedule of expenditures of federal awards.

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2020

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards ("Schedule") includes the federal grant activity of the Town of Clifton Forge, Virginia under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Town of Clifton Forge, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town of Clifton Forge, Virginia.

Note 2 - Basis of Accounting

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(2) Pass-through entity identifying numbers are presented where available.

Note 3 - Indirect Cost Rate

The Town did not elect to use the 10-percent de minimis indirect cost rate allowed under Uniform Guidance.

Note 4 - Subrecipients

No awards were passed through to subrecipients.

Note 5 - Relationship to Financial Statements

Federal expenditures, revenues and capital contributions are reported in the Town's basic financial statements as follows:

Intergovernmental federal revenues per the basic financial statements:	
General Fund	\$ 82,975
Sewer Fund:	
Loan proceeds	<u>1,821,146</u>
Total federal expenditures per basic financial statements	\$ <u>1,904,121</u>
Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$ <u><u>1,904,121</u></u>

TOWN OF CLIFTON FORGE, VIRGINIA

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2020

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant Deficiency(ies) indentified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant Deficiency(ies) indentified?	None reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with CFR section 200.516(a)?	No

Identification of major programs:

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
10.760	Water and Waste Disposal Systems for Rural Communities

Dollar threshold used to distinguish between Type A and Type B programs	\$ 750,000
Auditee qualified as low-risk auditee?	No

Section II - Financial Statement Findings

There are no financial statement findings to report.

Section III - Federal Award Findings and Questioned Costs

There are no federal award findings and questioned costs to report.

Section IV - Prior Year Findings

There are no prior year findings to report.

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