



FINANCIAL REPORT
YEAR ENDED JUNE 30, 2022

TOWN OF CLIFTON FORGE, VIRGINIA

FINANCIAL REPORT

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FOR THE YEAR ENDED JUNE 30, 2022

COUNCIL

Pamela Marshall, Mayor

Jeff Irvine, Vice-Mayor

Carl Wolfe, Jr.

Robert Umstead

Dr. Ronald S. Goings

OFFICIALS

Charles Unroe Town Manager
LeeAnna Tyler Finance Director
Jared Jenkins..... Town Attorney

TOWN OF CLIFTON FORGE, VIRGINIA

**FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2022**

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Independent Auditors' Report

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

Report on the Audit of the Financial Statements

Opinions

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 County of Clifton Forge, Virginia, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the County of Clifton Forge, Virginia, as of and for the year ended June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of County of Clifton Forge, Virginia, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principles

As described in Note 1 to the financial statements, in 2022, the County adopted new accounting guidance, GASB Statement Nos. 87, *Leases* and 92, *Omnibus*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the *Specifications for Audits of Counties, Cities, and Towns*, we:

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

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

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 as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements

Required Supplementary Information (Continued)

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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise County of Clifton Forge, Virginia's basic financial statements. The accompanying combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the statistical information but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 23, 2024, on our consideration of County 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 County 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 County of Clifton Forge, Virginia's internal control over financial reporting and compliance.


(Charlottesville, Virginia)
February 23, 2024

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, 2022. 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 \$13.74 million (*net position*). Of this amount, \$3.33 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 \$1,411,104, of which the governmental activities accounted for a \$508,843 increase and business-type activities accounted for an increase of \$902,261. 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 an ending fund balance in the amount of \$139,996, an increase of \$233,676 compared to the prior year. The unassigned fund balance at June 30, 2022 reported a balance of \$129,172. The Town had \$10,824 in restricted fund balance at June 30, 2022.
- The Town's total long-term obligations increased by \$1,950,673 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 18 and 19 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 30 through 69 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 71 through 78 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 81-101 through 74 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 \$13.74 million at the close of the most recent fiscal year. A large portion of the Town's net position (\$10.33 million, 75% 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		Business-type		Total	
	Activities		Activities			
	2022	2021	2022	2021	2022	2021
Current and other assets	\$ 2,795,617	\$ 2,478,021	\$ 4,987,318	\$ 4,701,930	\$ 7,782,935	\$ 7,179,951
Capital assets	4,616,175	4,510,024	13,627,652	13,870,302	18,243,827	18,380,326
Total assets	\$ 7,411,792	\$ 6,988,045	\$ 18,614,970	\$ 18,572,232	\$ 26,026,762	\$ 25,560,277
Deferred outflows of resources	\$ 273,482	\$ 329,362	\$ 100,498	\$ 140,693	\$ 373,980	\$ 470,055
Long-term liabilities						
outstanding	\$ 894,726	\$ 1,968,449	\$ 7,726,696	\$ 8,603,646	\$ 8,621,422	\$ 10,572,095
Other liabilities	1,796,163	2,112,256	237,114	524,282	2,033,277	2,636,538
Total liabilities	\$ 2,690,889	\$ 4,080,705	\$ 7,963,810	\$ 9,127,928	\$ 10,654,699	\$ 13,208,633
Deferred inflows of resources	\$ 1,721,123	\$ 472,283	\$ 285,485	\$ 21,085	\$ 2,006,608	\$ 493,368
Net position:						
Net investment in capital assets	\$ 4,277,185	\$ 4,057,786	\$ 6,050,829	\$ 5,485,608	\$ 10,328,014	\$ 9,543,394
Restricted	10,824	9,588	67,689	67,673	78,513	77,261
Unrestricted	(1,014,747)	(1,302,955)	4,347,655	4,010,631	3,332,908	2,707,676
Total net position	\$ 3,273,262	\$ 2,764,419	\$ 10,466,173	\$ 9,563,912	\$ 13,739,435	\$ 12,328,331

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 \$1,014,747 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 increased during fiscal year 2022.

Government-wide Financial Analysis: (Continued)

As noted previously, the Town's total net position increased by \$1,411,104 during the current fiscal year. Governmental activities increased the Town's net position by \$508,843. 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	
	2022	2021	2022	2021	2022	2021
Revenues:						
Program revenues:						
Charges for services	\$ 91,680	\$ 97,726	\$ 2,837,230	\$ 3,090,107	\$ 2,928,910	\$ 3,187,833
Operating grants and contributions	871,674	919,340	-	-	871,674	919,340
Capital grants and contributions	-	229,698	327,550	1,362,510	327,550	1,592,208
General revenues:						
Property taxes	833,639	763,790	-	-	833,639	763,790
Other taxes	1,043,351	999,029	-	-	1,043,351	999,029
Unrestricted revenues from use of money and property	35,786	30,357	-	-	35,786	30,357
Miscellaneous	98,346	107,627	-	-	98,346	107,627
Grants and contributions not restricted to specific programs	746,638	619,381	-	-	746,638	619,381
Total revenues	\$ 3,721,114	\$ 3,766,948	\$ 3,164,780	\$ 4,452,617	\$ 6,885,894	\$ 8,219,565
Expenses:						
General government administration	\$ 567,529	\$ 594,595	\$ -	\$ -	\$ 567,529	\$ 594,595
Public safety	1,395,862	1,133,280	-	-	1,395,862	1,133,280
Public works	582,587	1,116,264	-	-	582,587	1,116,264
Health and welfare	7,546	7,546	-	-	7,546	7,546
Parks, recreation and cultural	458,784	714,914	-	-	458,784	714,914
Community development	184,196	227,634	-	-	184,196	227,634
Interest on long-term debt	15,767	19,651	-	-	15,767	19,651
Water fund	-	-	1,107,475	1,118,239	1,107,475	1,118,239
Sewer fund	-	-	1,155,044	1,519,902	1,155,044	1,519,902
Total expenses	\$ 3,212,271	\$ 3,813,884	\$ 2,262,519	\$ 2,638,141	\$ 5,474,790	\$ 6,452,025
Increase (decrease) in net position before transfers	\$ 508,843	\$ (46,936)	\$ 902,261	\$ 1,814,476	\$ 1,411,104	\$ 1,767,540
Change in net position	\$ 508,843	\$ (46,936)	\$ 902,261	\$ 1,814,476	\$ 1,411,104	\$ 1,767,540
Net position - beginning of year	\$ 2,764,419	\$ 2,811,355	\$ 9,563,912	\$ 7,749,436	\$ 12,328,331	\$ 10,560,791
Net position - end of year	\$ 3,273,262	\$ 2,764,419	\$ 10,466,173	\$ 9,563,912	\$ 13,739,435	\$ 12,328,331

Business-type activities increased the Town's net position by \$902,261. 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.

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 fund balance of \$129,172, an increase of \$233,678 in comparison with the prior year. Of this amount, \$129,172 is reported as unassigned. At June 30, 2022, The Town had \$6,240 in restricted fund balance. The Town's unassigned fund balance reported as a deficit as of June 30, 2022 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 \$10.47 million, of which \$6.05 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, 2022, amounts to \$18.24 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		Business-type		Total	
	Activities		Activities			
	2022	2021	2022	2021	2022	2021
Land	\$ 784,994	\$ 784,994	\$ 73,412	\$ 73,412	\$ 858,406	\$ 858,406
Buildings	1,309,658	986,019	-	-	1,309,658	986,019
Infrastructure	1,847,574	1,959,869	12,993,942	8,296,481	14,841,516	10,256,350
Machinery & equipment	673,949	440,654	-	-	673,949	440,654
Construction in progress	-	68,678	560,298	5,500,409	560,298	5,569,087
Total	<u>\$ 4,616,175</u>	<u>\$ 4,240,214</u>	<u>\$ 13,627,652</u>	<u>\$ 13,870,302</u>	<u>\$ 18,243,827</u>	<u>\$ 18,110,516</u>

Additional information on the Town's capital assets can be found in Note 5 on pages 43 through 45.

Capital Asset and Debt Administration: (Continued)

Long-term Obligations: At the end of the current fiscal year, the Town had total outstanding obligations of \$8.62 million and details are summarized in the following table:

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Capital leases	\$ 114,197	\$ 188,376	\$ 1,459	\$ 25,278	\$ 115,656	\$ 213,654
Notes payable	-	-	111,008	333,023	111,008	333,023
Revenue bonds	-	-	4,762,887	4,900,451	4,762,887	4,900,451
General obligation bonds	210,000	247,836	-	-	210,000	247,836
Premium on issuance	14,793	16,026	43,225	46,827	58,018	62,853
Revolving loan funds	-	-	2,650,278	2,850,132	2,650,278	2,850,132
Landfill closure and post-closure	67,500	75,000	-	-	67,500	75,000
Net pension liability	358,974	1,289,878	106,577	388,396	465,551	1,678,274
Net OPEB liability	50,812	80,293	15,086	24,177	65,898	104,470
Compensated absences	78,450	71,040	36,176	35,362	114,626	106,402
Total	<u>\$ 894,726</u>	<u>\$ 1,968,449</u>	<u>\$ 7,726,696</u>	<u>\$ 8,603,646</u>	<u>\$ 8,621,422</u>	<u>\$ 10,572,095</u>

Obligations associated with governmental activities increased by \$1,073,723 and \$876,950 by obligations of the business-type activities. The Town secured a USDA/Rural Development loan to provide permanent financing upon completion of the water fund water improvement project. The amount of the loan as of June 30, 2022 is \$3.22 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, 2022.

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.

While the Town weathered the COVID crisis fairly well, the Town had to Clifton Forge continues to find innovative ways to promote and encourage business in the Town. The Town partnered with the Historic Masonic Theatre to provide free Sunday movies as a way to encourage citizen's to come back to the downtown. Town partnered with private citizens, business' and church's to continue to improve parks and buildings. There is a committee that is promoting the construction of a "LOVE" sculpture on amphitheater property. These innovative projects bring jobs and tourists to the Town. Meals tax, business license and sales tax revenue remained stable over previous years. The Town's real estate tax increased to \$.26 after remaining at \$.21 for over ten years and the personal property tax rate increased to \$7.30 after remaining at \$6.70 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 \$111 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

Government-wide Financial Statements

Statement of Net Position
June 30, 2022

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,826,987	\$ 4,552,445	\$ 6,379,432
Receivables (net of allowance for uncollectibles):			
Taxes receivable	553,532	-	553,532
Accounts receivable	83,562	192,634	276,196
Lease receivable	309,971	-	309,971
Due from other governmental units	10,741	48,574	59,315
Restricted assets:			
Cash and cash equivalents	10,824	193,665	204,489
Capital assets (net of accumulated depreciation):			
Land	784,994	73,412	858,406
Buildings and improvements	1,309,658	-	1,309,658
Machinery and equipment	673,949	-	673,949
Infrastructure	1,847,574	12,993,942	14,841,516
Construction in progress	-	560,298	560,298
Total assets	\$ 7,411,792	\$ 18,614,970	\$ 26,026,762
DEFERRED OUTFLOWS OF RESOURCES			
Pension related items	\$ 259,388	\$ 96,334	\$ 355,722
OPEB related items	14,094	4,164	18,258
Total deferred outflows of resources	\$ 273,482	\$ 100,498	\$ 373,980
LIABILITIES			
Accounts payable	\$ 20,526	\$ 60,914	\$ 81,440
Retainage payable	-	3,983	3,983
Deposits for utility customers	-	125,976	125,976
Accrued payroll	61,260	12,883	74,143
Accrued interest payable	-	33,358	33,358
Unearned revenue	1,692,477	-	1,692,477
Due to fiduciary activities	21,900	-	21,900
Long-term liabilities:			
Due within one year	84,003	498,821	582,824
Due in more than one year	810,723	7,227,873	8,038,596
Total liabilities	\$ 2,690,889	\$ 7,963,808	\$ 10,654,697
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue - property taxes	\$ 438,688	\$ -	\$ 438,688
Pension related items	937,303	274,878	1,212,181
OPEB related items	35,732	10,608	46,340
Lease deferred revenue	309,400	-	309,400
Total deferred inflows of resources	\$ 1,721,123	\$ 285,486	\$ 2,006,609
NET POSITION			
Net investment in capital assets	\$ 4,277,185	\$ 6,050,830	\$ 10,328,015
Restricted for:			
Forfeited assets - law enforcement	6,240	-	6,240
Library improvements	-	-	-
CDBG programs	4,584	-	4,584
Debt service reserve	-	67,689	67,689
Unrestricted (deficit)	(1,014,747)	4,347,655	3,332,908
Total net position	\$ 3,273,262	\$ 10,466,174	\$ 13,739,436

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

Statement of Activities
For the Year Ended June 30, 2022

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	\$ 567,529	\$ -	\$ 183,822	\$ -	\$ (383,707)	\$ -	\$ (383,707)
Public safety	1,395,862	86,763	345,309	-	(963,790)	-	(963,790)
Public works	582,587	300	646,430	-	64,143	-	64,143
Health and welfare	7,546	-	-	-	(7,546)	-	(7,546)
Parks, recreation, and cultural	458,784	4,352	49,882	-	(404,550)	-	(404,550)
Community development	184,196	265	3,144	-	(180,787)	-	(180,787)
Interest on long-term debt	15,767	-	-	-	(15,767)	-	(15,767)
Total governmental activities	\$ 3,212,271	\$ 91,680	\$ 1,228,587	\$ -	\$ (1,892,004)	\$ -	\$ (1,892,004)
Business-type activities:							
Water	\$ 1,107,475	\$ 1,211,926	\$ -	\$ 327,550	\$ -	\$ 432,001	\$ 432,001
Sewer	1,155,043	1,625,304	-	-	-	470,261	470,261
Total business-type activities	\$ 2,262,518	\$ 2,837,230	\$ -	\$ 327,550	\$ -	\$ 902,262	\$ 902,262
Total primary government	\$ 5,474,789	\$ 2,928,910	\$ 1,228,587	\$ 327,550	\$ (1,892,004)	\$ 902,262	\$ (989,742)
General revenues:							
General property taxes					\$ 833,639	\$ -	\$ 833,639
Other local taxes:							
Local sales and use tax					150,864	-	150,864
Consumers' utility tax					162,726	-	162,726
Business licenses tax					192,470	-	192,470
Restaurant food tax					428,434	-	428,434
Motor vehicle licenses					-	-	-
Bank stock taxes					92,461	-	92,461
Other local taxes					16,396	-	16,396
Unrestricted revenues from use of money and property					35,786	-	35,786
Miscellaneous					98,346	-	98,346
Grants and contributions not restricted to specific programs					389,725	-	389,725
Total general revenues					\$ 2,400,847	\$ -	\$ 2,400,847
Change in net position					\$ 508,843	\$ 902,262	\$ 1,411,105
Net position - beginning					2,764,419	9,563,912	12,328,331
Net position - ending					\$ 3,273,262	\$ 10,466,174	\$ 13,739,436

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

Fund Financial Statements

Balance Sheet
 Governmental Fund
 June 30, 2022

	<u>General</u>
ASSETS	
Cash and cash equivalents	\$ 1,826,987
Receivables (net of allowance for uncollectibles):	
Taxes receivable	553,532
Accounts receivable	83,562
Lease receivable	309,971
Due from other governmental units	10,741
Restricted assets:	
Cash and cash equivalents	<u>10,824</u>
Total assets	<u>\$ 2,795,617</u>
LIABILITIES	
Accounts payable	\$ 20,526
Accrued payroll	61,260
Unearned revenue	1,692,477
Due to fiduciary activities	<u>21,900</u>
Total liabilities	<u>\$ 1,796,163</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue-property taxes	\$ 550,058
Leases Deferred Inflow	<u>309,400</u>
Total deferred inflows of resources	<u>\$ 859,458</u>
FUND BALANCE	
Restricted for:	
Forfeited assets - law enforcement	\$ 6,240
CDBG programs	4,584
Unassigned (deficit)	<u>129,172</u>
Total fund balance (deficit)	<u>\$ 139,996</u>
Total liabilities, deferred inflows, and fund balances (deficits)	<u>\$ 2,795,617</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, 2022

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

Total fund balance per Exhibit 3 - Balance Sheet - Governmental Fund	\$	139,996
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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	\$ 8,374,897	
Less: accumulated depreciation	<u>(3,758,722)</u>	4,616,175

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		111,370
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Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.

Pension related items	\$ 259,388	
OPEB related items	<u>14,094</u>	273,482

Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.

Pension related items	\$ (937,303)	
OPEB related items	<u>(35,732)</u>	(973,035)

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	\$ (78,450)	
Net pension liability	(358,974)	
Net OPEB liability	(50,812)	
Financed purchase	(114,197)	
Bonds payable	(210,000)	
Premium on bonds payable	(14,793)	
Landfill postclosure liability	<u>(67,500)</u>	<u>(894,726)</u>

Net position of governmental activities	\$	<u><u>3,273,262</u></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, 2022

	<u>General</u>
REVENUES	
General property taxes	\$ 782,814
Other local taxes	1,043,351
Permits, privilege fees, and regulatory licenses	665
Fines and forfeitures	6,363
Revenue from the use of money and property	35,786
Charges for services	84,652
Miscellaneous	98,346
Recovered costs	122,780
Intergovernmental:	
Commonwealth	1,314,425
Federal	303,887
Total revenues	<u>\$ 3,793,069</u>
EXPENDITURES	
Current:	
General government administration	\$ 315,481
Public safety	1,420,044
Public works	766,685
Health and welfare	7,546
Parks, recreation, and cultural	442,495
Community development	184,323
Nondepartmental	292,567
Debt service:	
Principal retirement	110,362
Interest and other fiscal charges	18,652
Total expenditures	<u>\$ 3,558,155</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 234,914</u>
Net change in fund balance	<u>\$ 234,914</u>
Fund balance - beginning	<u>\$ (94,918)</u>
Fund balance (deficit) - ending	<u><u>\$ 139,996</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, 2022

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

Net change in fund balance - total governmental fund	\$	234,914
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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 capital asset additions exceeded depreciation in the current period.

Capital asset additions	\$	388,468	
Less: depreciation expense		<u>(282,317)</u>	106,151

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

Property taxes			50,825
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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	\$	112,015	
Amortization of premiums		1,233	
Decrease in landfill postclosure liability		<u>7,500</u>	120,748

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.

Change in compensated absences	\$	(7,410)	
Change in net pension liability		930,904	
Change in net OPEB liability		29,481	
Change in deferred inflows - pension related		(881,585)	
Change in deferred inflows - OPEB related		(19,305)	
Change in deferred outflows - pension related		(53,529)	
Change in deferred outflows - OPEB related		<u>(2,351)</u>	<u>(3,795)</u>

Change in net position of governmental activities	\$	<u>508,843</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, 2022

	Enterprise Fund		
	Water	Sewer	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 2,999,756	\$ 1,552,689	\$ 4,552,445
Accounts receivables, net of allowance for uncollectibles	68,909	123,725	192,634
Due from other governmental units	48,574	-	48,574
Total current assets	\$ 3,117,239	\$ 1,676,414	\$ 4,793,653
Noncurrent assets:			
Restricted assets:			
Cash and cash equivalents	\$ 193,665	\$ -	\$ 193,665
Capital assets (net of accumulated depreciation):			
Land	\$ 27,362	\$ 46,050	\$ 73,412
Construction in progress	560,298	-	560,298
Infrastructure and equipment	8,280,490	4,713,452	12,993,942
Total capital assets	\$ 8,868,150	\$ 4,759,502	\$ 13,627,652
Total noncurrent assets	\$ 9,061,815	\$ 4,759,502	\$ 13,821,317
Total assets	\$ 12,179,054	\$ 6,435,916	\$ 18,614,970
DEFERRED OUTFLOWS OF RESOURCES			
Pension related items	\$ 94,600	\$ 1,734	\$ 96,334
OPEB related items	4,072	92	4,164
Total deferred outflows of resources	\$ 98,672	\$ 1,826	\$ 100,498
LIABILITIES			
Current liabilities:			
Accounts payable and other accrued liabilities	\$ 60,840	\$ 74	\$ 60,914
Retainage payable	3,983	-	3,983
Deposits for utility customers	125,976	-	125,976
Accrued payroll	11,352	1,531	12,883
Accrued interest payable	30,978	2,380	33,358
Bonds and notes payable - current portion	222,641	271,103	493,744
Financed purchase	730	729	1,459
Compensated absences - current portion	3,618	-	3,618
Total current liabilities	\$ 460,118	\$ 275,817	\$ 735,935
Noncurrent liabilities:			
Bonds and notes payable - net of current portion	\$ 5,027,078	\$ 2,046,575	\$ 7,073,653
Net pension liability	104,463	2,113	106,576
Net OPEB liability	14,787	299	15,086
Compensated absences - net of current portion	32,558	-	32,558
Total noncurrent liabilities	\$ 5,178,886	\$ 2,048,987	\$ 7,227,873
Total liabilities	\$ 5,639,004	\$ 2,324,804	\$ 7,963,808
DEFERRED INFLOWS OF RESOURCES			
Pension related items	\$ 266,971	\$ 7,907	\$ 274,878
OPEB related items	10,398	210	10,608
Total deferred inflows of resources	\$ 277,369	\$ 8,117	\$ 285,486
NET POSITION			
Net investment in capital assets	\$ 3,609,735	\$ 2,441,095	\$ 6,050,830
Restricted for debt service reserve	67,689	-	67,689
Unrestricted	2,683,929	1,663,726	4,347,655
Total net position	\$ 6,361,353	\$ 4,104,821	\$ 10,466,174

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, 2022

	Enterprise Fund		
	Water	Sewer	Total
OPERATING REVENUES			
Charges for services:			
Water revenues	\$ 1,198,528	\$ -	\$ 1,198,528
Sewer revenues	-	1,600,334	1,600,334
Other revenues	1,763	1,700	3,463
Penalties	11,635	23,270	34,905
Total operating revenues	\$ 1,211,926	\$ 1,625,304	\$ 2,837,230
OPERATING EXPENSES			
Transmissional distribution	\$ 167,367	\$ -	\$ 167,367
Water filtration plant	429,926	-	429,926
Wastewater treatment plant	-	728,100	728,100
Sewage collection	-	52,598	52,598
Sewer inflow and infiltration	-	8,212	8,212
Depreciation	258,189	246,060	504,249
Other costs	133,984	111,262	245,246
Small tools and repairs	5,342	-	5,342
Total operating expenses	\$ 994,808	\$ 1,146,232	\$ 2,141,040
Operating income (loss)	\$ 217,118	\$ 479,072	\$ 696,190
NONOPERATING REVENUES (EXPENSES)			
Federal Grants	\$ 327,550	\$ -	\$ 327,550
Interest expense	(112,667)	(8,811)	(121,478)
Total nonoperating revenues (expenses)	\$ 214,883	\$ (8,811)	\$ 206,072
Change in net position	\$ 432,001	\$ 470,261	\$ 902,262
Net position - beginning	\$ 5,929,352	\$ 3,634,560	\$ 9,563,912
Net position - ending	\$ 6,361,353	\$ 4,104,821	\$ 10,466,174

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

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2022

	Enterprise Fund		
	Water	Sewer	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 1,221,495	\$ 1,651,034	\$ 2,872,529
Payments to suppliers	(278,761)	(986,089)	(1,264,850)
Payments to employees	(374,365)	(44,119)	(418,484)
Net cash provided by (used for) operating activities	\$ 568,369	\$ 620,826	\$ 1,189,195
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Federal grants	\$ 327,550	\$ -	\$ 327,550
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Additions to utility plant	\$ (486,599)	\$ -	\$ (486,599)
Principal payments on bonds and notes	(180,191)	(379,243)	(559,434)
Principal payments on financed purchase	(11,909)	(11,909)	(23,818)
Interest payments	(116,044)	(10,162)	(126,206)
Net cash provided by (used for) capital and related financing activities	\$ (794,743)	\$ (401,314)	\$ (1,196,057)
Net increase (decrease) in cash and cash equivalents	\$ 101,176	\$ 219,512	\$ 320,688
Cash and cash equivalents - beginning (including restricted)	3,092,245	1,333,178	4,425,423
Cash and cash equivalents - ending (including restricted)	\$ 3,193,421	\$ 1,552,690	\$ 4,746,111
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ 217,118	\$ 479,072	\$ 696,190
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation expense	\$ 258,189	\$ 246,060	\$ 504,249
(Increase) decrease in accounts receivable	11,593	25,730	37,323
(Increase) decrease in intergovernmental receivables	(2,024)	-	(2,024)
(Increase) decrease in deferred outflows - pension related	40,536	(1,109)	39,427
(Increase) decrease in deferred outflows - OPEB related	763	5	768
Increase (decrease) in deferred inflows - pension related	259,473	(734)	258,739
Increase (decrease) in deferred inflows - OPEB related	5,548	114	5,662
Increase (decrease) in net pension liability	(276,352)	(5,468)	(281,820)
Increase (decrease) in net OPEB liability	(8,918)	(173)	(9,091)
Increase (decrease) in operating accounts payable	32,872	(123,573)	(90,701)
Increase (decrease) in retainage payable	3,983	-	3,983
Increase (decrease) in deposits for utility customers	21,298	-	21,298
Increase (decrease) in accrued payroll	3,476	902	4,378
Increase (decrease) in compensated absences	814	-	814
Total adjustments	\$ 351,251	\$ 141,754	\$ 493,005
Net cash provided by (used for) operating activities	\$ 568,369	\$ 620,826	\$ 1,189,195

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

Statement of Fiduciary Net Position
 Fiduciary Funds
 June 30, 2022

	Private-Purpose Trusts
	<hr/>
ASSETS	
Cash and cash equivalents	\$ 263,645
Due from primary government	<hr/> 21,900
	<hr/>
Total assets	\$ <u><u>285,545</u></u>
NET POSITION	
Held in trust for cemeteries	\$ <u><u>285,545</u></u>

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

Statement of Changes in Fiduciary Net Position
 Fiduciary Funds
 For the Year Ended June 30, 2022

	Private-Purpose Trusts
ADDITIONS	
Contributions:	
Sale of cemetery lots	\$ 8,969
Total contributions	\$ 8,969
Total additions	\$ 8,969
DEDUCTIONS	
Transfers to other funds	\$ 8
Total deductions	\$ 8
Change in net position	\$ 8,961
Net position - beginning	\$ 276,584
Net position - ending	\$ 285,545

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

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements June 30, 2022

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, 2022.

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.

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.

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

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

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, and 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 accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of recognition in the financial statements of various kinds of transactions or events.

The government-wide, proprietary, and fiduciary fund financial statements are reported using the *economic resources measurement focus and the accrual basis of accounting*. 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. This is the manner in which these funds are normally budgeted. 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, including lease liabilities, as well as expenditures related to compensated absences, claims and judgments, postemployment benefits, and environmental obligations are recognized later based on specific accounting rules applicable to each, generally when payment is due. General capital asset acquisitions, including entering into contracts giving the government the right to use lease assets, are reported as expenditures in the governmental funds. Issuance of long-term debt and financing through leases are reported as other financing sources.

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.

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 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."

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

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

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.

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 \$49,347 at June 30, 2022 for property taxes, and water and sewer allowances were \$152,883 and \$274,500, 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 (except for intangible right-to-use lease assets (lease assets), the measurement of which is discussed in more detail below). 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.

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

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

7. Capital Assets: (Continued)

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

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 either not in spendable form (such as inventory and prepaids) or are legally or contractually required to be maintained intact (corpus of a permanent fund);

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)

- 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;
- 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, which does not lapse at year end, 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 includes a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net assets 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 pension and OPEB. For more detailed information on these items, reference the related notes.

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

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

11. Deferred Outflows/Inflows of Resources: (Continued)

In addition to liabilities, the statement of financial position includes a separate section for deferred inflows of resources. Deferred inflows of resources, represents an acquisition of net assets 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 pension, OPEB, and leases are reported as deferred inflows of resources. For more detailed information on these items, reference the related notes.

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 fiduciary net 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 fiduciary net 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.

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2022 (Continued)

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

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

14. Net Position: (Continued)

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.

- Net investment in capital assets consists of capital assets, net of accumulated depreciation/ amortization 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.

E. Adoption of Accounting Principles

The Town implemented provisions of Governmental Accounting Standards Board Statement Nos. 87, *Leases* and 92, *Omnibus 2020* during the fiscal year ended June 30, 2022. 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. Statement No. 92, *Omnibus 2020* addresses a variety of topics, including leases. No restatement of beginning net position was required as a result of this implementation. Using the facts and circumstances that existed at the beginning of the year of implementation, the following balances were recognized as of July 1, 2021 related to the lease(s):

	<u>Governmental Activities</u>	<u>General fund Activities</u>
Primary Government:		
Lessor activity:		
Lease receivable	\$ 209,991	\$ 209,991
Deferred inflow of resources-lease	\$ 209,991	\$ 209,991

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

F. Adoption of Accounting Principles

The Town implemented provisions of Governmental Accounting Standards Board Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period* during the fiscal year ended June 30, 2022. This Statement simplifies accounting for interest cost incurred before the end of a construction period. Interest cost incurred during construction is expensed and no longer capitalized as part of project costs. No restatement was required as a result of this implementation.

G. Leases

The Town leases various assets requiring recognition. A lease is a contract that conveys control of the right to use another entity's nonfinancial asset. Lease recognition does not apply to short-term leases, contracts that transfer ownership, leases of assets that are investments, or certain regulated leases.

Lessor

The Town recognizes leases receivable and deferred inflows of resources in the government-wide and governmental fund financial statements. At commencement of the lease, the lease receivable is measured at the present value of lease payments expected to be received during the lease term, reduced by any provision for estimated uncollectible amounts. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is measured at the initial amount of the lease receivable, less lease payments received from the lessee at or before the commencement of the lease term (less any lease incentives).

Key Estimates and Judgments

Lease accounting includes estimates and judgments for determining the (1) rate used to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- Town uses the interest rate stated in lease contracts. When the interest rate is not provided or the implicit rate cannot be readily determined, the Town uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease and certain periods covered by options to extend to reflect how long the lease is expected to be in effect, with terms and conditions varying by the type of underlying asset.
- Fixed and certain variable payments as well as lease incentives and certain other payments are included in the measurement of the lease liability (lessee) or lease receivable (lessor).

The Town monitors changes in circumstances that would require a remeasurement or modification of its leases. The Town will remeasure the lease asset and liability (lessee) or the lease receivable and deferred inflows of resources (lessor) if certain changes occur that are expected to significantly affect the amount of the lease liability or lease receivable.

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2022 (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.
8. All budgetary data presented in the accompanying financial statements is the original budget at June 30. Several supplemental appropriations were necessary during the year and at year end because they were not included in the original budget.

B. Fund Balance

At June 30, 2022, the General Fund reported a fund balance in the amount of \$94,918.

C. Expenditures in Excess of Appropriations

The General Fund reported expenditures in excess of appropriations of \$455,339.

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, 2022 (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 & 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, 2022 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	\$ 67,689
Total	\$ 67,689

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, 2022 (Continued)

NOTE 3—DEPOSITS AND INVESTMENTS: (CONTINUED)

The Town has the following recurring fair value measurements as of June 30, 2022:

		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)
	Total June 30, 2021			
Money Market Mutual Funds - US				
Government Funds	\$ 67,689	\$ 67,689	\$ -	\$ -
Total	\$ 67,689	\$ 67,689	\$ -	\$ -

NOTE 4—DUE FROM OTHER GOVERNMENTAL UNITS:

Amounts due from other governmental units at June 30, 2022, are as follows:

<u>Governmental Activities:</u>	
<u>Commonwealth of Virginia:</u>	
Communications tax	\$ 10,741
Total due from the Commonwealth	\$ 10,741
Grand Total	\$ 10,741
<u>Business-type Activities:</u>	
<u>Alleghany County:</u>	
Bulk water sales	\$ 48,573
Grand Total	\$ 48,573

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2022 (Continued)

NOTE 5—CAPITAL ASSETS:

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2022.

Governmental Activities:

	Balance July 1, 2020		Increases		Decreases		Balance June 30, 2021
Capital assets not being depreciated:							
Land	\$ 784,994	\$	-	\$	-	\$	784,994
Construction in progress	68,678		-		68,678		-
Total capital assets not being depreciated	\$ 853,672	\$	-	\$	68,678	\$	784,994
Capital assets being depreciated:							
Buildings and improvements	\$ 2,670,777	\$	140,816	\$	-	\$	2,811,593
Infrastructure (1)	2,155,933		-		-		2,155,933
Machinery and equipment	2,306,048		316,330		-		2,622,378
Total capital assets being depreciated	\$ 7,132,758	\$	457,146	\$	-	\$	7,589,904
Accumulated depreciation:							
Buildings and improvements	\$ (1,409,476)	\$	(92,459)	\$	-	\$	(1,501,935)
Infrastructure	(252,212)		(56,147)		-		(308,359)
Machinery and equipment	(1,814,718)		(133,711)		-		(1,948,429)
Total accumulated depreciation	\$ (3,476,406)	\$	(282,317)	\$	-	\$	(3,758,723)
Total capital assets being depreciated, net	\$ 3,656,352	\$	174,829	\$	-	\$	3,831,181
Net capital assets	\$ 4,510,024	\$	174,829	\$	68,678	\$	4,616,175

(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, 2022 (Continued)

NOTE 5—CAPITAL ASSETS: (CONTINUED)

Business-type Activities:

	<u>Balance July 1, 2020</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2021</u>
Water Fund				
Capital assets not being depreciated:				
Land	\$ 27,362	\$ -	\$ -	\$ 27,362
Construction in progress	<u>5,500,409</u>	<u>197,503</u>	<u>5,137,614</u>	<u>560,298</u>
Total capital assets not being depreciated	<u>\$ 5,527,771</u>	<u>\$ 197,503</u>	<u>\$ 5,137,614</u>	<u>\$ 587,660</u>
Capital assets being depreciated:				
Infrastructure and equipment	\$ 7,235,889	\$ 5,201,710	\$ -	\$ 12,437,599
Accumulated depreciation	<u>(3,898,920)</u>	<u>(258,189)</u>	<u>-</u>	<u>(4,157,109)</u>
Total capital assets being depreciated, net	<u>\$ 3,336,969</u>	<u>\$ 4,943,521</u>	<u>\$ -</u>	<u>\$ 8,280,490</u>
Net capital assets	<u><u>\$ 8,864,740</u></u>	<u><u>\$ 5,141,024</u></u>	<u><u>\$ 5,137,614</u></u>	<u><u>\$ 8,868,150</u></u>
Sewer Fund				
Capital assets not being depreciated:				
Land	\$ 46,050	\$ -	\$ -	\$ 46,050
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	\$ 8,516,542	\$ -	\$ -	\$ 8,516,542
Accumulated depreciation	<u>(3,557,030)</u>	<u>(246,060)</u>	<u>-</u>	<u>(3,803,090)</u>
Total capital assets being depreciated, net	<u>\$ 4,959,512</u>	<u>\$ (246,060)</u>	<u>\$ -</u>	<u>\$ 4,713,452</u>
Net capital assets	<u><u>\$ 5,005,562</u></u>	<u><u>\$ (246,060)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 4,759,502</u></u>

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2022 (Continued)

NOTE 5—CAPITAL ASSETS: (CONTINUED)

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

Governmental activities:	
General government administration	\$ 104,067
Public safety	74,438
Public works	40,708
Parks, recreation, and cultural	63,104
Total depreciation expense-governmental activities	<u>\$ 282,317</u>
Business-type activities:	
Water Fund	\$ 258,189
Sewer Fund	246,060
Total depreciation expense-business-type activities	<u>\$ 504,249</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, 2022.

	<u>Balance</u> <u>July 1, 2021</u>	<u>Increases/</u> <u>Issuances</u>	<u>Decreases/</u> <u>Retirements</u>	<u>Balance</u> <u>June 30, 2022</u>
Financed purchases	\$ 188,376	\$ -	\$ 74,179	\$ 114,197
Direct borrowings and direct placements:				
General obligation bonds	247,836	-	37,836	210,000
Premium on issuance	16,026	-	1,233	14,793
Accrued landfill and postclosure liability	75,000	-	7,500	67,500
Net pension liability	1,289,878	1,085,574	2,016,478	358,974
Net OPEB liability	80,293	22,748	52,229	50,812
Compensated absences	71,040	7,410	-	78,450
Total	<u>\$ 1,968,449</u>	<u>\$ 1,115,732</u>	<u>\$ 2,189,455</u>	<u>\$ 894,726</u>

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2022 (Continued)

NOTE 6—LONG-TERM OBLIGATIONS: (CONTINUED)

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

Year Ending June 30,	Direct Borrowings and Direct Placements		Financed Purchases	
	Principal	Interest	Principal	Interest
2023	15,000	9,534	53,165	2,790
2024	15,000	8,766	32,297	1,343
2025	15,000	7,997	22,898	572
2026	15,000	7,228	5,837	31
2027	15,000	6,459	-	-
2028-2031	75,000	17,972	-	-
2032-2034	60,000	4,172	-	-
Total	\$ 210,000	\$ 62,128	\$ 114,197	\$ 4,736

Details of Long-term Obligations:

	Total Amount	Amount Due Within One Year
Financed Purchases:		
\$335,000 Finance purchase dated December 15, 2008 with annual payments of \$31,799, including interest at 4.634%. Final installment due in 2023.	\$ 20,017	\$ 20,017
\$24,602 Finance purchase dated March 4, 2020 with annual payments of \$6,491, including interest at 3%. Final installment due in 2024.	11,609	6,263
\$21,069 Finance purchase dated July 27, 2020 with monthly payments of \$425. Lease agreement includes monthly lease charge and depreciation reserve. Interest is allocated using lease terms. Final installment due in 2024.	10,133	5,375
\$108,500 Finance purchase dated September 2, 2020 with annual payments of \$23,471, including interest at 3.13%. Final installment due in 2026.	72,438	21,510
Total financed purchases	\$ 114,197	\$ 53,165

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2022 (Continued)

NOTE 6—LONG-TERM OBLIGATIONS: (CONTINUED)

Details of Long-term Obligations:

	Total Amount	Amount Due Within One Year
Direct Borrowings and Direct Placements - General Obligation Bonds:		
\$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.	210,000	15,000
Premium on bond issuance	14,793	1,233
Total general obligation bonds	\$ 224,793	\$ 16,233
Accrued landfill and postclosure liability	\$ 67,500	\$ 7,500
Compensated absences	\$ 78,450	\$ 7,105
Net pension liability	\$ 358,974	\$ -
Net OPEB liability	\$ 50,812	\$ -
Total	\$ 894,726	\$ 84,003

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2022 (Continued)

NOTE 6—LONG-TERM OBLIGATIONS: (CONTINUED)

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, 2022:

	Balance July 1, 2021	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2022
Financed purchases	\$ 25,278	\$ -	\$ 23,819	\$ 1,459
Direct borrowings and direct placements:				
Revenue bonds	4,900,451	-	137,565	4,762,886
Premium on issuance	46,827	-	3,602	43,225
Virginia revolving loan fund	2,850,132	-	199,854	2,650,278
Notes payable - County of Alleghany	333,023	-	222,015	111,008
Net pension liability	388,396	321,094	602,914	106,576
Net OPEB liability	24,177	6,678	15,769	15,086
Compensated absences	35,362	814	-	36,176
Total	\$ 8,603,646	\$ 328,586	\$ 1,205,538	\$ 7,726,694

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

Year Ending June 30,	Direct Borrowings and Direct Placements		Financed Purchases	
	Principal	Interest	Principal	Interest
2023	490,142	98,251	1,459	-
2024	382,330	93,005	-	-
2025	385,649	87,687	-	-
2026	394,037	82,221	-	-
2027-2031	1,834,085	329,380	-	-
2032-2036	1,428,314	230,402	-	-
2037-2041	703,294	184,469	-	-
2042-2046	426,719	148,741	-	-
2047-2051	465,711	109,749	-	-
2052-2056	508,264	67,196	-	-
2057-2061	505,627	20,892	-	-
Total	\$ 7,524,172	\$ 1,451,993	\$ 1,459	\$ -

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2022 (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>
Financed purchases:		
\$90,334 Finance purchase 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.	\$ 1,459	\$ 1,459
Total financed purchases	\$ 1,459	\$ 1,459
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.	\$ 418,274	\$ 25,498
\$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.	500,149	70,689
\$1,153,088 Water Revenue Bonds (VRA), maturing semi-annually in equal installments of \$19,218 through November 1, 2039, 0% interest.	672,635	38,436
\$1,349,739 Sewer Revenue Bonds (VRA), maturing semi-annually in equal installments of \$33,743 through June 1, 2038, 0% interest.	1,059,219	67,488
\$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.	396,906	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.	534,471	47,543

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2022 (Continued)

NOTE 6—LONG-TERM OBLIGATIONS: (CONTINUED)

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

Details of long-term obligations: (Continued)

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
Direct Borrowings and Direct Placements - Revenue Bonds: (Continued)		
\$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.	\$ 605,000	\$ 40,000
\$2,847,000 Water Revenue Bonds (USDA), Series 2021A, dated January 22, 2021. Monthly principal payments in the amount of \$8,399 commencing February 22, 2022 with a final payment of \$7,636 payable January 22, 2061, 1.75% interest.	2,825,554	51,603
\$404,000 Water Revenue Bonds (USDA), Series 2021B, dated January 22, 2021. Monthly principal payments in the amount of \$1,192 commencing February 22, 2022 with a final payment of \$1,117 payable January 22, 2061, 1.75% interest.	400,956	7,346
Premium on bond issuance	43,225	3,602
Total revenue bonds	\$ 7,456,389	\$ 382,736
Direct Borrowings and Direct Placements - Notes Payable:		
\$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.	\$ 111,008	\$ 111,008
Total notes payable	\$ 111,008	\$ 111,008
Net pension liability	\$ 106,576	\$ -
Net OPEB liability	\$ 15,086	\$ -
Compensated absences	\$ 36,176	\$ 3,618
Total	\$ 7,726,694	\$ 498,821

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2022 (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 \$550,058 (including 2nd half tax billings of \$438,688 not due until December 5) at June 30, 2022.

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 \$78,450 in the Governmental Activities and \$36,176 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.

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 with a membership date 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 with a membership date from July 1, 2010 to December 31, 2013 that have not taken a refund or employees with a membership date prior to July 1, 2010 and not vested before 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 with a membership date 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.

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.

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2022 (Continued)

NOTE 9—PENSION PLAN: (CONTINUED)

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, 2020 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	69
Inactive members:	
Vested inactive members	7
Non-vested inactive members	29
Inactive members active elsewhere in VRS	<u>39</u>
Total inactive members	75
Active members	<u>33</u>
Total covered employees	<u><u>177</u></u>

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, 2022 was 12.25% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019.

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 \$154,162 and \$137,616 for the years ended June 30, 2022 and June 30, 2021, respectively.

NOTE 9—PENSION PLAN: (CONTINUED)

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, 2021. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2019, and rolled forward to the measurement date of June 30, 2021.

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, 2020, 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, 2021.

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

Mortality rates:

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

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years

Mortality Improvement:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2022 (Continued)

NOTE 9—PENSION PLAN: (CONTINUED)

Actuarial Assumptions – General Employees (Continued)

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, 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)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

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, 2020, 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, 2021.

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

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2022 (Continued)

NOTE 9—PENSION PLAN: (CONTINUED)

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

Mortality rates:

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

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally with a Modified MP-2020 Improvement Scale; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally with a Modified MP-2020 Improvement Scale; 110% of rates for males; 105% of rates for females set forward 3 years

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally with a Modified MP-2020 Improvement Scale; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally with a Modified MP-2020 Improvement Scale; 110% of rates for males and females set forward 2 years

Mortality Improvement:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, 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)	Update to Pub-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Largest 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2022 (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)	Long-Term Target Asset Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	34.00%	5.00%	1.70%
Fixed Income	15.00%	0.57%	0.09%
Credit Strategies	14.00%	4.49%	0.63%
Real Assets	14.00%	4.76%	0.67%
Private Equity	14.00%	9.94%	1.39%
MAPS - Multi-Asset Public Strategies	6.00%	3.29%	0.20%
PIP - Private Investment Partnership	3.00%	6.84%	0.21%
Total	<u>100.00%</u>		<u>4.89%</u>
		Inflation	<u>2.50%</u>
		Expected arithmetic nominal return*	<u>7.39%</u>

*The above allocation provides a one-year expected return of 7.39%. 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. These results provide a range of returns over various time periods that ultimately provide a median return of 6.94%, including expected inflation of 2.50%.

*On October 10, 2019, the VRS Board elected a long-term rate of return of 6.75% which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

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, 2021, the alternate rate was the employer contribution rate used in FY2012 or 100% of the actuarially determined employer

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2022 (Continued)

NOTE 9—PENSION PLAN: (CONTINUED)

Discount Rate: (Continued)

contribution rate from the June 30, 2017 actuarial valuations, whichever was greater. Through the fiscal year ended June 30, 2021, 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, 2021 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.

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, 2020	\$ 10,757,621	\$ 9,079,347	\$ 1,678,274
Changes for the year:			
Service cost	\$ 125,077	\$ -	\$ 125,077
Interest	702,335	-	702,335
Differences between expected and actual experience	16,662	-	16,662
Assumption changes	552,003	-	552,003
Contributions - employer	-	137,616	(137,616)
Contributions - employee	-	56,057	(56,057)
Net investment income	-	2,421,256	(2,421,256)
Benefit payments, including refunds of employee contributions	(705,319)	(705,319)	-
Administrative expenses	-	(6,353)	6,353
Other changes	-	225	(225)
Net changes	\$ 690,758	\$ 1,903,482	\$ (1,212,724)
Balances at June 30, 2021	\$ 11,448,379	\$ 10,982,829	\$ 465,550

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	\$ 1,808,508	\$ 465,550	\$ (653,905)

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2022 (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, 2022, the Town recognized pension expense of \$174,718. At June 30, 2022, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 5,327	\$ -
Change in assumptions	176,491	-
Net difference between projected and actual earnings on pension plan investments	-	1,192,439
Deferred Proportionate Share	19,742	19,742
Employer contributions subsequent to the measurement date	<u>154,162</u>	<u>-</u>
Total	<u>\$ 355,722</u>	<u>\$ 1,212,181</u>

\$154,162 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, 2023. 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:

<u>Year Ended June 30</u>	
2023	\$ (96,883)
2024	(271,372)
2025	(277,191)
2026	(365,175)
2027	-
Thereafter	-

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2021 Annual Comprehensive Financial Report (Annual Report). A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at <https://www.varetire.org/pdf/publications/2021-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

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, seatbelt 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 \$8,722 as of June 30, 2022.

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2022 (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 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% x 60%) and the employer component was 0.54% (1.34% 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, 2022 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. 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 \$7,111 and \$6,313 for the years ended June 30, 2022 and June 30, 2021, 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, 2022, the entity reported a liability of \$65,898 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2021 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, 2020, and rolled forward to the measurement date of June 30, 2021. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Plan for the year ended June 30, 2021, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2021, the participating employer's proportion was 0.00570% as compared to 0.00630% at June 30, 2020.

For the year ended June 30, 2022, the participating employer recognized GLI OPEB expense of (\$3,359). 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, 2022, 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	\$ 7,516	\$ 502
Net difference between projected and actual earnings on GLI OPEB plan investments	-	15,728
Change in assumptions	3,632	9,015
Changes in proportionate share	-	21,095
Employer contributions subsequent to the measurement date	7,110	-
Total	\$ 18,258	\$ 46,340

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2022 (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)

\$7,111 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, 2023. 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:

Year Ended June 30

2023	\$	(9,305)
2024		(7,583)
2025		(6,743)
2026		(8,680)
2027		(2,881)
Thereafter		-

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2020, 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, 2021. The assumptions include several employer groups. Salary increases and mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS Annual Report.

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

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

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; males set forward 2 years; 105% of rates for females set forward 3 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 95% of rates for males set forward 2 years; 95% of rates for females set forward 1 year

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 110% of rates for males set forward 3 years; 110% of rates for females set forward 2 years

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2022 (Continued)

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

Actuarial Assumptions: (Continued)

Mortality Rates – Non-Largest Ten Locality Employers – General Employees: (Continued)

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, 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)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

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

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2022 (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)**

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, 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)	Update to Pub-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

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, 2021, NOL amounts for the GLI Plan are as follows (amounts expressed in thousands):

		GLI OPEB Plan
Total GLI OPEB Liability	\$	3,577,346
Plan Fiduciary Net Position		2,413,074
GLI Net OPEB Liability (Asset)	\$	1,164,272
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		67.45%

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, 2022 (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)	Long-Term Target Asset Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	34.00%	5.00%	1.70%
Fixed Income	15.00%	0.57%	0.09%
Credit Strategies	14.00%	4.49%	0.63%
Real Assets	14.00%	4.76%	0.67%
Private Equity	14.00%	9.94%	1.39%
MAPS - Multi-Asset Public Strategies	6.00%	3.29%	0.20%
PIP - Private Investment Partnership	3.00%	6.84%	0.21%
Total	100.00%		4.89%
		Inflation	2.50%
		Expected arithmetic nominal return*	7.39%

*The above allocation provides a one-year return of 7.39%. 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. These results provide a range of returns over various time periods that ultimately provide a median return of 6.94%, including expected inflation of 2.50%.

* On October 10, 2019, the VRS Board elected a long-term rate of return of 6.75%, which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2022 (Continued)

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

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 employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 2021, 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, 2021 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.

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	\$ 96,279	\$ 65,898	\$ 41,363

GLI Plan Fiduciary Net Position

Detailed information about the GLI Plan's Fiduciary Net Position is available in the separately issued VRS 2021 Annual Comprehensive Financial Report (Annual Report). A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2021-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, 2022 (Continued)

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.

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 \$67,500 reported as landfill postclosure care liability at June 30, 2022, 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.

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2022 (Continued)

NOTE 14—RESTRICTED CASH AND CASH EQUIVALENTS:

Cash and cash equivalents are restricted for the following:

	Governmental Activities	Business-type Activities	Total Primary Government
Bond principal payments	\$ -	\$ 67,689	\$ 67,689
Utility deposits held	-	125,976	125,976
Library improvements	-	-	-
CDBG programs	4,584	-	4,584
Forfeited assets	6,240	-	6,240
Total	\$ 10,824	\$ 193,665	\$ 204,489

NOTE 15—UPCOMING PRONOUNCEMENTS:

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. 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 fiscal years 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 fiscal years beginning after June 15, 2022.

Statement No. 99, *Omnibus 2022*, enhances the comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The effective dates differ based on the requirements of the Statement, ranging from April 2022 to reporting periods beginning after June 15, 2023.

NOTE 15—UPCOMING PRONOUNCEMENTS: (CONTINUED)

Statement No. 100, *Accounting Changes and Error Corrections* – an amendment of GASB Statement No. 62, enhances accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this Statement are effective for reporting periods beginning after June 15, 2023.

Statement No. 101, *Compensated Absences*, updates the recognition and measurement guidance for compensated absences. It aligns the recognition and measurement guidance under a unified model and amends certain previously required disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2023.

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

Required Supplementary Information

General Fund

Schedule of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual

For the Year Ended June 30, 2022

	Budgeted Amounts			Actual	Variance with Final Budget - Positive (Negative)
	Original	Final	Amounts		
REVENUES					
General property taxes	\$ 693,250	\$ 693,250	\$ 782,814	\$ 89,564	
Other local taxes	890,500	890,500	1,043,351	152,851	
Permits, privilege fees, and regulatory licenses	1,250	1,250	665	(585)	
Fines and forfeitures	9,750	9,750	6,363	(3,387)	
Revenue from the use of money and property	36,866	36,866	35,786	(1,080)	
Charges for services	85,250	85,250	84,652	(598)	
Miscellaneous	28,700	28,700	98,346	69,646	
Recovered costs	25,225	25,225	122,780	97,555	
Intergovernmental:					
Commonwealth	1,332,026	1,332,026	1,314,425	(17,601)	
Federal	-	-	303,887	303,887	
Total revenues	\$ 3,102,817	\$ 3,102,817	\$ 3,793,069	\$ 690,252	
EXPENDITURES					
Current:					
General government administration	\$ 293,655	\$ 304,573	\$ 315,481	\$ (10,908)	
Public safety	1,075,897	1,075,897	1,420,044	(344,147)	
Public works	857,805	870,805	766,685	104,120	
Health and welfare	-	-	7,546	(7,546)	
Parks, recreation, and cultural	382,073	397,499	442,495	(44,996)	
Community development	46,807	66,553	184,323	(117,770)	
Nondepartmental	312,020	273,763	292,567	(18,804)	
Debt service:					
Principal retirement	132,560	111,727	110,362	1,365	
Interest and other fiscal charges	2,000	2,000	18,652	(16,652)	
Total expenditures	\$ 3,102,817	\$ 3,102,817	\$ 3,558,155	\$ (455,338)	
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ 234,914	\$ 234,914	
Net change in fund balances	\$ -	\$ -	\$ 234,914	\$ 234,914	
Fund balances - beginning	-	-	(94,918)	(94,918)	
Fund balances - ending	\$ -	\$ -	\$ 139,996	\$ 139,996	

Schedule of Changes in Net Pension Liability and Related Ratios
For the Measurement Dates of June 30, 2014 through June 30, 2021

	2021	2020	2019	2018
Total pension liability				
Service cost	\$ 125,077	\$ 155,307	\$ 176,119	\$ 174,972
Interest	702,335	696,267	667,083	656,629
Differences between expected and actual experience	16,662	(71,917)	271,417	(159,012)
Changes in assumptions	552,003	-	282,879	-
Benefit payments, including refunds of employee contributions	(705,319)	(674,204)	(550,180)	(496,317)
Net change in total pension liability	\$ 690,758	\$ 105,453	\$ 847,318	\$ 176,272
Total pension liability - beginning	10,757,621	10,652,168	9,804,850	9,628,578
Total pension liability - ending (a)	\$ 11,448,379	\$ 10,757,621	\$ 10,652,168	\$ 9,804,850
Plan fiduciary net position				
Contributions - employer	\$ 137,616	\$ 143,746	\$ 157,111	\$ 143,407
Contributions - employee	56,057	61,140	66,422	67,280
Net investment income	2,421,256	177,041	597,230	640,045
Benefit payments, including refunds of employee contributions	(705,319)	(674,204)	(550,180)	(496,317)
Administrative expense	(6,353)	(6,325)	(6,118)	(5,649)
Other	225	(205)	(374)	(566)
Net change in plan fiduciary net position	\$ 1,903,482	\$ (298,807)	\$ 264,091	\$ 348,200
Plan fiduciary net position - beginning	9,079,347	9,378,154	9,114,063	8,765,863
Plan fiduciary net position - ending (b)	\$ 10,982,829	\$ 9,079,347	\$ 9,378,154	\$ 9,114,063
Town's net pension liability - ending (a) - (b)	\$ 465,550	\$ 1,678,274	\$ 1,274,014	\$ 690,787
Plan fiduciary net position as a percentage of the total pension liability	95.93%	84.40%	88.04%	92.95%
Covered payroll	\$ 1,168,899	\$ 1,288,474	\$ 1,397,113	\$ 1,400,675
Town's net pension liability as a percentage of covered payroll	39.83%	130.25%	91.19%	49.32%

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 Changes in Net Pension Liability and Related Ratios
For the Measurement Dates of June 30, 2014 through June 30, 2021

	2017	2016	2015	2014
Total pension liability				
Service cost	\$ 174,151	\$ 187,272	\$ 185,703	\$ 193,371
Interest	623,944	634,081	618,539	589,737
Differences between expected and actual experience	113,352	(591,579)	(222,902)	-
Changes in assumptions	3,698	-	-	-
Benefit payments, including refunds of employee contributions	(400,109)	(349,066)	(369,558)	(373,742)
Net change in total pension liability	\$ 515,036	\$ (119,292)	\$ 211,782	\$ 409,366
Total pension liability - beginning	9,113,542	9,232,834	9,021,052	8,611,686
Total pension liability - ending (a)	\$ 9,628,578	\$ 9,113,542	\$ 9,232,834	\$ 9,021,052
Plan fiduciary net position				
Contributions - employer	\$ 142,505	\$ 252,404	\$ 251,356	\$ 152,529
Contributions - employee	81,055	72,377	72,543	72,619
Net investment income	964,912	138,130	345,854	1,044,749
Benefit payments, including refunds of employee contributions	(400,109)	(349,066)	(369,558)	(373,742)
Administrative expense	(5,632)	(4,853)	(4,715)	(5,703)
Other	(857)	(58)	(73)	55
Net change in plan fiduciary net position	\$ 781,874	\$ 108,934	\$ 295,407	\$ 890,507
Plan fiduciary net position - beginning	7,983,989	7,875,055	7,579,648	6,689,141
Plan fiduciary net position - ending (b)	\$ 8,765,863	\$ 7,983,989	\$ 7,875,055	\$ 7,579,648
Town's net pension liability - ending (a) - (b)	\$ 862,715	\$ 1,129,553	\$ 1,357,779	\$ 1,441,404
Plan fiduciary net position as a percentage of the total pension liability	91.04%	87.61%	85.29%	84.02%
Covered payroll	\$ 1,383,756	\$ 1,477,823	\$ 1,464,471	\$ 1,452,945
Town's net pension liability as a percentage of covered payroll	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 Plan
 For the Years Ended June 30, 2013 through June 30, 2022

Date	Contributions in					Contributions as a % of Covered Payroll (5)
	Contractually Required Contribution (1)*	Relation to Contractually Required Contribution (2)*	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)		
2022	\$ 154,162	\$ 154,162	\$ -	\$ 1,312,561	11.75%	
2021	137,616	137,616	-	1,168,899	11.77%	
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%	

*Excludes contributions (mandatory and match on voluntary) to the defined contribution portion of the Hybrid plan.

Notes to Required Supplementary Information - Pension Plan
For the Year Ended June 30, 2022

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, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, 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)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Largest 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

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, 2021

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)
2021	0.00570%	\$	65,898	\$ 1,168,899	5.64%	67.45%
2020	0.00626%		104,470	1,288,474	8.11%	52.64%
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, 2013 through June 30, 2022

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2022	\$ 7,111	\$ 7,111	\$ -	\$ 1,312,561	0.54%
2021	6,313	6,313	-	1,168,899	0.54%
2020	6,700	6,700	-	1,288,474	0.52%
2019	7,292	7,292	-	1,397,113	0.52%
2018	7,298	7,298	-	1,400,675	0.52%
2017	7,220	7,220	-	1,383,756	0.52%
2016	7,094	7,094	-	1,477,823	0.48%
2015	7,082	7,082	-	1,464,471	0.48%
2014	6,974	6,974	-	1,452,945	0.48%
2013	6,662	6,662	-	1,387,844	0.48%

Notes to Required Supplementary Information
 Group Life Insurance (GLI) Plan
 For the Year Ended June 30, 2022

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, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, 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)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Non-Largest Ten Locality Employers - Hazardous Duty Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Other Supplementary Information

Combining and Individual Fund Financial Statements and Schedules

Combining Statement of Fiduciary Net Position
 Fiduciary Funds
 June 30, 2022

	Private-Purpose Trust Funds		
	Mountain View Cemetery	Crown Hill Cemetery	Total Private-Purpose Trust Funds
ASSETS			
Cash and cash equivalents	\$ 210,795	\$ 52,850	\$ 263,645
Due from other funds	21,900	-	21,900
Total assets	<u>\$ 232,695</u>	<u>\$ 52,850</u>	<u>\$ 285,545</u>
NET POSITION			
Restricted:			
Held in trust for cemeteries	<u>\$ 232,695</u>	<u>\$ 52,850</u>	<u>\$ 285,545</u>

Combining Statement of Changes in Fiduciary Net Position

Fiduciary Funds

For the Year Ended June 30, 2022

	Private-Purpose Trust Funds		
	Mountain View Cemetery	Crown Hill Cemetery	Total Private-Purpose Trust Funds
ADDITIONS			
Contributions:			
Sale of cemetery lots	\$ 8,969	\$ -	\$ 8,969
Total contributions	\$ 8,969	\$ -	\$ 8,969
Total additions	\$ 8,969	\$ -	\$ 8,969
DEDUCTIONS			
Benefits			
Transfers to other funds	\$ -	\$ 8	\$ 8
Total deductions	\$ -	\$ 8	\$ 8
Change in net position	\$ 8,969	\$ (8)	\$ 8,961
Net position - beginning	\$ 223,726	\$ 52,858	\$ 276,584
Net position - ending	\$ 232,695	\$ 52,850	\$ 285,545

Supporting Schedules

Schedule of Revenues - Budget and Actual
Governmental Fund
For the Year Ended June 30, 2022

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	\$ 340,000	\$ 340,000	\$ 365,105	\$ 25,105
Real and personal public service corporation taxes	38,750	38,750	52,665	13,915
Personal property taxes	299,000	299,000	348,150	49,150
Machinery and tools taxes	2,500	2,500	2,568	68
Penalties	7,000	7,000	8,871	1,871
Interest	6,000	6,000	5,455	(545)
Total general property taxes	\$ 693,250	\$ 693,250	\$ 782,814	\$ 89,564
Other local taxes:				
Local sales and use taxes	\$ 115,000	\$ 115,000	\$ 150,864	\$ 35,864
Consumers' utility taxes	150,000	150,000	162,726	12,726
Business license taxes	175,000	175,000	192,470	17,470
Bank stock taxes	75,000	75,000	92,461	17,461
Transient occupancy taxes	7,500	7,500	10,287	2,787
Restaurant food taxes	360,000	360,000	428,434	68,434
Tobacco tax	8,000	8,000	6,109	(1,891)
Total other local taxes	\$ 890,500	\$ 890,500	\$ 1,043,351	\$ 152,851
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 750	\$ 750	\$ 400	\$ (350)
Zoning Fees	500	500	265	(235)
Total permits, privilege fees, and regulatory licenses	\$ 1,250	\$ 1,250	\$ 665	\$ (585)
Fines and forfeitures:				
Court fines and forfeitures	\$ 9,750	\$ 9,750	\$ 6,363	\$ (3,387)
Revenue from use of money and property:				
Revenue from use of money	\$ 6,250	\$ 6,250	\$ 16,691	\$ 10,441
Revenue from use of property	30,616	30,616	19,095	(11,521)
Total revenue from use of money and property	\$ 36,866	\$ 36,866	\$ 35,786	\$ (1,080)
Charges for services:				
Charges for fire protection	\$ 56,000	\$ 56,000	\$ 56,000	\$ -
Charges for first responders	24,000	24,000	24,000	-
Charges for sanitation and waste removal	250	250	300	50
Charges for library	5,000	5,000	4,352	(648)
Total charges for services	\$ 85,250	\$ 85,250	\$ 84,652	\$ (598)
Miscellaneous:				
Cemetery income	\$ 15,200	\$ 15,200	\$ 19,700	\$ 4,500
Friends of Library	4,000	4,000	2,406	(1,594)
Sale of Salvage/Surplus	5,000	5,000	12,714	7,714
Donations	3,000	3,000	22,382	19,382
Miscellaneous	1,500	1,500	41,144	39,644
Total miscellaneous	\$ 28,700	\$ 28,700	\$ 98,346	\$ 69,646

Schedule of Revenues - Budget and Actual
 Governmental Fund
 For the Year Ended June 30, 2022 (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	\$ 25,725	\$ 500
Other costs	-	-	97,055	97,055
Total recovered costs	\$ 25,225	\$ 25,225	\$ 122,780	\$ 97,555
Total revenue from local sources	\$ 1,770,791	\$ 1,770,791	\$ 2,174,757	\$ 403,966
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Rolling stock tax	\$ 6,000	\$ 6,000	\$ 5,930	\$ (70)
Communications taxes	90,000	90,000	67,151	(22,849)
PPTRA Reimbursement	316,644	316,644	316,644	-
Total noncategorical aid	\$ 412,644	\$ 412,644	\$ 389,725	\$ (22,919)
Categorical aid:				
Virginia Commission for the Arts grant	\$ 4,500	\$ 4,500	\$ 4,500	\$ -
DCJ Grants	220,000	220,000	209,524	(10,476)
Department of fire programs funds	14,500	14,500	15,720	1,220
Litter control grant	2,500	2,500	3,581	1,081
Street and highway maintenance funds	630,000	630,000	642,849	12,849
Library	45,382	45,382	45,382	-
Other state grants	2,500	2,500	3,144	644
Total categorical aid	\$ 919,382	\$ 919,382	\$ 924,700	\$ 5,318
Total revenue from the Commonwealth	\$ 1,332,026	\$ 1,332,026	\$ 1,314,425	\$ (17,601)
Revenue from the Federal Government:				
Categorical aid:				
TEA - Highway planning and construction	\$ -	\$ -	\$ 183,822	\$ 183,822
CARES Act - Coronavirus Relief Fund	-	-	120,065	120,065
Total categorical aid	\$ -	\$ -	\$ 303,887	\$ 303,887
Total revenue from the Federal Government	\$ -	\$ -	\$ 303,887	\$ 303,887
Total General Fund	\$ 3,102,817	\$ 3,102,817	\$ 3,793,069	\$ 690,252

Schedule of Expenditures - Budget and Actual
Governmental Fund
For the Year Ended June 30, 2022

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
General government administration:				
Legislative:				
Town Council	\$ 13,500	\$ 17,629	\$ 19,223	\$ (1,594)
General and financial administration:				
Town manager	\$ 96,974	\$ 93,526	\$ 92,486	\$ 1,040
Legal services	10,496	14,400	10,136	4,264
Accounting and auditing services	17,400	17,400	21,445	(4,045)
Finance	155,285	161,618	172,191	(10,573)
Total general and financial administration	\$ 280,155	\$ 286,944	\$ 296,258	\$ (9,314)
Total general government administration	\$ 293,655	\$ 304,573	\$ 315,481	\$ (10,908)
Public safety:				
Law enforcement and traffic control:				
Police department	\$ 836,736	\$ 836,736	\$ 801,694	\$ 35,042
Fire and rescue services:				
Fire department	\$ 239,161	\$ 239,161	\$ 266,309	\$ (27,148)
Ambulance and rescue services	-	-	352,041	(352,041)
Total public safety	\$ 1,075,897	\$ 1,075,897	\$ 1,420,044	\$ (344,147)
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Highways, streets, bridges and sidewalks	\$ 726,502	\$ 726,502	\$ (123,680)	\$ 850,182
Administration	46,020	48,835	50,443	(1,608)
Eligible Streets	-	-	682,819	(682,819)
Total maintenance of highways, streets, bridges and sidewalks	\$ 772,522	\$ 775,337	\$ 609,582	\$ 165,755
Maintenance of general buildings and grounds:				
General properties	\$ 32,519	\$ 42,704	\$ 33,380	\$ 9,324
Cemeteries	52,764	52,764	123,723	(70,959)
Total maintenance of general buildings and grounds	\$ 85,283	\$ 95,468	\$ 157,103	\$ (61,635)
Total public works	\$ 857,805	\$ 870,805	\$ 766,685	\$ 104,120
Health and welfare:				
Welfare:				
Tax relief for the elderly	\$ -	\$ -	\$ 7,546	\$ (7,546)

Schedule of Expenditures - Budget and Actual
Governmental Fund
For the Year Ended June 30, 2022 (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	\$ 159,517	\$ 174,943	\$ 208,270	\$ (33,327)
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	\$ 203,556	\$ 203,556	\$ 215,225	\$ (11,669)
Total parks, recreation, and cultural	\$ 382,073	\$ 397,499	\$ 442,495	\$ (44,996)
Community development:				
Planning and community development:				
Community development	\$ 25,507	\$ 45,209	\$ 42,914	\$ 2,295
Contributions local civic organizations	9,500	9,750	9,750	-
Roanoke Valley-Alleghany Regional Commission	3,700	3,494	3,494	-
Other planning community development	8,100	8,100	128,165	(120,065)
Total planning and community development	\$ 46,807	\$ 66,553	\$ 184,323	\$ (117,770)
Total community development	\$ 46,807	\$ 66,553	\$ 184,323	\$ (117,770)
Nondepartmental:				
Nondepartmental	\$ 196,103	\$ 199,695	\$ 227,909	\$ (28,214)
Contingencies	115,917	74,068	64,658	9,410
Total nondepartmental	\$ 312,020	\$ 273,763	\$ 292,567	\$ (18,804)
Debt service:				
Principal retirement	\$ 132,560	\$ 111,727	\$ 110,362	\$ 1,365
Interest and other fiscal charges	2,000	2,000	18,652	(16,652)
Total debt service	\$ 134,560	\$ 113,727	\$ 129,014	\$ (15,287)
Total General Fund	\$ 3,102,817	\$ 3,102,817	\$ 3,558,155	\$ (455,338)

Schedule of Revenues, Expenses, and Changes in Net Position - Budget and Actual

Water Enterprise Fund

For the Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Operating Revenues:				
Sale of services, commodities and properties:				
Sale of water	\$ 891,500	\$ 891,500	\$ 760,006	\$ (131,494)
Connection fees	2,000	2,000	-	(2,000)
Administration fees	2,000	2,000	1,763	(237)
County water	600,000	600,000	438,522	(161,478)
Penalties	12,000	12,000	11,635	(365)
Total operating revenues	\$ 1,507,500	\$ 1,507,500	\$ 1,211,926	\$ (295,574)
Operating Expenses:				
Water filtration plant	\$ 427,482	\$ 427,482	\$ 429,926	\$ (2,444)
Transmissional distribution	204,980	204,980	167,367	37,613
Other costs	152,840	152,840	133,984	18,856
Depreciation	-	-	258,189	(258,189)
Capital outlay	300,000	300,000	5,342	294,658
Total operating expenses	\$ 1,085,302	\$ 1,085,302	\$ 994,808	\$ 90,494
Net operating income (loss)	\$ 422,198	\$ 422,198	\$ 217,118	\$ (205,080)
Nonoperating revenues (expenses):				
Intergovernmental revenue:				
Federal	\$ -	\$ -	\$ 327,550	\$ 327,550
Interest expense	(422,198)	(422,198)	(112,667)	309,531
Net nonoperating revenues (expenses)	\$ (422,198)	\$ (422,198)	\$ 214,883	\$ 637,081
Income (loss) before operating transfers	\$ -	\$ -	\$ 432,001	\$ 432,001
Change in net position	\$ -	\$ -	\$ 432,001	\$ 432,001

Schedule of Revenues, Expenses, and Changes in Net Position - Budget and Actual

Sewer Enterprise Fund

For the Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Operating Revenues:				
Sale of services, commodities and properties:				
Sewage treatment charges	\$ 1,482,500	\$ 1,482,500	\$ 1,599,686	\$ 117,186
Sewer lateral line fee	-	-	648	648
Administration fees	2,000	2,000	1,700	(300)
Penalties	22,000	22,000	23,270	1,270
Total operating revenues	\$ 1,506,500	\$ 1,506,500	\$ 1,625,304	\$ 118,804
Operating Expenses:				
Wastewater treatment plant	\$ 1,094,275	\$ 1,094,275	\$ 728,100	\$ 366,175
Sewage collection	101,090	101,090	52,598	48,492
Sewer I and I	24,999	24,999	8,212	16,787
Other costs	117,607	117,607	111,262	6,345
Depreciation	-	-	246,060	(246,060)
Total operating expenses	\$ 1,337,971	\$ 1,337,971	\$ 1,146,232	\$ 191,739
Net operating income	\$ 168,529	\$ 168,529	\$ 479,072	\$ 310,543
Nonoperating Revenues (Expenses):				
Interest expense	\$ (168,529)	\$ (168,529)	\$ (8,811)	\$ 159,718
Net nonoperating revenues (expenses)	\$ (168,529)	\$ (168,529)	\$ (8,811)	\$ 159,718
Income (loss) before operating transfers	\$ -	\$ -	\$ 470,261	\$ 470,261
Transfer from reserve	\$ 106,951	\$ 106,951	\$ -	\$ (106,951)
Change in net position	\$ 106,951	\$ 106,951	\$ 470,261	\$ 363,310

Other Statistical Information

Government-wide Information

Government-wide Expenses by Function
Last Ten Fiscal Years

Fiscal Year	General Government Administration	Public Safety	Public Works	Parks, Recreation, and Cultural	Community Development	Interest on Long- term Debt	Other	Water Fund	Sewer Fund	Total
2011-12 \$	522,765 \$	982,527 \$	737,596 \$	277,107 \$	89,307 \$	16,528 \$	6,447 \$	1,111,478 \$	1,428,145 \$	5,171,900
2012-13	520,236	1,048,094	807,040	275,235	127,727	18,702	7,117	1,004,570	1,221,660	5,030,381
2013-14	590,768	1,167,341	928,631	329,347	129,521	42,944	6,282	1,100,685	1,351,775	5,647,294
2014-15	475,226	1,023,906	660,928	594,200	138,854	26,842	7,339	965,997	1,389,447	5,282,739
2015-16	405,327	1,035,099	998,874	833,947	393,010	21,510	8,164	932,505	4,224,181	8,852,617
2016-17	382,151	978,824	555,605	409,685	589,430	23,140	8,898	840,885	1,435,860	5,224,478
2017-18	358,116	1,007,657	952,033	398,343	536,792	25,308	7,762	949,612	1,421,998	5,657,621
2018-19	421,771	1,102,469	1,321,651	410,157	551,885	27,188	6,228	1,008,244	2,062,011	6,911,604
2019-20	647,212	1,210,544	1,075,072	437,684	69,602	22,095	6,586	1,073,705	1,603,581	6,146,081
2020-21	540,294	1,187,581	1,116,264	714,914	227,634	19,651	7,546	1,118,239	1,519,902	6,452,025
2021-22	567,529	1,395,862	582,587	458,784	184,196	15,767	7,546	1,107,475	1,155,043	5,474,789

Government-wide Revenues
Last Ten Fiscal Years

Fiscal Year	PROGRAM REVENUES			GENERAL REVENUES						
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	General Property Taxes	Other Local Taxes	Unrestricted Investment Earnings	Miscellaneous	Grants and Contributions Not Restricted to Specific Programs	Transfers	Total
2011-12	\$ 2,713,934	\$ 757,442	\$ 19,223	\$ 638,317	\$ 783,193	\$ 9,010	\$ 23,289	\$ 422,021	\$ -	\$ 5,366,429
2012-13	2,603,083	910,554	15,188	536,411	772,556	10,845	77,034	420,338	-	5,346,009
2013-14	2,750,398	899,149	14,785	662,508	818,958	17,927	21,105	418,651	-	5,603,481
2014-15	2,641,003	894,274	1,286,659	602,480	838,486	16,106	381,559	418,442	-	7,079,009
2015-16	2,635,889	1,200,250	594,103	585,139	914,881	16,271	409,998	415,280	10,000	6,781,811
2016-17	3,173,977	1,189,138	506,250	597,153	901,126	18,163	306,253	412,783	-	7,104,843
2017-18	3,352,230	1,046,581	2,057,701	588,575	964,716	41,930	77,912	409,754	15,000	8,554,399
2018-19	3,239,015	1,312,584	48,563	618,302	1,077,693	49,071	176,598	396,689	-	6,918,515
2019-20	3,163,951	901,414	72,376	620,791	1,018,502	41,043	116,132	408,318	-	6,342,527
2020-21	3,187,833	1,147,032	1,592,208	763,790	999,029	30,357	107,627	391,689	-	8,219,565
2021-22	2,928,910	1,228,587	327,550	833,639	1,043,351	35,786	98,346	389,725	-	6,885,894

Fund Information

General Governmental Expenditures by Function
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>General Government Administration</u>	<u>Public Safety</u>	<u>Public Works</u>	<u>Parks, Recreation, and Cultural</u>	<u>Community Development</u>	<u>Capital Projects</u>	<u>Non- departmental</u>	<u>Debt Service</u>	<u>Other</u>	<u>Total</u>
2011-12	\$ 263,094	\$ 914,198	\$ 815,527	\$ 280,794	\$ 127,224	\$ 197,206	\$ 239,566	\$ 72,078	\$ 6,447	\$ 2,916,134
2012-13	269,640	1,001,607	812,979	286,893	134,365	275,038	233,582	100,230	7,117	3,121,451
2013-14	278,136	1,033,675	870,189	328,276	122,887	176,244	266,948	410,218	6,282	3,492,855
2014-15	289,287	1,009,379	631,237	606,841	148,878	737,495	184,872	125,123	7,339	3,740,451
2015-16	296,571	1,026,178	927,495	425,897	144,171	1,253,858	215,575	106,662	8,164	4,404,571
2016-17	311,771	1,011,462	584,096	431,323	104,721	1,105,844	142,481	131,507	8,898	3,832,103
2017-18	293,687	1,050,389	987,940	418,239	84,119	1,793,968	188,202	138,318	7,762	4,962,624
2018-19	324,933	1,081,609	1,288,669	367,372	112,197	569,035	184,143	150,419	6,228	4,084,605
2019-20	339,564	1,037,935	994,008	351,607	58,408	244,699	273,135	150,035	6,586	3,455,977
2020-21	723,613	1,022,665	1,036,207	355,266	225,187	291,610	206,484	168,707	7,546	4,037,285
2021-22	315,481	1,420,044	766,685	442,495	184,323	-	292,567	129,014	7,546	3,558,155

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	Charges for Services	Miscellaneous	Recovered Costs	Inter-governmental	Total
2011-12	\$ 588,602	\$ 783,193	\$ 8,951	\$ 11,966	\$ 9,010	\$ 59,413	\$ 23,289	\$ 100,080	\$ 1,179,463	\$ 2,763,967
2012-13	610,187	772,556	4,780	8,072	10,783	56,078	77,034	75,945	1,330,892	2,946,327
2013-14	604,824	818,958	7,702	16,461	16,972	57,097	21,105	96,636	1,313,700	2,953,455
2014-15	610,843	838,486	9,824	14,377	15,958	67,517	381,559	78,110	1,589,617	3,606,291
2015-16	584,409	914,881	4,210	9,336	16,271	59,141	409,998	174,734	1,963,038	4,136,018
2016-17	583,768	901,126	21,355	9,032	18,139	70,969	306,253	52,813	2,084,009	4,047,464
2017-18	592,333	964,716	4,004	13,402	41,930	72,950	77,912	119,757	2,846,512	4,733,516
2018-19	623,765	1,077,693	1,414	11,394	47,922	75,183	174,807	119,526	1,749,522	3,881,226
2019-20	621,647	1,018,502	1,890	17,847	40,227	83,869	116,132	77,360	1,382,108	3,359,582
2020-21	770,896	999,029	1,350	13,103	30,357	83,273	107,627	43,213	1,768,419	3,817,267
2021-22	782,814	1,043,351	665	6,363	35,786	84,652	98,346	122,780	1,618,312	3,793,069

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
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%	33,657	602,555	98.26%	120,182	19.60%
2020-21	764,533	706,065	92.35%	41,240	747,305	97.75%	127,775	16.71%
2021-22	825,114	736,952	89.32%	31,536	768,488	93.14%	164,191	19.90%

(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	
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
2020-21		145,853,500	18,152,896	6,400	19,714,047	1,718	183,728,561
2021-22		146,099,200	19,667,208	18,200	20,232,816	1,641	186,019,065

(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

Fiscal Year	Real Estate	Mobile Homes	Personal Property	Machinery and Tools
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
2020-21	0.26	0.26	3.65	3.65
2021-22	0.26	0.26	3.65	3.65

(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			
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
2020-21	3,460	183,728,561	8,331,442	-	8,083,606	247,836	0.13%	72
2021-22	3,447	186,019,065	7,734,173	-	7,524,173	210,000	0.11%	61

(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, 2022

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>2,633,444</u>
Legal margin for creation of additional debt	\$ <u>13,749,253</u>

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

Compliance

**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 County of Clifton Forge, Virginia, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the County of Clifton Forge, Virginia's basic financial statements, and have issued our report thereon dated February 23, 2024.

Report on Internal Control over Financial Reporting

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County 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

February 23, 2024