

TOWN OF CLIFTON, VIRGINIA

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

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INDEPENDENT AUDITOR'S REPORTS

CERTIFIED PUBLIC ACCOUNTANTS

STAUNTON OFFICE
510 NORTH COALTER STREET
STAUNTON, VIRGINIA 24401
(540) 886-2341
FAX: (540) 886-4944
EMAIL: awco@awcocpa.com

MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
VIRGINIA SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

THOMAS A. WHITE, CPA
ANDREW L. CANNADAY, CPA

LAYTON W. YANCEY, CPA
HOWARD H. ANDERSON, CPA

STUARTS DRAFT OFFICE
P.O. BOX 1055
STUARTS DRAFT, VIRGINIA 24477
(540) 337-4233
FAX: (540) 337-2114

INDEPENDENT AUDITOR'S REPORT

TO THE HONORABLE MAYOR AND MEMBERS OF THE TOWN COUNCIL
TOWN OF CLIFTON, VIRGINIA

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, and each major fund of the Town of Clifton, Virginia, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, and each major fund of the Town of Clifton, Virginia, as of June 30, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the budgetary comparison schedule on page 17 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The accompanying information listed as Other Supplementary Information in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Other Supplementary Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information 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 other supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 7, 2015, on our consideration of the Town'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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Anderson, White & Company, P.C.

Staunton, Virginia
April 7, 2015

CERTIFIED PUBLIC ACCOUNTANTS

STAUNTON OFFICE
510 NORTH COALTER STREET
STAUNTON, VIRGINIA 24401
(540) 886-2341
FAX: (540) 886-4944
EMAIL: awco@awcpcpa.com

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P.O. BOX 1055
STUARTS DRAFT, VIRGINIA 24477
(540) 337-4233
FAX: (540) 337-2114

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

TO THE HONORABLE MAYOR AND MEMBERS OF THE TOWN COUNCIL
TOWN OF CLIFTON, VIRGINIA

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, and each major fund of the Town of Clifton, Virginia, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated April 7, 2015.

Internal Control Over Financial Reporting

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

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

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control that we consider to be significant deficiencies. The Town is a small municipality with a limited number of staff and therefore, as with many small Town's, has inadequate internal control over the preparation of the annual financial report with full note disclosures required to be in conformity with the U.S. Generally Accepted Accounting Principles. The Town has determined the costs to eliminate this deficiency exceed the benefits, and thus have engaged the auditing firm to assist in this process.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town'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 determination of financial statement amounts. 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*.

Town's Response to Findings

The Town's response to the findings identified in our audit is described previously. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 Town'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 Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Anderson, White & Company, P.C.

Staunton, Virginia
April 7, 2015

BASIC FINANCIAL STATEMENTS

TOWN OF CLIFTON, VIRGINIA

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STATEMENT 1STATEMENT OF NET POSITION
As of June 30, 2014

	Primary Government	Component Unit
	Governmental Activities	Industrial Development Authority
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 462 963	\$ 41 080
Investments	339 171	-
Receivables:		
Sales tax	5 517	-
Wine Festival	31 288	-
Grants	1 000	-
Other	5 219	-
Prepaid items	7 907	-
Total Current Assets	\$ 853 065	\$ 41 080
NONCURRENT ASSETS		
Capital assets, net of accumulated depreciation	\$ 1 011 150	\$ -
Total Noncurrent Assets	\$ 1 011 150	\$ -
Total Assets	\$ 1 864 215	\$ 41 080
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 5 401	\$ -
Deposits held	2 300	-
Payroll liabilities	2 232	-
Other	300	-
Total Current Liabilities	\$ 10 233	\$ -
Total Liabilities	\$ 10 233	\$ -
NET POSITION		
Net investment in capital assets	\$ 1 011 150	\$ -
Unrestricted	842 832	41 080
Total Net Position	\$ 1 853 982	\$ 41 080

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

TOWN OF CLIFTON, VIRGINIA

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General government administration	\$ 66 416	\$ 46 971	\$ -	\$ -
Public safety	10 000	-	10 000	-
Public works	52 929	40 284	-	-
Community development	38 245	116 117	-	4 894
Total Governmental Activities	\$ 167 590	\$ 203 372	\$ 10 000	\$ 4 894
Component Unit				
Industrial Development Authority	\$ 108	\$ 8 688	\$ -	\$ -

General Revenues:

Cigarette tax
Communications tax
Interest income
Miscellaneous income
Railroad rolling stock tax
Sales tax
Utility consumption tax

Total General Revenues

Gain (Loss) on Disposal of Assets

Change in Net Position

Net Position, Beginning of Year

Net Position, End of Year

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

Net (Expense) Revenue and Changes in Net Position	
Governmental Activities	Industrial Development Authority
\$ (19 445) \$ -	
- -	
(12 645) -	
82 766 -	
<u>\$ 50 676</u> \$ -	
 \$ - \$ 8 580	
 \$ 2 376 \$ -	
9 361 -	
11 168 -	
57 -	
1 864 -	
31 102 -	
1 316 -	
<u>\$ 57 244</u> \$ -	
 \$ - \$ -	
\$ 107 920 \$ 8 580	
<u>1 746 062</u> <u>32 500</u>	
<u>\$ 1 853 982</u> <u>\$ 41 080</u>	

TOWN OF CLIFTON, VIRGINIA

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STATEMENT 3BALANCE SHEET - GOVERNMENTAL FUNDS
As of June 30, 2014

		General Fund
ASSETS		
Cash and cash equivalents	\$	462 963
Investments		339 171
Receivables:		
Sales tax		5 517
Wine Festival		31 288
Grants		1 000
Other		5 219
Prepaid items		7 907
Total Assets	\$	<u>853 065</u>
LIABILITIES		
Accounts payable	\$	5 401
Deposits held		2 300
Payroll liabilities		2 232
Other		300
Total Liabilities	\$	<u>10 233</u>
FUND BALANCE		
Fund balance		
Nonspendable	\$	7 907
Unassigned		834 925
Total Fund Balance	\$	<u>842 832</u>
Total Liabilities and Fund Balance	\$	<u>853 065</u>

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

TOWN OF CLIFTON, VIRGINIA

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STATEMENT 3
(Continued)

RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
As of June 30, 2014

**Amounts reported for Governmental Activities in the Statement of Net Position
are different because of the following:**

Fund balances of Governmental Funds	\$ 842 832
Capital assets, net of depreciation, are not current financial resources and are not included in the Governmental Funds.	<u>1 011 150</u>
Net position of Governmental Activities	\$ <u><u>1 853 982</u></u>

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2014

	General Fund
REVENUES	
Local taxes	\$ 91 126
Permits, privilege fees and regulatory licenses	1 580
Revenues from the use of money	11 168
Revenues from the use of property	41 859
Donations and special events	113 993
Miscellaneous	57
Intergovernmental	15 727
Total Revenues	\$ 275 510
EXPENDITURES	
General government administration	\$ 68 177
Public safety	10 000
Public works	28 457
Community development	31 286
Capital outlay	10 914
Total Expenditures	\$ 148 834
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 126 676
OTHER FINANCING SOURCES (USES)	
Proceeds from sale of assets	\$ -
Total Other Financing Sources (Uses)	\$ -
NET CHANGE IN FUND BALANCE	\$ 126 676
FUND BALANCE (DEFICIT), Beginning of Year	716 156
FUND BALANCE (DEFICIT), End of Year	\$ 842 832

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

TOWN OF CLIFTON, VIRGINIA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2014

**Amounts reported for Governmental Activities in the Statement of Activities
are different because of the following:**

Net change in fund balance - Governmental Funds	\$ 126 676
Governmental Funds report capital outlays as expenditures and do not report in-kind donations for capital projects. However, in the Statement of Activities, the cost of the expenditures and the value of the in-kind donations are capitalized and allocated over their estimated useful lives and reported as depreciation expense.	
Expenditures for capital assets	12 768
Current year depreciation	<u>(31 524)</u>
Change in net position - Governmental Activities	\$ <u><u>107 920</u></u>

TOWN OF CLIFTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2014

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of the Town of Clifton, Virginia (the "Town") have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applicable to state and local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant accounting and reporting policies and practices used by the Town are described below.

A. Reporting Entity

The Town, located in Fairfax County, Virginia, was incorporated in 1902 under the laws of the Commonwealth of Virginia. The Town is managed by a mayor and five council members, each of whom is elected at large for a two-year term.

As required by generally accepted accounting principles these financial statements present the Town (primary government) and reportable component units. Discretely presented component units are entities that are legally separate from the Town, but for which the Town is financially accountable, or whose relationship with the Town is such that exclusion would cause the Town's financial statements to be misleading or incomplete. They are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the Town. These financial statements present the following discretely presented component unit:

Industrial Development Authority of the Town of Clifton, Virginia

The Industrial Development Authority of the Town of Clifton, Virginia (IDA) was established under the Industrial Development and Revenue Bond Act of the *Code of Virginia* and has the responsibility to promote industry and develop trade by inducing enterprises to locate or remain in Virginia. The Town appoints all seven members of the IDA's Board of Directors, not more than three of which are permitted to be elected members of the Town Council.

B. Government-wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the Town as a whole) and fund financial statements. The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund 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 to a significant extent rely on fees and charges for support.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a functional category (Public Safety, Public Works, etc.) or activity are offset by program revenues. Direct expenses are those that are clearly identifiable with specific function or activity. 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 activity, 2) grants and contributions that are restricted to meeting the operational requirements of a particular function or activity and 3) grants and contributions that are restricted to meeting the capital requirements of a particular function or activity. Taxes and other items not properly included among program revenues are reported instead as general revenues. The net cost (by function or business-type activity) is normally covered by general revenue (property, sales, franchise taxes, intergovernmental revenues, interest income, etc.).

TOWN OF CLIFTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (Continued) For the Year Ended June 30, 2014

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

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

Separate fund based financial statements are provided for governmental funds. Individual governmental funds are reported as separate columns in the fund financial statements.

The government-wide focus is more on the sustainability of the Town as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The focus of the fund financial statements is on the individual funds. Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

C. Measurement Focus and Basis of Accounting

The government-wide 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 not assessed by the Town. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Government fund level financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected 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. Grant revenues availability period is generally considered to be one year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when the liability has matured and payment is due.

Ad valorem, franchise and sales tax revenues in the General Fund are recognized under the susceptible to accrual concept. Licenses and permits, charges for services, fines and forfeitures, contributions, and miscellaneous revenues are recorded as revenues when received in cash as the resulting receivable is immaterial. Investment earnings are recorded as earned since they are measurable and available. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended for the specific purpose or project before any amounts will be paid to the Town; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met.

The following funds are used by the Town:

1. Governmental Funds:

The following is a description of the Governmental Funds of the Town:

General Fund

The General Fund is the operating fund of the Town. This fund accounts for all financial resources of the general government, except those required to be accounted for in another fund.

TOWN OF CLIFTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2014

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)**C. Measurement Focus and Basis of Accounting** (Continued)**2. Non-Current Governmental Assets/Liabilities:**

GASB Statement No. 34 eliminates the presentation of Account Groups, but provides for these records to be maintained and incorporates the information into the Governmental Activities column in the government-wide Statement of Net Assets.

D. Capital Assets

Property, plant and equipment purchased or acquired is carried at historical cost or estimated historical cost. Contributed fixed assets are recorded at estimated fair market value at the time received. Public domain (infrastructure) fixed assets owned by the Town consisting of roads, curbs and gutters, streets, drainage systems and lighting systems will be recorded at historical cost on a prospective basis as the Town has elected out of recording such assets retrospectively as allowed for Phase 3 governments.

Major outlays for capital assets and improvements are capitalized as projects are constructed and shown as construction in progress in the basic financial statements.

Property, plant, and equipment of the Town is depreciated using the straight line method over estimated useful lives ranging from five to forty years.

E. Budgetary Comparison Schedules

The Town adopts a budget for the General Fund by July 1 of each year. GASB Statement No. 34 requires budgetary comparison information to be presented in the basic financial statements or as required supplementary information. Exhibit 1 presents the original and final budget, actual results, and variance amounts.

F. Fund Equity

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form – prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

Restricted fund balance. This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance. These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the Town Council – the government's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Town Council removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

TOWN OF CLIFTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2014

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)**F. Fund Equity**

Assigned fund balance. This classification reflects the amounts constrained by the Town's "intent" to be used for specific purposes, but are neither restricted nor committed. The Town Council has the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned fund balance. This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use externally restricted resources first, then unrestricted resources – committed, assigned, and unassigned – in order as needed.

NOTE 2—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.

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 and certain corporate notes, banker's acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP).

Deposits and investments at June 30, 2014 consist of the following:

	<u>Primary Government</u>	<u>Component Unit</u>
Deposits		
Cash in bank	\$ 462 028	\$ 41 080
Undeposited funds	<u>935</u>	<u>-</u>
Total Deposits	<u>\$ 462 963</u>	<u>\$ 41 080</u>
Investments		
Certificates of deposit	\$ 338 254	\$ -
Local Government Investment Pool	<u>917</u>	<u>-</u>
Total Investments	<u>\$ 339 171</u>	<u>\$ -</u>

The Town's rated debt investments as of June 30, 2014 were rated by Standard & Poor's as follows:

TOWN OF CLIFTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2014NOTE 2—DEPOSITS AND INVESTMENTS: (Continued)

	<u>Fair Quality Rating</u>
Local Government Investment Pool	AAAm

NOTE 3—CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2014 was as follows:

	<u>Balance at Beginning of Year</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Balance at End of Year</u>
Capital assets not being depreciated:					
Land	\$ 292 482	\$ -	\$ -	\$ -	\$ 292 482
Construction in progress	<u>292 979</u>	<u>6 013</u>	<u>-</u>	<u>(208 158)</u>	<u>90 834</u>
Subtotal	<u>\$ 585 461</u>	<u>\$ 6 013</u>	<u>\$ -</u>	<u>\$ (208 158)</u>	<u>\$ 383 316</u>
Capital assets being depreciated:					
Buildings	\$ 284 965	\$ -	\$ -	\$ -	\$ 284 965
Furniture and equipment	119 592	1 855	-	-	121 447
Improvements	<u>279 050</u>	<u>4 900</u>	<u>-</u>	<u>208 158</u>	<u>492 108</u>
Subtotal	<u>\$ 683 607</u>	<u>\$ 6 755</u>	<u>\$ -</u>	<u>\$ 208 158</u>	<u>\$ 898 520</u>
Less accumulated depreciation for:					
Buildings	\$ (49 144)	\$ (7 124)	\$ -	\$ -	\$ (56 268)
Furniture and equipment	(56 472)	(5 669)	-	-	(62 141)
Improvements	<u>(133 546)</u>	<u>(18 731)</u>	<u>-</u>	<u>-</u>	<u>(152 277)</u>
Subtotal	<u>\$ (239 162)</u>	<u>\$ (31 524)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (270 686)</u>
Total capital assets being depreciated, net	<u>\$ 444 445</u>	<u>\$ (24 769)</u>	<u>\$ -</u>	<u>\$ 208 158</u>	<u>\$ 627 834</u>
Governmental activities capital assets, net	<u>\$ 1 029 906</u>	<u>\$ (18 756)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1 011 150</u>

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

Governmental activities:	
General government administration	\$ 93
Public safety	-
Public works	24 472
Community development	<u>6 959</u>
Total depreciation expense – governmental activities	<u>\$ 31 524</u>

TOWN OF CLIFTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2014NOTE 4—OPERATING LEASES:

The Town (Lessee) entered into a lease agreement on June 27, 1994 with the Board of Supervisors of Fairfax County to rent the Town Meeting Hall. The term of the lease is for 25 years with 5 year optional renewal periods. In consideration for the use of the building, the Town agrees to pay \$1 annually plus have the sole responsibility for its operation, interior and exterior maintenance, and the safety and appearance of the building, parking area and grounds.

The Town (Lessor) entered into two lease agreements in December 2009 for property it owns. Each lease has now been renewed through December 31, 2015 with total monthly rent of \$2,500. The Town collected \$28,800 on these two leases during the year ended June 30, 2014. Following is an estimate of the future lease payments:

<u>Year Ended June 30,</u>	<u>Lease Income</u>
2015	\$ 30 000
2016	<u>15 000</u>
Total	<u>\$ 45 000</u>

The following is a schedule of the leased property under this operating lease:

Building and improvements	\$ 239 104
Land	189 357
Less accumulated depreciation	<u>(29 122)</u>
Total	<u>\$ 399 339</u>

NOTE 5—CONTINGENT LIABILITIES (INCLUDING FEDERALLY ASSISTED PROGRAMS):

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 6 – COMMITMENTS:

The Town has been awarded in excess of \$500,000 in federal and state funds for the Clifton Streetscape Improvements project in historic downtown Clifton. It is anticipated that the Town's match for this project will amount to approximately \$146,000.

REQUIRED SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULES
For the Year Ended June 30, 2014

	General Fund			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Local taxes	\$ 72 300	\$ 72 300	\$ 91 126	\$ 18 826
Permits, privilege fees and regulatory licenses	700	700	1 580	880
Revenues from the use of money	9 200	9 200	11 168	1 968
Revenues from the use of property	39 700	39 700	41 859	2 159
Donations and special events	89 450	89 450	113 993	24 543
Miscellaneous	53	53	57	4
Intergovernmental	661 061	661 061	15 727	(645 334)
Total Revenues	\$ 872 464	\$ 872 464	\$ 275 510	\$ (596 954)
EXPENDITURES				
General government administration	\$ 121 484	\$ 121 484	\$ 68 177	\$ 53 307
Public safety	8 000	8 000	10 000	(2 000)
Public works	44 921	44 921	28 457	16 464
Community development	49 425	49 425	31 286	18 139
Capital outlay	763 361	763 361	10 914	752 447
Total Expenditures	\$ 987 191	\$ 987 191	\$ 148 834	\$ 838 357
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (114 727)	\$ (114 727)	\$ 126 676	\$ 241 403
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of assets	\$ -	\$ -	\$ -	\$ -
Total Other Financing Sources (Uses)	\$ -	\$ -	\$ -	\$ -
NET CHANGE IN FUND BALANCE	\$ (114 727)	\$ (114 727)	\$ 126 676	\$ 241 403
FUND BALANCE (DEFICIT), Beginning of Year	114 727	114 727	716 156	601 429
FUND BALANCE (DEFICIT), End of Year	\$ -	\$ -	\$ 842 832	\$ 842 832

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

OTHER SUPPLEMENTARY INFORMATION

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TOWN OF CLIFTON, VIRGINIA

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SCHEDULE 1

(Continued)

SCHEDULE OF REVENUES - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Sources of Revenues: (Continued)			
Revenue from Local Sources: (Continued)			
Miscellaneous:			
Miscellaneous revenue	\$ <u>53</u>	\$ <u>57</u>	\$ <u>4</u>
Total Miscellaneous Revenue	\$ <u>53</u>	\$ <u>57</u>	\$ <u>4</u>
Total Revenue from Local Sources	\$ <u>211 403</u>	\$ <u>259 783</u>	\$ <u>48 380</u>
Intergovernmental:			
Revenue from the Federal Government:			
Categorical Aid:			
Streetscape project	\$ 296 625	\$ 3 863	\$ (292 762)
Flood Plain Park	3 736	-	(3 736)
Main Street Improvements	301 000	-	(301 000)
Entrance Triangle	<u>50 000</u>	<u>-</u>	<u>(50 000)</u>
Total Categorical Aid	\$ <u>651 361</u>	\$ <u>3 863</u>	\$ <u>(647 498)</u>
Total Revenue from the Federal Government	\$ <u>651 361</u>	\$ <u>3 863</u>	\$ <u>(647 498)</u>
Revenue from the Commonwealth:			
Noncategorical Aid:			
Railroad rolling stock tax	\$ <u>1 700</u>	\$ <u>1 864</u>	\$ <u>164</u>
Total Noncategorical Aid	\$ <u>1 700</u>	\$ <u>1 864</u>	\$ <u>164</u>
Categorical Aid:			
Fire Program funds	\$ <u>8 000</u>	\$ <u>10 000</u>	\$ <u>2 000</u>
Total Categorical Aid	\$ <u>8 000</u>	\$ <u>10 000</u>	\$ <u>2 000</u>
Total Revenue from the Commonwealth	\$ <u>9 700</u>	\$ <u>11 864</u>	\$ <u>2 164</u>
Total Intergovernmental	\$ <u>661 061</u>	\$ <u>15 727</u>	\$ <u>(645 334)</u>
Total General Fund	\$ <u><u>872 464</u></u>	\$ <u><u>275 510</u></u>	\$ <u><u>(596 954)</u></u>

TOWN OF CLIFTON, VIRGINIA

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SCHEDULE 2SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
General Government Administration:			
Advertising	\$ 2 000	\$ 956	\$ 1 044
Dues and subscriptions	950	380	570
Insurance	8 000	7 679	321
Miscellaneous	11 100	2 477	8 623
Office supplies and expenses	6 400	4 324	2 076
Payroll and payroll taxes	66 334	38 353	27 981
Professional fees	26 700	14 008	12 692
Total General Government Administration	\$ 121 484	\$ 68 177	\$ 53 307
Public Safety:			
Fire Fund Program	\$ 8 000	\$ 10 000	\$ (2 000)
Total Public Safety	\$ 8 000	\$ 10 000	\$ (2 000)
Public Works:			
Caboose expenses	\$ 3 850	\$ 528	\$ 3 322
Community Hall expenses	24 271	16 301	7 970
Grounds and maintenance	11 500	6 640	4 860
Rents	2 700	2 624	76
Utilities	2 600	2 364	236
Total Public Works	\$ 44 921	\$ 28 457	\$ 16 464
Community Development:			
Beautification Committee	\$ 3 000	\$ 79	\$ 2 921
Citizen Recognition Fund	250	-	250
Clifton Business Coalition	2 300	729	1 571
Communication Committee	4 000	140	3 860
Council for the Arts	11 000	13 864	(2 864)
Environmental Committee	200	-	200
Haunted Trail expenses	10 000	8 237	1 763
Historic Preservation Committee	1 450	-	1 450
Homes Tour Committee	3 500	2 442	1 058
Parks Committee	12 025	5 250	6 775
Planning Commission	500	-	500
Traffic, Parking, and Safety Committee	700	-	700
Welcoming and Sunshine Committee	500	545	(45)
Total Community Development	\$ 49 425	\$ 31 286	\$ 18 139
Capital Outlay:			
Flood plain park	\$ 3 736	\$ 2 151	\$ 1 585
Streetscape	296 625	3 863	292 762
Main Street improvements	301 000	-	301 000
Various projects	162 000	4 900	157 100
Total Capital Outlay	\$ 763 361	\$ 10 914	\$ 752 447
Total General Fund	\$ 987 191	\$ 148 834	\$ 838 357