



FINANCIAL REPORT
YEAR ENDED JUNE 30, 2018

TOWN OF CLIFTON FORGE, VIRGINIA

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2018

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FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2018

COUNCIL

Carl Brinkley, Mayor

Gayle Hillert, Vice-Mayor

David Oeltjen

Robert Umstead

Jeff Irvine

OFFICIALS

Darlene L. Burcham Town Manager
LeeAnna Tyler Assistant Town Manager/Finance Director
David B. Davis Town Attorney

TOWN OF CLIFTON FORGE, VIRGINIA
FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2018

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ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Clifton Forge, Virginia, as of and for the year June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Clifton Forge, Virginia, as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principles

As described in Note 16 to the financial statements, in 2018, the Town adopted new accounting guidance, GASB Statement Nos. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* and 85 *Omnibus 2017*. Our opinion is not modified with respect to this matter.

Restatement of Beginning Balances

As described in Note 16 to the financial statements, in 2018, the Town restated beginning balances to reflect the requirements of GASB Statement No. 75. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and schedules related to pension and OPEB funding on pages 4-9, 75, and 76-82 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Supplementary and Other Information

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

The combining and individual fund financial statements, supporting schedules, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements, supporting schedules, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Matters: (Continued)

Supplementary and Other Information: (Continued)

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2018, on our consideration of Town of Clifton Forge, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Town of Clifton Forge, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Clifton Forge, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Charlottesville, Virginia
November 30, 2018

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

As management of the Town of Clifton Forge (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2018. Please read it in conjunction with the Town's basic financial statements, which follow this section.

Financial Highlights

- In 2018, the Town adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. To reflect the requirements of GASB Statement No. 75, it was necessary to restate beginning net position. The restated amount was utilized for purposes of discussion and analysis herein.
- The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$10.4 million (*net position*). Of this amount, \$2.7 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 \$2,896,882, of which the governmental activities accounted for a \$1,338,990 increase and business-type activities accounted for the remaining \$1,557,892 increase. Explanation of the increase 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 governmental funds reported combined ending fund balances of \$268,912, a decrease of \$122,013 compared to the prior year. 84% of this fund balance is *available for spending* at the Town's discretion (*unassigned fund balance*). The Town had \$31,484 in restricted fund balance at June 30, 2018.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$237,428, 7.49% of governmental fund expenditures less capital outlay.
- The Town's total long-term obligations increased by \$477,900 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.

Government-wide financial statements: (Continued)

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).

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Town include general government administration, public safety, and public works. The business-type activities are for public utilities. The government-wide financial statements can be found on pages 10 and 11 of this report.

Fund financial statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

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

The Town maintains one governmental fund. The Town adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget. The basic governmental fund financial statements can be found on exhibits 3 and 5 of this financial report.

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

Notes to financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements can be found on pages 21 through 74 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 75 through 82 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 83 through 103 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$10.4 million at the close of the most recent fiscal year. A large portion of the Town's net position (\$7.5 million, 72% of total) reflects its investment in capital assets (e.g., land, buildings, improvements, infrastructure machinery and equipment, and vehicles), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities (i.e., the Town's investment in capital assets are of a permanent nature as assets acquired are generally not sold or otherwise disposed of during their useful life).

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

Town of Clifton Forge, Virginia Summary of Net Position						
	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 737,010	\$ 1,497,628	\$ 4,172,849	\$ 4,082,869	\$ 4,909,859	\$ 5,580,497
Capital assets	4,385,628	3,174,987	10,177,580	7,949,954	14,563,208	11,124,941
Total assets	\$ 5,122,638	\$ 4,672,615	\$ 14,350,429	\$ 12,032,823	\$ 19,473,067	\$ 16,705,438
Deferred outflows of resources	\$ 154,140	\$ 277,402	\$ 32,652	\$ 91,659	\$ 186,792	\$ 369,061
Long-term liabilities outstanding	\$ 1,675,538	\$ 1,916,535	\$ 6,662,574	\$ 6,087,677	\$ 8,338,112	\$ 8,004,212
Other liabilities	117,493	442,906	400,334	237,926	517,827	680,832
Total liabilities	\$ 1,793,031	\$ 2,359,441	\$ 7,062,908	\$ 6,325,603	\$ 8,855,939	\$ 8,685,044
Deferred inflows of resources	\$ 401,642	\$ 847,461	\$ 44,844	\$ 81,442	\$ 446,486	\$ 928,903
Net position:						
Net investment in capital assets	\$ 3,687,334	\$ 2,455,778	\$ 3,816,447	\$ 2,250,536	\$ 7,503,781	\$ 4,706,314
Restricted	31,484	247,327	67,800	67,697	99,284	315,024
Unrestricted	(636,713)	(959,990)	3,391,082	3,399,204	2,754,369	2,439,214
Total net position	\$ 3,082,105	\$ 1,743,115	\$ 7,275,329	\$ 5,717,437	\$ 10,357,434	\$ 7,460,552

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 \$636,713 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 plan. These obligations reduce the Town's unrestricted net position. As displayed in the table below, the unrestricted net position increased during fiscal year 2018.

Government-wide Financial Analysis: (Continued)

As noted previously, the Town's net position increased by \$2,896,882 during the current fiscal year. Governmental activities increased the Town's net position by \$1,338,990. 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	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for services	\$ 90,356	\$ 101,356	\$ 3,261,874	\$ 3,072,621	\$ 3,352,230	\$ 3,173,977
Operating grants and contributions	1,046,581	1,189,138	-	-	1,046,581	1,189,138
Capital grants and contributions	1,390,177	482,088	667,524	24,162	2,057,701	506,250
General revenues:						
Property taxes	588,575	597,153	-	-	588,575	597,153
Other taxes	964,716	901,126	-	-	964,716	901,126
Unrestricted revenues from use of money and property	41,930	18,139	104	24	42,034	18,163
Miscellaneous	77,912	306,253	-	-	77,912	306,253
Grants and contributions not restricted to specific programs	409,754	412,783	-	-	409,754	412,783
Total revenues	\$ 4,610,001	\$ 4,008,036	\$ 3,929,502	\$ 3,096,807	\$ 8,539,503	\$ 7,104,843
Expenses:						
General government administration	\$ 358,116	\$ 407,426	\$ -	\$ -	\$ 358,116	\$ 407,426
Public safety	1,007,657	1,027,639	-	-	1,007,657	1,027,639
Public works	952,033	571,591	-	-	952,033	571,591
Health and welfare	7,762	8,898	-	-	7,762	8,898
Parks, recreation and cultural	398,343	427,568	-	-	398,343	427,568
Community development	536,792	591,028	-	-	536,792	591,028
Interest on long-term debt	25,308	23,140	-	-	25,308	23,140
Water fund	-	-	949,612	866,145	949,612	866,145
Sewer fund	-	-	1,421,998	1,437,822	1,421,998	1,437,822
Total expenses	\$ 3,286,011	\$ 3,057,290	\$ 2,371,610	\$ 2,303,967	\$ 5,657,621	\$ 5,361,257
Increase (decrease) in net position before transfers	\$ 1,323,990	\$ 950,746	\$ 1,557,892	\$ 792,840	\$ 2,881,882	\$ 1,743,586
Transfers	\$ 15,000	\$ -	\$ -	\$ -	\$ 15,000	\$ -
Change in net position	\$ 1,338,990	\$ 950,746	\$ 1,557,892	\$ 792,840	\$ 2,896,882	\$ 1,743,586
Net position - beginning of year	\$ 1,743,115	\$ 792,369	\$ 5,717,437	\$ 4,924,597	\$ 7,460,552	\$ 5,716,966
Net position - end of year	\$ 3,082,105	\$ 1,743,115	\$ 7,275,329	\$ 5,717,437	\$ 10,357,434	\$ 7,460,552

Business-type activities increased the Town's net position by \$1,557,892. Similar to how changes arise in the governmental activities, business-type activities also experience budgetary differences; however, as a public utility function comprises the Town's business-type activities there is more of a direct correlation to the revenues generated relative to the expenses incurred because of service demands.

The increase in net position of the business-type activities is attributed to the increase in rates charged to customers for water and sewer consumption.

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 reported an ending fund balance of \$268,912, a decrease of \$122,013 in comparison with the prior year. Of this amount \$226,887 is reported as unassigned, which is available for spending at the Town's discretion. At June 30, 2018, The Town had \$42,025 in restricted fund balance.

Proprietary funds: The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Total net position of the proprietary funds was \$7.3 million, of which \$3.8 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, 2018, amounts to \$14.6 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, and machinery and equipment as well as construction in progress. Capital assets, net of accumulated depreciation, are illustrated in the following table:

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 784,994	\$ 784,994	\$ 73,412	\$ 73,412	\$ 858,406	\$ 858,406
Buildings	958,036	1,020,353	-	-	958,036	1,020,353
Infrastructure	2,072,165	141,011	9,455,878	7,616,843	11,528,043	7,757,854
Machinery & equipment	452,015	468,652	-	-	452,015	468,652
Contruction in progress	118,418	759,977	648,290	259,699	766,708	1,019,676
Total	\$ 4,385,628	\$ 3,174,987	\$ 10,177,580	\$ 7,949,954	\$ 14,563,208	\$ 11,124,941

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

Long-term Obligations: At the end of the current fiscal year, the Town had total outstanding obligations of \$8.3 million and details are summarized in the following table:

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Capital leases	\$ 205,668	\$ 153,395	\$ 106,930	\$ -	\$ 312,598	\$ 153,395
Notes payable	-	-	1,119,068	1,381,083	1,119,068	1,381,083
Revenue bonds	-	-	1,983,674	2,091,748	1,983,674	2,091,748
General obligation bonds	472,902	544,857	-	-	472,902	544,857
Premium on issuance	19,724	20,957	57,632	61,234	77,356	82,191
Revolving loan funds	-	-	3,161,629	2,233,050	3,161,629	2,233,050
Landfill closure and post-closure	97,500	105,000	-	-	97,500	105,000
Net pension liability	689,426	871,050	173,291	258,506	862,717	1,129,556
Net OPEB liability	91,311	115,340	22,689	28,660	114,000	144,000
Compensated absences	99,007	105,936	37,661	33,396	136,668	139,332
Total	\$ 1,675,538	\$ 1,916,535	\$ 6,662,574	\$ 6,087,677	\$ 8,338,112	\$ 8,004,212

Capital Asset and Debt Administration: (Continued)

Obligations associated with governmental activities decreased by \$240,997 and obligations associated with business-type activities increased by \$574,897. In fiscal year 2018 the Town issued capital leases amounting to \$215,424 and a sewer revenue bond in the amount of \$1,053,204. The net increase in debt is attributable to these issuances along with routine principal payments on outstanding obligations and the actuarial decrease in the net pension and OPEB obligations.

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, 2018.

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.

The revitalization of the downtown area continues with new businesses. Meals tax, business license and sales tax revenue continue to increase over previous years. The Town has completed construction of an access road that has opened up 13 acres in a business park owned by the Town. The construction was funded through VDOT and Appalachian Regional Commission funds. The Town has begun demolition of old CSX railroad structures on property now owned by the Town to make way for a new commercial salt distribution facility. The budget includes a \$1,000 across the board pay increase for all full-time Town employees. The Town's real estate tax has remained at \$.21 for 9 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 \$107.00 per month.

Requests for Information

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

Basic Financial Statements

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Government-wide Financial Statements

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Statement of Net Position
June 30, 2018

	Primary Government		
	Governmental	Business-type	Total
	Activities	Activities	
ASSETS			
Cash and cash equivalents	\$ 157,633	\$ 3,608,513	\$ 3,766,146
Receivables (net of allowance for uncollectibles):			
Taxes receivable	353,356	-	353,356
Accounts receivable	65,317	212,895	278,212
Notes receivables	48,670	-	48,670
Due from other governmental units	80,550	193,754	274,304
Restricted assets:			
Cash and cash equivalents	31,484	157,687	189,171
Capital assets (net of accumulated depreciation):			
Land	784,994	73,412	858,406
Buildings and improvements	958,036	-	958,036
Machinery and equipment	452,015	-	452,015
Infrastructure	2,072,165	9,455,878	11,528,043
Construction in progress	118,418	648,290	766,708
Total assets	\$ 5,122,638	\$ 14,350,429	\$ 19,473,067
DEFERRED OUTFLOWS OF RESOURCES			
Pension related items	\$ 148,294	\$ 31,199	\$ 179,493
OPEB related items	5,846	1,453	7,299
Total deferred outflows of resources	\$ 154,140	\$ 32,652	\$ 186,792
LIABILITIES			
Accounts payable	\$ 79,535	\$ 289,240	\$ 368,775
Deposits for utility customers	-	89,887	89,887
Accrued payroll	35,258	8,768	44,026
Accrued interest payable	-	12,439	12,439
Due to other funds	2,700	-	2,700
Long-term liabilities:			
Due within one year	123,231	597,476	720,707
Due in more than one year	1,552,307	6,065,098	7,617,405
Total liabilities	\$ 1,793,031	\$ 7,062,908	\$ 8,855,939
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue - property taxes	\$ 276,635	\$ -	\$ 276,635
Pension related items	106,585	40,267	146,852
OPEB related items	18,422	4,577	22,999
Total deferred inflows of resources	\$ 401,642	\$ 44,844	\$ 446,486
NET POSITION			
Net investment in capital assets	\$ 3,687,334	\$ 3,816,447	\$ 7,503,781
Restricted for:			
Forfeited assets - law enforcement	1,777	-	1,777
Library improvements	24,423	-	24,423
CDBG programs	5,284	-	5,284
Debt service reserve	-	67,800	67,800
Unrestricted (deficit)	(636,713)	3,391,082	2,754,369
Total net position	\$ 3,082,105	\$ 7,275,329	\$ 10,357,434

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

Statement of Activities
For the Year Ended June 30, 2018

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	\$ 358,116	\$ -	\$ -	\$ -	\$ (358,116)	\$ -	\$ (358,116)
Public safety	1,007,657	85,406	214,067	-	(708,184)	-	(708,184)
Public works	952,033	75	601,623	1,390,177	1,039,842	-	1,039,842
Health and welfare	7,762	-	-	-	(7,762)	-	(7,762)
Parks, recreation, and cultural	398,343	4,875	46,494	-	(346,974)	-	(346,974)
Community development	536,792	-	184,397	-	(352,395)	-	(352,395)
Interest on long-term debt	25,308	-	-	-	(25,308)	-	(25,308)
Total governmental activities	\$ 3,286,011	\$ 90,356	\$ 1,046,581	\$ 1,390,177	\$ (758,897)	\$ -	\$ (758,897)
Business-type activities:							
Water	\$ 949,612	\$ 1,482,042	\$ -	\$ -	\$ -	\$ 532,430	\$ 532,430
Sewer	1,421,998	1,779,832	-	667,524	-	1,025,358	1,025,358
Total business-type activities	\$ 2,371,610	\$ 3,261,874	\$ -	\$ 667,524	\$ -	\$ 1,557,788	\$ 1,557,788
Total primary government	\$ 5,657,621	\$ 3,352,230	\$ 1,046,581	\$ 2,057,701	\$ (758,897)	\$ 1,557,788	\$ 798,891
General revenues:							
General property taxes					\$ 588,575	\$ -	\$ 588,575
Other local taxes:							
Local sales and use tax					122,286	-	122,286
Consumers' utility tax					163,977	-	163,977
Business licenses tax					201,844	-	201,844
Restaurant food tax					301,235	-	301,235
Motor vehicle licenses					51,370	-	51,370
Bank stock taxes					99,822	-	99,822
Other local taxes					24,182	-	24,182
Unrestricted revenues from use of money and property					41,930	104	42,034
Miscellaneous					77,912	-	77,912
Grants and contributions not restricted to specific programs					409,754	-	409,754
Transfers					15,000	-	15,000
Total general revenues and transfers					\$ 2,097,887	\$ 104	\$ 2,097,991
Change in net position					\$ 1,338,990	\$ 1,557,892	\$ 2,896,882
Net position - beginning, as restated					1,743,115	5,717,437	7,460,552
Net position - ending					\$ 3,082,105	\$ 7,275,329	\$ 10,357,434

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

Fund Financial Statements

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Balance Sheet
 Governmental Fund
 June 30, 2018

	<u>General</u>
ASSETS	
Cash and cash equivalents	\$ 157,633
Receivables (net of allowance for uncollectibles):	
Taxes receivable	353,356
Accounts receivable	65,317
Notes receivables	48,670
Due from other governmental units	80,550
Restricted assets:	
Cash and cash equivalents	<u>31,484</u>
Total assets	<u><u>\$ 737,010</u></u>
LIABILITIES	
Accounts payable	\$ 79,535
Accrued payroll	35,258
Due to other funds	<u>2,700</u>
Total liabilities	<u><u>\$ 117,493</u></u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue-property taxes	<u>\$ 350,605</u>
FUND BALANCE	
Restricted for:	
Forfeited assets - law enforcement	\$ 1,777
Library improvements	24,423
CDBG programs	5,284
Unassigned	<u>237,428</u>
Total fund balance	<u><u>\$ 268,912</u></u>
Total liabilities, deferred inflows, and fund balances	<u><u>\$ 737,010</u></u>

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

Reconciliation of the Balance Sheet of Governmental Fund
to the Statement of Net Position
June 30, 2018

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

Total fund balance per Exhibit 3 - Balance Sheet - Governmental Fund	\$	268,912
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When capital assets (land, buildings, equipment) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net position includes those capital assets among the assets of the locality as a whole.

Capital assets	\$	7,263,242	
Less: accumulated depreciation		<u>(2,877,614)</u>	4,385,628

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	73,970
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Items related to measurement of net pension and OPEB liabilities are considered deferred outflows or deferred inflows and will be amortized and recognized in pension and OPEB expense over future years.

Deferred outflows - pension related	\$	148,294	
Deferred outflows - OPEB related		5,846	
Deferred inflows - pension related		(106,585)	
Deferred inflows - OPEB related		<u>(18,422)</u>	29,133

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	\$	(99,007)	
Net pension liability		(689,426)	
Net OPEB liability		(91,311)	
Capital leases		(205,667)	
Bonds and notes payable		(472,903)	
Premium on bonds payable		(19,724)	
Landfill postclosure liability		<u>(97,500)</u>	<u>(1,675,538)</u>

Net position of governmental activities	\$	<u><u>3,082,105</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, 2018

	<u>General</u>
REVENUES	
General property taxes	\$ 592,333
Other local taxes	964,716
Permits, privilege fees, and regulatory licenses	4,004
Fines and forfeitures	13,402
Revenue from the use of money and property	41,930
Charges for services	72,950
Miscellaneous	77,912
Recovered costs	119,757
Intergovernmental:	
Commonwealth	1,585,752
Federal	<u>1,260,760</u>
Total revenues	<u>\$ 4,733,516</u>
EXPENDITURES	
Current:	
General government administration	\$ 293,687
Public safety	1,050,389
Public works	987,940
Health and welfare	7,762
Parks, recreation, and cultural	418,239
Community development	84,119
Nondepartmental	188,202
Capital outlay	1,793,968
Debt service:	
Principal retirement	111,777
Interest and other fiscal charges	<u>26,541</u>
Total expenditures	<u>\$ 4,962,624</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (229,108)</u>
OTHER FINANCING SOURCES (USES)	
Transfers in	\$ 15,000
Issuance of capital leases	<u>92,095</u>
Total other financing sources (uses)	<u>\$ 107,095</u>
Net change in fund balance	<u>\$ (122,013)</u>
Fund balance - beginning	<u>\$ 390,925</u>
Fund balance - ending	<u><u>\$ 268,912</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, 2018

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

Net change in fund balance - total governmental fund	\$	(122,013)
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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 expense in the current period.

Capital asset additions	\$	1,410,817	
Less: depreciation expense		<u>(200,177)</u>	1,210,640

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

Property taxes	\$	(3,758)	
(Increase) decrease in deferred inflows related to the measurement of the net pension liability		154,807	
(Increase) decrease in deferred inflows related to the measurement of the net OPEB liability		<u>(18,422)</u>	132,627

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	\$	111,777	
Issuance of capital leases		(92,095)	
Amortization of premiums		1,233	
Decrease in landfill postclosure liability		<u>7,500</u>	28,415

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

(Increase)/decrease in compensated absences	6,929	
(Increase)/decrease in net pension liability	181,624	
(Increase)/decrease in net OPEB liability	24,029	
Increase/(decrease) in deferred outflows - pension related	(123,325)	
Increase/(decrease) in deferred outflows - OPEB related	<u>64</u>	89,321

Change in net position of governmental activities	\$	<u><u>1,338,990</u></u>
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The notes to financial statements are an integral part of this statement.

Statement of Net Position
 Proprietary Funds
 June 30, 2018

	Enterprise Fund	Enterprise Fund	
	Water	Sewer	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,836,451	\$ 1,772,062	\$ 3,608,513
Accounts receivables, net of allowance for uncollectibles	68,735	144,160	212,895
Due from other governmental units	49,478	144,276	193,754
Total current assets	\$ 1,954,664	\$ 2,060,498	\$ 4,015,162
Noncurrent assets:			
Restricted assets:			
Cash and cash equivalents	\$ 157,687	\$ -	\$ 157,687
Capital assets (net of accumulated depreciation):			
Land	\$ 27,362	\$ 46,050	\$ 73,412
Construction in progress	648,290	-	648,290
Infrastructure and equipment	3,816,037	5,639,841	9,455,878
Total capital assets	\$ 4,491,689	\$ 5,685,891	\$ 10,177,580
Total noncurrent assets	\$ 4,649,376	\$ 5,685,891	\$ 10,335,267
Total assets	\$ 6,604,040	\$ 7,746,389	\$ 14,350,429
DEFERRED OUTFLOWS OF RESOURCES			
Pension related items	\$ 28,651	\$ 2,548	\$ 31,199
OPEB related items	1,348	105	1,453
Total deferred outflows of resources	\$ 29,999	\$ 2,653	\$ 32,652
LIABILITIES			
Current liabilities:			
Accounts payable and other accrued liabilities	\$ 61,965	\$ 227,275	\$ 289,240
Deposits for utility customers	89,887	-	89,887
Accrued payroll	7,030	1,738	8,768
Accrued interest payable	9,586	2,853	12,439
Bonds and notes payable - current portion	148,895	418,777	567,672
Capital leases - current portion	13,019	13,019	26,038
Compensated absences - current portion	3,727	39	3,766
Total current liabilities	\$ 334,109	\$ 663,701	\$ 997,810
Noncurrent liabilities:			
Bonds and notes payable - net of current portion	\$ 2,491,285	\$ 3,263,046	\$ 5,754,331
Capital leases - net of current portion	40,446	40,446	80,892
Net pension liability	148,190	25,101	173,291
Net OPEB liability	21,053	1,636	22,689
Compensated absences - net of current portion	33,545	350	33,895
Total noncurrent liabilities	\$ 2,734,519	\$ 3,330,579	\$ 6,065,098
Total liabilities	\$ 3,068,628	\$ 3,994,280	\$ 7,062,908
DEFERRED INFLOWS OF RESOURCES			
Pension related items	\$ 33,632	\$ 6,635	\$ 40,267
OPEB related items	4,247	330	4,577
Total deferred inflows of resources	\$ 37,879	\$ 6,965	\$ 44,844
NET POSITION			
Net investment in capital assets	\$ 1,865,844	\$ 1,950,603	\$ 3,816,447
Restricted for debt service reserve	67,800	-	67,800
Unrestricted	1,593,888	1,797,194	3,391,082
Total net position	\$ 3,527,532	\$ 3,747,797	\$ 7,275,329

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, 2018

	Enterprise Fund	Enterprise Fund	
	Water	Sewer	Total
OPERATING REVENUES			
Charges for services:			
Water revenues	\$ 1,463,356	\$ -	\$ 1,463,356
Sewer revenues	-	1,751,198	1,751,198
Connection Fees	1,421	1,200	2,621
Other revenues	17,265	6,250	23,515
Penalties	-	21,184	21,184
Total operating revenues	\$ 1,482,042	\$ 1,779,832	\$ 3,261,874
OPERATING EXPENSES			
Transmissional distribution	\$ 152,194	\$ -	\$ 152,194
Water filtration plant	338,003	-	338,003
Wastewater treatment plant	-	1,015,917	1,015,917
Sewage collection	-	87,895	87,895
Sewer inflow and infiltration	-	6,382	6,382
Depreciation	202,298	199,328	401,626
Other costs	115,940	101,785	217,725
Small tools and repairs	96,340	-	96,340
Total operating expenses	\$ 904,775	\$ 1,411,307	\$ 2,316,082
Operating income (loss)	\$ 577,267	\$ 368,525	\$ 945,792
NONOPERATING REVENUES (EXPENSES)			
Interest revenue	\$ 104	\$ -	\$ 104
Interest expense	(44,837)	(10,691)	(55,528)
Total nonoperating revenues (expenses)	\$ (44,733)	\$ (10,691)	\$ (55,424)
Income before contributions and transfers	\$ 532,534	\$ 357,834	\$ 890,368
Capital contributions and grants - State	\$ -	\$ 667,524	\$ 667,524
Total transfers and capital contributions/grants	\$ -	\$ 667,524	\$ 667,524
Change in net position	\$ 532,534	\$ 1,025,358	\$ 1,557,892
Total net position - beginning, as restated	\$ 2,994,998	\$ 2,722,439	\$ 5,717,437
Total net position - ending	\$ 3,527,532	\$ 3,747,797	\$ 7,275,329

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

Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2018

	Enterprise Fund	Enterprise Fund	
	Water	Sewer	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 1,469,920	\$ 1,662,838	\$ 3,132,758
Payments to suppliers	(298,063)	(1,131,513)	(1,429,576)
Payments to employees	(436,989)	(76,904)	(513,893)
Net cash provided by (used for) operating activities	\$ 734,868	\$ 454,421	\$ 1,189,289
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Additions to utility plant	\$ (589,717)	\$ (1,912,082)	\$ (2,501,799)
Intergovernmental capital grants	-	667,524	667,524
Principal payments on bonds and notes	(144,624)	(350,089)	(494,713)
Principal payments on lease obligations	(8,200)	(8,200)	(16,400)
Proceeds from indebtedness	61,665	1,114,868	1,176,533
Interest payments	(47,704)	(11,970)	(59,674)
Net cash provided by (used for) capital and related financing activities	\$ (728,580)	\$ (499,949)	\$ (1,228,529)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	\$ 104	\$ -	\$ 104
Net increase (decrease) in cash and cash equivalents	\$ 6,392	\$ (45,528)	\$ (39,136)
Cash and cash equivalents - beginning	1,987,746	1,817,590	3,805,336
Cash and cash equivalents - ending	\$ 1,994,138	\$ 1,772,062	\$ 3,766,200
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ 577,267	\$ 368,525	\$ 945,792
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation expense	\$ 202,298	\$ 199,328	\$ 401,626
(Increase) decrease in accounts receivable	(5,640)	3,120	(2,520)
(Increase) decrease in intergovernmental receivables	(6,482)	(120,114)	(126,596)
(Increase) decrease in deferred outflows - pension related	33,415	25,607	59,022
(Increase) decrease in deferred outflows - OPEB related	(15)	(1)	(16)
Increase (decrease) in deferred inflows - pension related	(32,562)	(8,613)	(41,175)
Increase (decrease) in deferred inflows - OPEB related	4,247	330	4,577
Increase (decrease) in net pension liability	(57,576)	(27,639)	(85,215)
Increase (decrease) in net OPEB liability	(5,540)	(431)	(5,971)
Increase (decrease) in operating accounts payable	4,096	14,406	18,502
Increase (decrease) in deposits for utility customers	20,301	-	20,301
Increase (decrease) in accrued payroll	(3,461)	158	(3,303)
Increase (decrease) in compensated absences	4,520	(255)	4,265
Total adjustments	\$ 157,601	\$ 85,896	\$ 243,497
Net cash provided by (used for) operating activities	\$ 734,868	\$ 454,421	\$ 1,189,289

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

Statement of Fiduciary Net Position
 Fiduciary Funds
 June 30, 2018

	Private-Purpose Trusts
	<hr/>
ASSETS	
Cash and cash equivalents	\$ 264,560
Due from other funds	<hr/> 2,700
Total assets	\$ <hr/> 267,260 <hr/>
LIABILITIES	
Amounts held for others	\$ <hr/> -
Total liabilities	\$ <hr/> - <hr/>
NET POSITION	
Held in trust for cemeteries	\$ <hr/> 267,260 <hr/>

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

Statement of Change in Fiduciary Net Position
 Fiduciary Funds
 For the Year Ended June 30, 2018

	Private-Purpose Trust
ADDITIONS	
Contributions:	
Sale of cemetery lots	\$ 2,700
Total contributions	\$ 2,700
Investment earnings:	
Interest	\$ 17
Total investment earnings	\$ 17
Total additions	\$ 2,717
DEDUCTIONS	
Total deductions	\$ 15,000
Change in net position	\$ (12,283)
Net position - beginning	\$ 279,543
Net position - ending	\$ 267,260

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

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TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements June 30, 2018

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.

The Town has no component units for the fiscal year ended June 30, 2018.

Jointly Governed Organizations - The Town has no jointly governed organizations for the fiscal year ended June 30, 2018.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

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

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

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Budgetary comparison schedules - Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in one way or another in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. Many governments revise their original budgets over the course of the year for a variety of reasons. Under the GASB 34 reporting model, governments provide budgetary comparison information in their annual reports, including the original budget and a comparison of final budget and actual results.

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

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

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

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

Governmental fund financial statements are reported using the *current financial resources measurement focus and the modified accrual basis of accounting*. Revenues are recognized as soon as 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 expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

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 an agent or custodian for individuals, private organizations or other governmental units. Private purpose trust funds utilize the accrual basis of accounting. The Town reports the following funds as private purpose trust funds:

- Mountain View Cemetery Fund
- Crown Hill Cemetery Fund

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

1. Cash and Cash Equivalents/Investments

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Money market investments, participating interest-earning investment contracts (repurchase agreements) that have a remaining maturity at time of purchase of one year or less, nonparticipating interest-earning investment contracts (nonnegotiable certificates of deposit (CDs)) and external investment pools are measured at amortized cost. All other investments are reported at fair value.

2. Receivables and Payables

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

3. Restricted Assets

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

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

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

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

4. Property Taxes

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

5. Allowance for Uncollectible Accounts

The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$44,641 at June 30, 2018 for property taxes, and water and sewer allowances were \$108,504 and \$227,135, respectively.

6. Use of Estimates

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

7. Capital Assets

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest was capitalized during the current or previous year.

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

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

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

8. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported in the government-wide financial statements. No expenditure is reported for these amounts in the fund financial statements. In accordance with the provisions of Governmental Accounting Standards No. 16, *Accounting for Compensated Absences*, 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. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. 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.

10. Fund Equity

The Town reports fund balance in accordance with GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance - amounts that are not in spendable form (such as inventory and prepaids) or are required to be maintained intact (corpus of a permanent fund);
- Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed fund balance - amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- Assigned fund balance - amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

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

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

10. Fund Equity: (Continued)

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

In accordance with GASB Statement 54, when fund balance resources are available for a specific purpose in more than one classification, it is the Town's policy to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed.

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

11. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town has one item that qualifies for reporting in this category. It is comprised of certain items related to the measurement of the net pension liability and net OPEB liability and contributions to the pension and OPEB plans made during the current year and subsequent to the net pension liability and net OPEB liability measurement date. For more detailed information on these items, reference the related notes.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has two types of items that qualify for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30 and amounts prepaid on the 2nd half installments and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, amounts prepaid on the 2nd half installments are reported as deferred inflows of resources. In addition, certain items related to the measurement of the net pension liability and net OPEB liability are reported as deferred inflows of resources. For more detailed information on these items, reference the related notes.

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

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

12. Pensions

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

13. Other Postemployment Benefits (OPEB)

Group Life Insurance

The Virginia Retirement System (VRS) Group Life Insurance (GLI) Program provides coverage to state employees, teachers, and employees of participating political subdivisions. The GLI Program 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. The GLI Program is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers. For purposes of measuring the net GLI Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the GLI OPEB, and GLI OPEB expense, information about the fiduciary net position of the VRS GLI Program OPEB and the additions to/deductions from the VRS GLI OPEB's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

14. Net Position

Net position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. Net investment in capital assets represents capital assets, less accumulated depreciation, less any outstanding debt related 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 also included in this component of net position.

15. Net Position Flow Assumption

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

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

NOTE 2—STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

A. Budgetary Information

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

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

B. Deficit Fund Equity

At June 30, 2018, there were no funds with deficit fund equity.

C. Expenditures in Excess of Appropriations

The General Fund reported expenditures in excess of appropriations of \$1,630,035.

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, 2018 (Continued)

NOTE 3—DEPOSITS AND INVESTMENTS: (CONTINUED)

Investments

Statutes authorize the Town 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).

Credit Risk of Debt Securities

The Town has no formal investment policy.

The Town's rated debt investments as of June 30, 2018 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	\$ 67,800
Total	\$ 67,800

Interest Rate Risk

The Town reports the following investment maturities:

Investment Type	Investment Maturity*	
	Fair Value	Less than 1
Money Market Mutual Funds - US Government Funds	\$ 67,800	\$ 67,800
Total investments	\$ 67,800	\$ 67,800

* Weighted average maturity in years.

Fair Value Measurements

Fair value for investments is determined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. The three-level fair value hierarchy prioritizes the inputs used to measure fair value. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

- Level 1 — Quoted prices in active markets for identical assets or liabilities.
- Level 2 — Significant observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

NOTE 3—DEPOSITS AND INVESTMENTS: (CONTINUED)

Fair Value Measurements: (Continued)

- Level 3 — Significant unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

The Town reports the following investments:

	Total June 30, 2018	Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money Market Mutual Funds - US Government Funds	\$ 67,800	\$ 67,800	\$ -	\$ -
Total	\$ 67,800	\$ 67,800	\$ -	\$ -

NOTE 4—DUE FROM OTHER GOVERNMENTAL UNITS:

Amounts due from other governmental units at June 30, 2018, are as follows:

Governmental Activities:

Commonwealth of Virginia:

Rolling stock tax	\$ 5,886
Auto rental tax	123
VDOT construction - state share	2,034
4 for Life grant	2,110
Communications tax	13,797
Total due from the Commonwealth	\$ 23,950

Federal:

Highway Planning & Construction	\$ 56,600
Total due from Federal Government	\$ 56,600
Grand Total	\$ 80,550

Business-type Activities:

Alleghany County:

Bulk water sales	\$ 49,478
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Commonwealth of Virginia:

VRA - Waste Water Revolving Loan Fund	\$ 144,276
Grand Total	\$ 193,754

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

NOTE 5—CAPITAL ASSETS:

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2018.

Governmental Activities:

	Balance June 30, 2017	Increases	Decreases	Balance June 30, 2018
Capital assets not being depreciated:				
Land	\$ 784,994	\$ -	\$ -	\$ 784,994
Construction in progress	759,977	1,608,712	2,250,271	118,418
Total capital assets not being depreciated	<u>\$ 1,544,971</u>	<u>\$ 1,608,712</u>	<u>\$ 2,250,271</u>	<u>\$ 903,412</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 2,151,895	\$ -	\$ -	\$ 2,151,895
Infrastructure (1)	200,112	1,955,821	-	2,155,933
Machinery and equipment	1,955,445	96,556	-	2,052,001
Total capital assets being depreciated	<u>\$ 4,307,452</u>	<u>\$ 2,052,377</u>	<u>\$ -</u>	<u>\$ 6,359,829</u>
Accumulated depreciation:				
Buildings and improvements	\$ (1,131,542)	\$ (62,317)	\$ -	\$ (1,193,859)
Infrastructure	(59,101)	(24,667)	-	(83,768)
Machinery and equipment	<u>(1,486,793)</u>	<u>(113,193)</u>	<u>-</u>	<u>(1,599,986)</u>
Total accumulated depreciation	<u>\$ (2,677,436)</u>	<u>\$ (200,177)</u>	<u>\$ -</u>	<u>\$ (2,877,613)</u>
Total capital assets being depreciated, net	<u>\$ 1,630,016</u>	<u>\$ 1,852,200</u>	<u>\$ -</u>	<u>\$ 3,482,216</u>
Net capital assets	<u>\$ 3,174,987</u>	<u>\$ 3,460,912</u>	<u>\$ 2,250,271</u>	<u>\$ 4,385,628</u>

(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, 2018 (Continued)

NOTE 5—CAPITAL ASSETS: (CONTINUED)

Business-type Activities:

	Balance June 30, 2017	Increases	Decreases	Balance June 30, 2018
<i>Water Fund</i>				
Capital assets not being depreciated:				
Land	\$ 27,362	\$ -	\$ -	\$ 27,362
Construction in progress	233,025	415,265	-	648,290
Total capital assets not being depreciated	\$ 260,387	\$ 415,265	\$ -	\$ 675,652
Capital assets being depreciated:				
Infrastructure and equipment	\$ 6,933,408	\$ 165,905	\$ -	\$ 7,099,313
Accumulated depreciation	(3,080,978)	(202,298)	-	(3,283,276)
Total capital assets being depreciated, net	\$ 3,852,430	\$ (36,393)	\$ -	\$ 3,816,037
Net capital assets	\$ 4,112,817	\$ 378,872	\$ -	\$ 4,491,689
<i>Sewer Fund</i>				
Capital assets not being depreciated:				
Land	\$ 46,050	\$ -	\$ -	\$ 46,050
Construction in progress	26,674	1,981,954	2,008,628	-
Total capital assets not being depreciated	\$ 72,724	\$ 1,981,954	\$ 2,008,628	\$ 46,050
Capital assets being depreciated:				
Infrastructure and equipment	\$ 6,354,137	\$ 2,074,756	\$ -	\$ 8,428,893
Accumulated depreciation	(2,589,724)	(199,328)	-	(2,789,052)
Total capital assets being depreciated, net	\$ 3,764,413	\$ 1,875,428	\$ -	\$ 5,639,841
Net capital assets	\$ 3,837,137	\$ 3,857,382	\$ 2,008,628	\$ 5,685,891

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

NOTE 5—CAPITAL ASSETS: (CONTINUED)

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

Governmental activities:	
General government administration	\$ 40,053
Public safety	56,616
Public works	60,172
Parks, recreation, and cultural	43,336
Total depreciation expense-governmental activities	\$ 200,177
Business-type activities:	
Water Fund	\$ 202,298
Sewer Fund	199,328
Total depreciation expense-business-type activities	\$ 401,626

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, 2018.

	Restated Balance June 30, 2017	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2018
Capital leases	\$ 153,395	\$ 92,095	\$ 39,822	\$ 205,668
General obligation bonds	544,857	-	71,955	472,902
Premium on issuance	20,957	-	1,233	19,724
Accrued landfill and postclosure liability	105,000	-	7,500	97,500
Net pension liability	871,050	768,126	949,750	689,426
Net OPEB liability	115,340	-	24,029	91,311
Compensated absences	105,936	14,258	21,187	99,007
Total	\$ 1,916,535	\$ 874,479	\$ 1,115,476	\$ 1,675,538

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

Year Ending June 30,	Principal	Interest
2019	\$ 121,998	\$ 8,747
2020	125,757	6,533
2021	121,307	4,360
2022	79,490	2,495
2023	35,018	879
2024-2028	75,000	36,191
2029-2033	100,000	15,928
2034	20,000	475
Total	\$ 678,570	\$ 75,608

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

NOTE 6—LONG-TERM OBLIGATIONS: (CONTINUED)

Governmental Activities Long-term Obligations: (Continued)

Details of Long-term Obligations:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
Capital Leases:		
\$335,000 Capital lease dated December 15, 2008 with annual payments of \$31,799, including interest at 4.634%. Final installment due in 2023.	\$ 128,961	\$ 25,507
\$90,334 Capital lease dated November 28, 2017 with annual payments of \$19,242, including interest at 3.25%. Obligation is shared evenly with the Water and Sewer Funds. Final installment due in 2022.	23,697	5,639
\$94,660 Capital lease dated July 28, 2017 with annual payments of \$26,266, including interest at 5.21%. Obligation is shared evenly with the Water and Sewer Funds. Final installment due in 2022.	29,768	7,380
\$30,430 Capital lease dated August 24, 2017 with annual payments of \$10,944, including interest at 5%. Final installment due 2021.	23,242	10,008
Total capital leases	\$ 205,668	\$ 48,534
General Obligation Bonds:		
\$132,000 General Obligation Bond dated June 23, 2017 to finance various capital purchases. Payments of \$28,593 due annually with the final installment due June 23, 2022, bearing interest at 2.72%.	\$ 106,997	\$ 25,682
\$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.	250,000	10,000
\$189,000 General Obligation Bond dated June 17, 2016. Principal and interest at 2.2% paid monthly commencing July 2016. Final payment due June 17, 2021.	115,905	37,781
Premium on bond issuance	19,724	1,233
Total general obligation bonds	\$ 492,626	\$ 74,696
Accrued landfill and postclosure liability	\$ 97,500	\$ 7,500
Compensated absences	\$ 99,007	\$ 9,901
Net pension liability	\$ 689,426	\$ -
Net OPEB liability	\$ 91,311	\$ -
Total	\$ 1,675,538	\$ 140,631

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

NOTE 6—LONG-TERM OBLIGATIONS: (CONTINUED)

Governmental Activities Long-term Obligations: (Continued)

The assets acquired through capital leases are as follows:

Asset:		
Equipment	\$	581,556
Less: Accumulated depreciation		<u>(333,769)</u>
Total	\$	<u><u>247,787</u></u>

Business-type Activities Long-term Obligations:

The following is a summary of long-term obligation transactions of the Town for the year ended June 30, 2018:

	Restated Balance June 30, 2017	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2018
Capital leases	\$ -	\$ 123,329	\$ 16,399	\$ 106,930
Revenue bonds	2,091,748	-	108,074	1,983,674
Premium on issuance	61,234	-	3,602	57,632
Virginia revolving loan fund	2,233,050	1,053,204	124,625	3,161,629
Notes payable - County of Alleghany	1,381,083	-	262,015	1,119,068
Net pension liability	258,506	153,507	238,722	173,291
Net OPEB liability	28,660	-	5,971	22,689
Compensated absences	33,396	10,944	6,679	37,661
Total	<u>\$ 6,087,677</u>	<u>\$ 1,340,984</u>	<u>\$ 766,087</u>	<u>\$ 6,662,574</u>

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

Year Ending June 30,	Principal	Interest
2019	\$ 590,108	\$ 60,924
2020	598,199	56,691
2021	601,394	51,977
2022	560,309	46,992
2023	431,135	42,276
2024-2028	1,654,628	146,127
2029-2033	1,367,808	49,962
2034-2038	497,391	1,553
2039-2040	70,329	-
Total	<u>\$ 6,371,301</u>	<u>\$ 456,502</u>

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements June 30, 2018 (Continued)

NOTE 6—LONG-TERM OBLIGATIONS: (CONTINUED)

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

Details of long-term obligations:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
Capital Leases:		
\$90,334 Capital lease dated November 28, 2017 with annual payments of \$19,242, including interest at 3.25%. Obligation is shared evenly with the General Fund. Final installment due in 2022.	\$ 47,394	\$ 11,278
\$94,660 Capital lease dated July 28, 2017 with annual payments of \$26,266, including interest at 5.21%. Obligation is shared evenly with the General Fund. Final installment due in 2022.	59,536	14,760
Total capital leases	\$ 106,930	\$ 26,038
Revenue Bonds:		
\$760,500 Water Revenue Bonds (VRA), maturing semi-annually in equal installments of \$12,675 through November 1, 2038, 0% interest.	\$ 519,675	\$ 25,350
\$1,250,000 Water Revenue Bonds (VRA), maturing semi-annually in equal installments of \$42,759, including interest at 3.05%, through November 1, 2028.	762,370	62,707
\$1,153,088 Water Revenue Bonds (VRA), maturing semi-annually in equal installments of \$19,218 through November 1, 2039, 0% interest.	826,380	38,436
\$1,349,739 Sewer Revenue Bonds (VRA), maturing semi-annually in equal installments of \$33,743 through June 1, 2038, 0% interest.	1,053,204	67,487
\$610,624 Taxable General Obligation Sewer System Revenue Bonds (VRA), Series 2014, maturing semi-annually in equal installments of \$15,265 through February 1, 2035, 0% interest.	519,030	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.	724,644	47,543
\$860,000 Double Barrel Revenue Bonds (VRA) dated November 20, 2013. Principal paid annually; interest paid semi-annually at 2.125% to 5.125%. Final payment due October 1, 2033.	740,000	30,000
Premium on bond issuance	57,632	3,603
Total revenue bonds	\$ 5,202,935	\$ 305,657
Notes Payable:		
\$200,000 note payable to the County of Alleghany dated April 19, 2016. Principal payments in the amount of \$40,000 payable annually commencing January 1, 2017 through January 2021. No interest is due.	\$ 120,000	\$ 40,000
\$1,443,098 note payable to the County of Alleghany dated April 19, 2016. Principal payments in the amount of \$222,015 commencing September 2016 through September 2021 with a final payment of \$111,008 payable September 2022. No interest is due.	999,068	222,015
Total notes payable	\$ 1,119,068	\$ 262,015
Net pension liability	\$ 173,291	\$ -
Net OPEB liability	\$ 22,689	\$ -
Compensated absences	\$ 37,661	\$ 3,339
Total	\$ 6,662,574	\$ 597,049

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2018 (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 \$350,605 (including 2nd half tax billings of \$276,635 not due until December 5) at June 30, 2018.

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 \$99,007 in the Primary Government and \$37,661 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)*Plan Description (Continued)*

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. The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.</p>	<p>About Plan 2 Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.</p>	<p>About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan.</p> <ul style="list-style-type: none"> • The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

NOTE 9—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
About Plan 1 (Cont.)	About Plan 2 (Cont.)	<p>About the Hybrid Retirement Plan (Cont.)</p> <ul style="list-style-type: none"> • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
<p>Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013, and they have not taken a refund.</p> <p>Hybrid Opt-In Election VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p>Eligible Members Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p>Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> • Political subdivision employees* • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014. <p>*Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.

NOTE 9—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Hybrid Opt-In Election (Cont.) Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.	Hybrid Opt-In Election (Cont.) Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.	*Non-Eligible Members (Cont.) Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.
Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.	Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction.	Retirement Contributions A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

NOTE 9—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Creditable Service Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>	<p>Creditable Service Same as Plan 1.</p>	<p>Creditable Service <u>Defined Benefit Component:</u> Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p> <p><u>Defined Contribution Component:</u> Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

NOTE 9—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.</p> <p>Members are always 100% vested in the contributions that they make.</p>	<p>Vesting Same as Plan 1.</p>	<p>Vesting <u>Defined Benefit Component:</u> Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p> <p><u>Defined Contribution Component:</u> Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.</p> <p>Members are always 100% vested in the contributions that they make.</p>

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

NOTE 9—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Vesting (Cont.)	Vesting (Cont.)	<p>Vesting (Cont.) <u>Defined Contribution Component: (Cont.)</u> Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none"> • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. <p>Distribution is not required by law until age 70½.</p>
<p>Calculating the Benefit The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.</p>	<p>Calculating the Benefit See definition under Plan 1.</p>	<p>Calculating the Benefit <u>Defined Benefit Component:</u> See definition under Plan 1.</p>

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

NOTE 9—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Calculating the Benefit (Cont.) An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.</p>	<p>Calculating the Benefit (Cont.)</p>	<p>Calculating the Benefit (Cont.) <u>Defined Contribution Component:</u> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.</p>
<p>Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>
<p>Service Retirement Multiplier VRS: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.</p> <p>Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.</p> <p>Political subdivision hazardous duty employees: The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.</p>	<p>Service Retirement Multiplier VRS: Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.</p> <p>Sheriffs and regional jail superintendents: Same as Plan 1.</p> <p>Political subdivision hazardous duty employees: Same as Plan 1.</p>	<p>Service Retirement Multiplier <u>Defined Benefit Component:</u> VRS: The retirement multiplier for the defined benefit component is 1.00%.</p> <p>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.</p> <p>Sheriffs and regional jail superintendents: Not applicable.</p> <p>Political subdivision hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p>

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

NOTE 9—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Normal Retirement Age VRS: Age 65.</p> <p>Political subdivisions hazardous duty employees: Age 60.</p>	<p>Normal Retirement Age VRS: Normal Social Security retirement age.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Normal Retirement Age <u>Defined Benefit Component:</u> VRS: Same as Plan 2.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Unreduced Retirement Eligibility VRS: Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.</p> <p>Political subdivisions hazardous duty employees: Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.</p>	<p>Earliest Unreduced Retirement Eligibility VRS: Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Earliest Unreduced Retirement Eligibility <u>Defined Benefit Component:</u> VRS: Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Reduced Retirement Eligibility VRS: Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.</p>	<p>Earliest Reduced Retirement Eligibility VRS: Age 60 with at least five years (60 months) of creditable service.</p>	<p>Earliest Reduced Retirement Eligibility <u>Defined Benefit Component:</u> VRS: Age 60 with at least five years (60 months) of creditable service.</p>

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

NOTE 9—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Earliest Reduced Retirement Eligibility (Cont.)</p> <p>Political subdivisions hazardous duty employees: 50 with at least five years of creditable service.</p>	<p>Earliest Reduced Retirement Eligibility (Cont.)</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Earliest Reduced Retirement Eligibility (Cont.)</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.</p> <p><u>Eligibility:</u> For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.</p> <p>For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.</p> <p><u>Eligibility:</u> Same as Plan 1.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement <u>Defined Benefit Component:</u> Same as Plan 2.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p> <p><u>Eligibility:</u> Same as Plan 1 and Plan 2.</p>

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

NOTE 9—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins. 	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1 and Plan 2.</p>

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

NOTE 9—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.	Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.	Disability Coverage Employees of political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.
Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.	Purchase of Prior Service Same as Plan 1.	Purchase of Prior Service <u>Defined Benefit Component:</u> Same as Plan 1, with the following exceptions: <ul style="list-style-type: none"> Hybrid Retirement Plan members are ineligible for ported service. <u>Defined Contribution Component:</u> Not applicable.

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-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, 2018 (Continued)

NOTE 9—PENSION PLAN: (CONTINUED)

Employees Covered by Benefit Terms

As of the June 30, 2016 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	50
Inactive members:	
Vested inactive members	4
Non-vested inactive members	16
Inactive members active elsewhere in VRS	<u>43</u>
Total inactive members	63
Active members	<u>42</u>
Total covered employees	<u><u>155</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. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

The Town's contractually required contribution rate for the year ended June 30, 2018 was 10.47% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Town were \$143,402 and \$142,344 for the years ended June 30, 2018 and June 30, 2017, respectively.

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

NOTE 9—PENSION PLAN: (CONTINUED)

Net Pension Liability

The Town's net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2016, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

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, 2016, 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, 2017.

Inflation	2.5%
Salary increases, including inflation	3.5% - 5.35%
Investment rate of return	7.0%, net of pension plan investment expenses, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality rates:

Largest 10 - Non-Hazardous Duty: 20% of deaths are assumed to be service related

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

NOTE 9—PENSION PLAN: (CONTINUED)

Actuarial Assumptions - General Employees (Continued)

Mortality rates: (Continued)

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

NOTE 9—PENSION PLAN: (CONTINUED)

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, 2016, 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, 2017.

Inflation	2.5%
Salary increases, including inflation	3.5% - 4.75%
Investment rate of return	7.0%, net of pension plan investment expenses, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality rates:

Largest 10 - Hazardous Duty: 70% of deaths are assumed to be service related

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

NOTE 9—PENSION PLAN: (CONTINUED)

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

Mortality rates: (Continued)

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Increased rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

All Others (Non 10 Largest) - Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

NOTE 9—PENSION PLAN: (CONTINUED)

Long-term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.30%

* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. 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. Through the fiscal year ending June 30, 2019, the rate contributed by the employer for the Town Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

NOTE 9—PENSION PLAN: (CONTINUED)

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2016	\$ 9,113,542	\$ 7,983,989	\$ 1,129,553
Changes for the year:			
Service cost	\$ 174,151	\$ -	\$ 174,151
Interest	623,944	-	623,944
Benefit changes	-	-	-
Differences between expected and actual experience	113,352	-	113,352
Assumption changes	3,698	-	3,698
Contributions - employer	-	142,505	(142,505)
Contributions - employee	-	81,055	(81,055)
Net investment income	-	964,912	(964,912)
Benefit payments, including refunds of employee contributions	(400,109)	(400,109)	-
Administrative expenses	-	(5,632)	5,632
Other changes	-	(857)	857
Net changes	\$ 515,036	\$ 781,874	\$ (266,838)
Balances at June 30, 2017	\$ 9,628,578	\$ 8,765,863	\$ 862,715

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 7.00%, 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 (6.00%) or one percentage point higher (8.00%) than the current rate:

	Rate		
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
Net Pension Liability	\$ 2,039,835	\$ 862,715	\$ (121,865)

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2018 (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, 2018, the Town recognized pension expense of \$(136,911). At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 54,620	\$ 41,273
Change in assumptions	1,782	-
Net difference between projected and actual earnings on pension plan investments	-	125,890
Employer contributions subsequent to the measurement date	143,402	-
Total	<u>\$ 199,804</u>	<u>\$ 167,163</u>

\$143,402 reported as deferred outflows of resources related to pensions resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year Ended June 30	
2019	\$ (64,731)
2020	36,523
2021	(66)
2022	(82,487)
2023	-
Thereafter	-

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

Plan Description

All full-time, salaried permanent employees of the state agencies, teachers, and employees of participating political subdivisions are automatically covered by the VRS Group Life Insurance Program 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.

NOTE 10—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)***Plan Description (Continued)***

In addition to the Basic Group Life Insurance benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional Group Life Insurance Program. 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 program, it is not included as part of the Group Life Insurance Program OPEB.

The specific information for Group Life Insurance Program OPEB, including eligibility, coverage and benefits is set out in the table below:

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS
<p>Eligible Employees</p> <p>The Group Life Insurance Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement:</p> <ul style="list-style-type: none"> • City of Richmond • City of Portsmouth • City of Roanoke • City of Norfolk • Roanoke City School Board <p>Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their member contributions and accrued interest.</p>
<p>Benefit Amounts</p> <p>The benefits payable under the Group Life Insurance Program have several components.</p> <ul style="list-style-type: none"> • <u>Natural Death Benefit</u> - The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. • <u>Accidental Death Benefit</u> - The accidental death benefit is double the natural death benefit. • <u>Other Benefit Provisions</u> - In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include: <ul style="list-style-type: none"> ○ Accidental dismemberment benefit ○ Safety belt benefit ○ Repatriation benefit ○ Felonious assault benefit ○ Accelerated death benefit option
<p>Reduction in Benefit Amounts</p> <p>The benefit amounts provided to members covered under the Group Life Insurance Program 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.</p>

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

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

Plan Description (Continued)

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS: (CONTINUED)

Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)
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For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at \$8,000 by statute. The amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and is currently \$8,111.
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Contributions

The contribution requirements for the Group Life Insurance Program 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 Group Life Insurance Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% x 60%) and the employer component was 0.52% (1.31% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2018 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. 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 Group Life Insurance Program from the entity were \$7,298 and \$7,220 for the years ended June 30, 2018 and June 30, 2017, respectively.

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB

At June 30, 2018, the entity reported a liability of \$114,000 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2017 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the participating employer's proportion was 0.00753% as compared to 0.00822% at June 30, 2016.

For the year ended June 30, 2018, the participating employer recognized GLI OPEB expense of \$(1,000). 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.

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

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

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB (Continued)

At June 30, 2018, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 3,000
Net difference between projected and actual earnings on GLI OPEB program investments	-	4,000
Change in assumptions	-	6,000
Changes in proportion	-	10,000
Employer contributions subsequent to the measurement date	<u>7,298</u>	<u>-</u>
Total	<u>\$ 7,298</u>	<u>\$ 23,000</u>

\$7,298 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2019	\$ (5,000)
2020	(5,000)
2021	(5,000)
2022	(5,000)
2023	(3,000)
Thereafter	-

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

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

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2016, 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, 2017.

Inflation	2.5%
Salary increases, including inflation:	
General state employees	3.5% - 5.35%
Teachers	3.5%-5.95%
SPORS employees	3.5%-4.75%
VaLORS employees	3.5%-4.75%
JRS employees	4.5%
Locality - General employees	3.5%-5.35%
Locality - Hazardous Duty employees	3.5%-4.75%
Investment rate of return	7.0%, net of investment expenses, including inflation*

*Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of OPEB liabilities.

Mortality Rates - General State Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% increase compounded from ages 70 to 85.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males 115% of rates; females 130% of rates.

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

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

Actuarial Assumptions (Continued)

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%

Mortality Rates - Teachers

Pre-Retirement:

RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement:

RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; 115% of rates for males and females.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

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

Actuarial Assumptions (Continued)

Mortality Rates - SPORS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

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

Actuarial Assumptions (Continued)

Mortality Rates - VaLORS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

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

Actuarial Assumptions (Continued)

Mortality Rates - JRS Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% compounding increase from ages 70 to 85.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males 115% of rates; females 130% of rates.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Decreased rates at first retirement eligibility
Withdrawal Rates	No change
Disability Rates	Removed disability rates
Salary Scale	No change

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

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

Actuarial Assumptions (Continued)

Mortality Rates - Largest Ten Locality Employers - General Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

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

Actuarial Assumptions (Continued)

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

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

Actuarial Assumptions (Continued)

Mortality Rates - Largest Ten Locality Employers - Hazardous Duty Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

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

Actuarial Assumptions (Continued)

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

NET GLI OPEB Liability

The net OPEB liability (NOL) for the Group Life Insurance Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2017, NOL amounts for the Group Life Insurance Program is as follows (amounts expressed in thousands):

		Group Life Insurance OPEB Program
Total GLI OPEB Liability	\$	2,942,426
Plan Fiduciary Net Position		1,437,586
Employers' Net GLI OPEB Liability (Asset)	\$	1,504,840
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		48.86%

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, 2018 (Continued)

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

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.30%

*The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

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

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

The following presents the employer's proportionate share of the net GLI OPEB liability using the discount rate of 7.00%, 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 (6.00%) or one percentage point higher (8.00%) than the current rate:

	Rate		
	1% Decrease	Current Discount	1% Increase
	(6.00%)	(7.00%)	(8.00%)
Town's proportionate share of the Group Life Insurance Program			
Net OPEB Liability	\$ 147,000	\$ 114,000	\$ 87,000

Group Life Insurance Program Fiduciary Net Position

Detailed information about the Group Life Insurance Program's Fiduciary Net Position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

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

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

NOTE 12—RISK MANAGEMENT:

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

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

NOTE 12—RISK MANAGEMENT: (CONTINUED)

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 \$97,500 reported as landfill postclosure care liability at June 30, 2018, represents the Town's estimate of its share of the postclosure monitoring costs based on the use of 100 percent of the estimated capacity of the landfill. Closure of the landfill site has been completed in prior years. The City of Covington is primarily responsible for postclosure costs and the Town of Clifton Forge pays the City its share of the costs. The Town of Clifton Forge's expected portion of these contracts is 12%. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

NOTE 14—SEGMENT INFORMATION-ENTERPRISE FUNDS:

The Town maintains two enterprise funds. The Water Fund and Sewer Fund account for the provision of basic utility services to all citizens. Selected segment information for the year ended June 30, 2018, is as follows:

	Water	Sewer	Total
Operating revenues	\$ 1,482,042	\$ 1,779,832	\$ 3,261,874
Depreciation	202,298	199,328	401,626
Operating income (loss)	577,267	368,525	945,792
Change in net position	532,534	1,025,358	1,557,892
Capital assets additions	581,170	2,048,082	2,629,252
Total assets	6,604,040	7,746,389	14,350,429
Bonds payable	2,640,180	3,681,823	6,322,003
Total net position	3,527,532	3,747,797	7,275,329

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

NOTE 15—RESTRICTED CASH:

Cash is restricted for the following:

	Governmental Activities	Business-type Activities	Total Primary Government
Bond principal payments	\$ -	\$ 67,800	\$ 67,800
Utility deposits held	-	89,887	89,887
Library improvements	24,423	-	24,423
CDBG programs	5,284	-	5,284
Forfeited assets	1,777	-	1,777
Total	\$ 31,484	\$ 157,687	\$ 189,171

NOTE 16—ADOPTION OF ACCOUNTING PRINCIPLES:

The Town implemented the financial reporting provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* during the fiscal year ended June 30, 2018. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to postemployment benefits other than pensions (other postemployment benefits or OPEB). Note disclosure and required supplementary information requirements about OPEB are also addressed. The requirements of this Statement will improve accounting and financial reporting by state and local governments for OPEB. In addition, the County implemented Governmental Accounting Standards Board Statement No. 85, *Omnibus 2017* during the fiscal year ended June 30, 2018. This Statement addresses practice issues identified during implementation and application of certain GASB statements for a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). The implementation of these Statements resulted in the following restatement of net position:

	Governmental Activities	Business-type Activities	
		Water	Sewer
Net position at June 30, 2017, as reported	\$ 1,852,672	\$ 3,020,258	\$ 2,724,401
Implementation of GASB 75	(109,557)	(25,260)	(1,962)
Net position at June 30, 2017, as restated	\$ 1,743,115	\$ 2,994,998	\$ 2,722,439

NOTE 17—UPCOMING PRONOUNCEMENTS:

Statement No. 83, *Certain Asset Retirement Obligations*, addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

NOTE 17—UPCOMING PRONOUNCEMENTS: (CONTINUED)

Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

Statement No. 87, *Leases*, increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, clarifies which liabilities governments should include when disclosing information related to debt. It defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. The Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, it requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

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

Required Supplementary Information

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General Fund

Schedule of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual
For the Year Ended June 30, 2018

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
General property taxes	\$ 607,800	\$ 607,800	\$ 592,333	\$ (15,467)
Other local taxes	913,250	913,250	964,716	51,466
Permits, privilege fees, and regulatory licenses	7,200	7,200	4,004	(3,196)
Fines and forfeitures	9,500	9,500	13,402	3,902
Revenue from the use of money and property	38,141	38,141	41,930	3,789
Charges for services	74,800	74,800	72,950	(1,850)
Miscellaneous	33,700	73,700	77,912	4,212
Recovered costs	22,225	22,225	119,757	97,532
Intergovernmental:				
Commonwealth	1,243,123	1,570,973	1,585,752	14,779
Federal	-	832,500	1,260,760	428,260
Total revenues	\$ 2,949,739	\$ 4,150,089	\$ 4,733,516	\$ 583,427
EXPENDITURES				
Current:				
General government administration	\$ 300,765	\$ 309,931	\$ 293,687	\$ 16,244
Public safety	1,025,451	1,033,575	1,050,389	(16,814)
Public works	793,438	764,391	987,940	(223,549)
Health and welfare	-	-	7,762	(7,762)
Parks, recreation, and cultural	365,263	400,820	418,239	(17,419)
Community development	162,624	124,438	84,119	40,319
Nondepartmental	207,238	198,770	188,202	10,568
Capital projects	-	367,850	1,793,968	(1,426,118)
Debt service:				
Principal retirement	109,960	132,814	111,777	21,037
Interest and other fiscal charges	-	-	26,541	(26,541)
Total expenditures	\$ 2,964,739	\$ 3,332,589	\$ 4,962,624	\$ (1,630,035)
Excess (deficiency) of revenues over (under) expenditures	\$ (15,000)	\$ 817,500	\$ (229,108)	\$ (1,046,608)
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 15,000	\$ 15,000	\$ 15,000	\$ -
Issuance of capital leases	-	-	92,095	92,095
Total other financing sources (uses)	\$ 15,000	\$ 15,000	\$ 107,095	\$ 92,095
Net change in fund balances	\$ -	\$ 832,500	\$ (122,013)	\$ (954,513)
Fund balances - beginning	-	(832,500)	390,925	1,223,425
Fund balances - ending	\$ -	\$ -	\$ 268,912	\$ 268,912

Schedule of Changes in Net Pension Liability and Related Ratios
For the Years Ended June 30, 2015 through June 30, 2018

	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

For the Years Ended June 30, 2009 through June 30, 2018

Date	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2018	\$ 143,402	\$ 143,402	\$ -	\$ 1,400,675	10.24%
2017	142,344	142,344	-	1,383,756	10.29%
2016	252,392	252,392	-	1,477,823	17.08%
2015	252,035	252,035	-	1,464,471	17.21%
2014	152,559	217,942	(65,383)	1,452,945	15.00%
2013	145,724	208,177	(62,453)	1,387,844	15.00%
2012	117,929	117,929	-	1,328,027	8.88%
2011	116,235	116,235	-	1,308,952	8.88%
2010	113,063	113,063	-	1,409,766	8.02%
2009	114,094	114,094	-	1,422,615	8.02%

Notes to Required Supplementary Information - Pension
For the Year Ended June 30, 2018

Changes of benefit terms - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this is a fairly new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2017 is not material.

Changes of assumptions - The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

Largest 10 - Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

Largest 10 - Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Increased rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

All Others (Non 10 Largest) - Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

Schedule of Town's Share of Net OPEB Liability
 Group Life Insurance Program
 For the Year Ended June 30, 2018

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)
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 Program

For the Years Ended June 30, 2009 through June 30, 2018

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)
2018	\$ 7,298	\$ 7,298	\$ -	\$ 1,403,492	0.52%
2017	7,220	7,220	-	1,388,548	0.52%
2016	7,094	7,094	-	1,477,823	0.48%
2015	7,082	7,082	-	1,475,467	0.48%
2014	6,974	6,974	-	1,452,945	0.48%
2013	6,662	6,662	-	1,387,844	0.48%
2012	3,718	3,718	-	1,328,027	0.28%
2011	3,665	3,665	-	1,308,952	0.28%
2010	2,898	2,898	-	1,073,356	0.27%
2009	3,841	3,841	-	1,422,615	0.27%

Notes to Required Supplementary Information
Group Life Insurance Program
For the Year Ended June 30, 2018

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 following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

General State Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020	
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75	
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service	
Disability Rates	Adjusted rates to better match experience	
Salary Scale	No change	
Line of Duty Disability	Increased rate from 14% to 25%	

Teachers

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

SPORS Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience	
Retirement Rates	Increased age 50 rates and lowered rates at older ages	
Withdrawal Rates	Adjusted rates to better fit experience	
Disability Rates	Adjusted rates to better match experience	
Salary Scale	No change	
Line of Duty Disability	Increased rate from 60% to 85%	

VaLORS Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience	
Retirement Rates	Increased age 50 rates and lowered rates at older ages	
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service	
Disability Rates	Adjusted rates to better fit experience	
Salary Scale	No change	
Line of Duty Disability	Decreased rate from 50% to 35%	

Notes to Required Supplementary Information
 Group Life Insurance Program
 For the Year Ended June 30, 2018 (Continued)

JRS Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Decreased rates at first retirement eligibility
Withdrawal Rates	No change
Disability Rates	Removed disability rates
Salary Scale	No change

Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

Non-Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

Largest Ten Locality Employers - Hazardous Duty Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

Non-Largest Ten Locality Employers - Hazardous Duty Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

Other Supplementary Information

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Combining and Individual Fund Financial Statements

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Combining Statement of Fiduciary Net Position
 Fiduciary Funds
 June 30, 2018

	Private-Purpose Trust Funds		
	Mountain View Cemetery	Crown Hill Cemetery	Total Private-Purpose Trust Funds
ASSETS			
Cash and cash equivalents	\$ 211,702	\$ 52,858	\$ 264,560
Due from other funds	2,700	-	2,700
Total assets	<u>\$ 214,402</u>	<u>\$ 52,858</u>	<u>\$ 267,260</u>
LIABILITIES			
Amounts held for others	\$ -	\$ -	\$ -
Total liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
NET POSITION			
Held in trust for cemeteries	<u>\$ 214,402</u>	<u>\$ 52,858</u>	<u>\$ 267,260</u>

Combining Statement of Changes in Fiduciary Net Position
 Fiduciary Funds
 For the Year Ended June 30, 2018

	Mountain View Cemetery Private-Purpose Trust	Crown Hill Cemetery Private-Purpose Trust	Total Private-Purpose Trust
ADDITIONS			
Contributions:			
Sale of cemetery lots	\$ 2,700	\$ -	\$ 2,700
Total contributions	\$ 2,700	\$ -	\$ 2,700
Investment earnings:			
Interest	\$ 17	\$ -	\$ 17
Total investment earnings	\$ 17	\$ -	\$ 17
Total additions	\$ 2,717	\$ -	\$ 2,717
DEDUCTIONS			
Transfers to other funds	\$ 15,000	\$ -	\$ 15,000
Total deductions	\$ 15,000	\$ -	\$ 15,000
Change in net position	\$ (12,283)	\$ -	\$ (12,283)
Net position - beginning	\$ 226,685	\$ 52,858	\$ 279,543
Net position - ending	\$ 214,402	\$ 52,858	\$ 267,260

Supporting Schedules

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Schedule of Revenues - Budget and Actual
Governmental Fund
For the Year Ended June 30, 2018

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	\$ 304,500	\$ 304,500	\$ 291,929	\$ (12,571)
Real and personal public service corporation taxes	31,000	31,000	37,691	6,691
Personal property taxes	257,000	257,000	246,471	(10,529)
Machinery and tools taxes	2,300	2,300	4,086	1,786
Penalties	7,000	7,000	6,975	(25)
Interest	6,000	6,000	5,181	(819)
Total general property taxes	\$ 607,800	\$ 607,800	\$ 592,333	\$ (15,467)
Other local taxes:				
Local sales and use taxes	\$ 122,000	\$ 122,000	\$ 122,286	\$ 286
Consumers' utility taxes	150,000	150,000	163,977	13,977
Business license taxes	206,000	206,000	201,844	(4,156)
Motor vehicle licenses	53,750	53,750	51,370	(2,380)
Bank stock taxes	70,000	70,000	99,822	29,822
Transient occupancy taxes	10,000	10,000	10,088	88
Restaurant food taxes	288,000	288,000	301,235	13,235
Tobacco tax	13,500	13,500	14,094	594
Total other local taxes	\$ 913,250	\$ 913,250	\$ 964,716	\$ 51,466
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 1,200	\$ 1,200	\$ 960	\$ (240)
Zoning Fees	1,000	1,000	-	(1,000)
Building permits	5,000	5,000	3,044	(1,956)
Total permits, privilege fees, and regulatory licenses	\$ 7,200	\$ 7,200	\$ 4,004	\$ (3,196)
Fines and forfeitures:				
Court fines and forfeitures	\$ 9,500	\$ 9,500	\$ 13,402	\$ 3,902
Revenue from use of money and property:				
Revenue from use of money	\$ 5,525	\$ 5,525	\$ 10,117	\$ 4,592
Revenue from use of property	32,616	32,616	31,813	(803)
Total revenue from use of money and property	\$ 38,141	\$ 38,141	\$ 41,930	\$ 3,789
Charges for services:				
Charges for fire protection	\$ 53,000	\$ 53,000	\$ 53,000	\$ -
Charges for first responders	15,000	15,000	15,000	-
Charges for sanitation and waste removal	300	300	75	(225)
Charges for library	6,500	6,500	4,875	(1,625)
Total charges for services	\$ 74,800	\$ 74,800	\$ 72,950	\$ (1,850)
Miscellaneous:				
Cemetery income	\$ 21,200	\$ 21,200	\$ 14,300	\$ (6,900)
Friends of Library	4,000	4,000	5,425	1,425
Sale of Salvage/Surplus	5,000	5,000	22,470	17,470
Donations	2,000	2,000	5,998	3,998
Miscellaneous grants	-	40,000	9,500	(30,500)
Miscellaneous	1,500	1,500	20,219	18,719
Total miscellaneous	\$ 33,700	\$ 73,700	\$ 77,912	\$ 4,212

Schedule of Revenues - Budget and Actual
Governmental Fund
For the Year Ended June 30, 2018 (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	\$ 22,225	\$ 22,225	\$ 25,225	\$ 3,000
Other costs	-	-	94,532	94,532
Total recovered costs	\$ 22,225	\$ 22,225	\$ 119,757	\$ 97,532
Total revenue from local sources	\$ 1,706,616	\$ 1,746,616	\$ 1,887,004	\$ 140,388
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicle rental tax	\$ -	\$ -	\$ 1,284	\$ 1,284
Rolling stock tax	6,000	6,000	5,907	(93)
Communications taxes	90,000	90,000	85,919	(4,081)
PPTRA Reimbursement	316,644	316,644	316,644	-
Total noncategorical aid	\$ 412,644	\$ 412,644	\$ 409,754	\$ (2,890)
Categorical aid:				
Virginia Commission for the Arts grant	\$ 5,000	\$ 5,000	\$ 4,500	\$ (500)
DJC Grants	194,445	194,445	194,444	(1)
VDOT grants - state share	-	-	268,342	268,342
Department of fire programs funds	12,310	12,310	12,985	675
Litter control grant	2,750	2,750	2,759	9
Street and highway maintenance funds	570,000	570,000	598,864	28,864
Library	41,974	41,974	41,994	20
Other state grants	4,000	331,850	52,110	(279,740)
Total categorical aid	\$ 830,479	\$ 1,158,329	\$ 1,175,998	\$ 17,669
Total revenue from the Commonwealth	\$ 1,243,123	\$ 1,570,973	\$ 1,585,752	\$ 14,779
Revenue from the Federal Government:				
Categorical aid:				
TEA - Highway planning and construction	\$ -	\$ -	\$ 1,121,835	\$ 1,121,835
Edward Byrne Memorial Justice Assistance Grant	-	832,500	-	(832,500)
Disaster grants - public assistance	-	-	6,638	6,638
Community development block grant	-	-	132,287	132,287
Total categorical aid	\$ -	\$ 832,500	\$ 1,260,760	\$ 428,260
Total revenue from the Federal Government	\$ -	\$ 832,500	\$ 1,260,760	\$ 428,260
Total General Fund	\$ 2,949,739	\$ 4,150,089	\$ 4,733,516	\$ 583,427

Schedule of Expenditures - Budget and Actual
Governmental Fund
For the Year Ended June 30, 2018

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
General government administration:				
Legislative:				
Town Council	\$ 14,688	\$ 14,545	\$ 10,388	\$ 4,157
General and financial administration:				
Town manager	\$ 116,878	\$ 123,884	\$ 122,227	\$ 1,657
Legal services	9,500	6,617	1,468	5,149
Accounting and auditing services	16,875	16,875	11,365	5,510
Finance	142,824	148,010	148,239	(229)
Total general and financial administration	\$ 286,077	\$ 295,386	\$ 283,299	\$ 12,087
Total general government administration	\$ 300,765	\$ 309,931	\$ 293,687	\$ 16,244
Public safety:				
Law enforcement and traffic control:				
Police department	\$ 825,715	\$ 825,715	\$ 841,870	\$ (16,155)
Fire and rescue services:				
Fire department	\$ 199,736	\$ 207,860	\$ 208,519	\$ (659)
Total public safety	\$ 1,025,451	\$ 1,033,575	\$ 1,050,389	\$ (16,814)
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Highways, streets, bridges and sidewalks	\$ 608,986	\$ 608,986	\$ 221,114	\$ 387,872
Administration	55,957	36,807	37,743	(936)
Eligible Streets	-	-	623,785	(623,785)
Total maintenance of highways, streets, bridges and sidewalks	\$ 664,943	\$ 645,793	\$ 882,642	\$ (236,849)
Maintenance of general buildings and grounds:				
General properties	\$ 30,509	\$ 32,197	\$ 32,556	\$ (359)
Cemeteries	97,986	86,401	72,742	13,659
Total maintenance of general buildings and grounds	\$ 128,495	\$ 118,598	\$ 105,298	\$ 13,300
Total public works	\$ 793,438	\$ 764,391	\$ 987,940	\$ (223,549)
Health and welfare:				
Welfare:				
Tax relief for the elderly	\$ -	\$ -	\$ 7,762	\$ (7,762)

Schedule of Expenditures - Budget and Actual
Governmental Fund
For the Year Ended June 30, 2018 (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	\$ 148,089	\$ 183,646	\$ 189,990	\$ (6,344)
Cultural enrichment:				
Cultural enrichment	\$ 10,000	\$ 10,000	\$ 10,000	\$ -
Masonic Theatre preservation	15,000	15,000	15,000	-
Total cultural enrichment	25,000	25,000	25,000	-
Library:				
Library	\$ 192,174	\$ 192,174	\$ 203,249	\$ (11,075)
Total parks, recreation, and cultural	\$ 365,263	\$ 400,820	\$ 418,239	\$ (17,419)
Community development:				
Planning and community development:				
Community development	\$ 111,124	\$ 71,036	\$ 30,967	\$ 40,069
Contributions local civic organizations	21,500	21,750	21,500	250
Roanoke Valley-Alleghany Regional Commission	3,500	3,552	3,552	-
Other planning community development	26,500	28,100	28,100	-
Total planning and community development	\$ 162,624	\$ 124,438	\$ 84,119	\$ 40,319
Total community development	\$ 162,624	\$ 124,438	\$ 84,119	\$ 40,319
Nondepartmental:				
Nondepartmental	\$ 177,061	\$ 183,867	\$ 182,435	\$ 1,432
Contingencies	30,177	14,903	5,767	9,136
Total nondepartmental	\$ 207,238	\$ 198,770	\$ 188,202	\$ 10,568
Capital projects:				
Capital projects - grants	\$ -	\$ 367,850	\$ 1,793,968	\$ (1,426,118)
Total capital projects	\$ -	\$ 367,850	\$ 1,793,968	\$ (1,426,118)
Debt service:				
Principal retirement	\$ 109,960	\$ 132,814	\$ 111,777	\$ 21,037
Interest and other fiscal charges	-	-	26,541	(26,541)
Total debt service	\$ 109,960	\$ 132,814	\$ 138,318	\$ (5,504)
Total General Fund	\$ 2,964,739	\$ 3,332,589	\$ 4,962,624	\$ (1,630,035)

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

Water Enterprise Fund

For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Operating Revenues:				
Sale of services, commodities and properties:				
Sale of water	\$ 778,500	\$ 778,500	\$ 849,013	\$ 70,513
Connection fees	2,000	2,000	1,421	(579)
Administration fees	2,000	2,000	1,838	(162)
County water	565,000	565,000	603,800	38,800
Penalties	11,000	11,000	10,543	(457)
Miscellaneous	9,200	9,200	15,427	6,227
Total operating revenues	<u>\$ 1,367,700</u>	<u>\$ 1,367,700</u>	<u>\$ 1,482,042</u>	<u>\$ 114,342</u>
Operating Expenses:				
Water filtration plant	\$ 480,136	\$ 483,331	\$ 338,003	\$ 145,328
Transmissional distribution	151,290	162,868	152,194	10,674
Other costs	130,465	130,465	115,940	14,525
Depreciation	-	-	202,298	(202,298)
Capital outlay	423,000	423,000	96,340	326,660
Total operating expenses	<u>\$ 1,184,891</u>	<u>\$ 1,199,664</u>	<u>\$ 904,775</u>	<u>\$ 294,889</u>
Net operating income	<u>\$ 182,809</u>	<u>\$ 168,036</u>	<u>\$ 577,267</u>	<u>\$ 409,231</u>
Nonoperating revenues (expenses):				
State grants - Virginia Department of Health	\$ -	\$ 14,773	\$ -	\$ (14,773)
Interest revenue	-	-	104	104
Interest expense	(213,878)	(213,878)	(44,837)	169,041
Net nonoperating revenues (expenses)	<u>\$ (213,878)</u>	<u>\$ (199,105)</u>	<u>\$ (44,733)</u>	<u>\$ 154,372</u>
Income (loss) before contributions and operating transfers	<u>\$ (31,069)</u>	<u>\$ (31,069)</u>	<u>\$ 532,534</u>	<u>\$ 563,603</u>
Transfer from reserve	<u>\$ 31,069</u>	<u>\$ 31,069</u>	<u>\$ -</u>	<u>\$ (31,069)</u>
Change in net position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 532,534</u>	<u>\$ 532,534</u>

Schedule of Revenues, Expenses, and Changes in Net Position - Budget and Actual
 Sewer Enterprise Fund
 For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Operating Revenues:				
Sale of services, commodities and properties:				
Sewage treatment charges	\$ 1,580,000	\$ 1,580,000	\$ 1,751,048	\$ 171,048
Sewer lateral line fee	-	-	150	150
Connection fees	-	-	1,200	1,200
Administration fees	2,000	2,000	1,788	(212)
Penalties	22,000	22,000	21,184	(816)
Miscellaneous	-	-	4,462	4,462
Total operating revenues	\$ 1,604,000	\$ 1,604,000	\$ 1,779,832	\$ 175,832
Operating Expenses:				
Wastewater treatment plant	\$ 1,099,500	\$ 1,099,500	\$ 1,015,917	\$ 83,583
Sewage collection	121,503	121,503	87,895	33,608
Sewer I and I	47,041	47,041	6,382	40,659
Other costs	125,530	125,530	101,785	23,745
Depreciation	-	-	199,328	(199,328)
Capital outlay	69,383	901,883	-	901,883
Total operating expenses	\$ 1,462,957	\$ 2,295,457	\$ 1,411,307	\$ 884,150
Net operating income	\$ 141,043	\$ (691,457)	\$ 368,525	\$ 1,059,982
Nonoperating Revenues (Expenses):				
Payment to County for settlement	\$ (40,000)	\$ (40,000)	\$ -	\$ 40,000
Interest expense	(101,043)	(101,043)	(10,691)	90,352
Net nonoperating revenues (expenses)	\$ (141,043)	\$ (141,043)	\$ (10,691)	\$ 130,352
Income (loss) before contributions and operating transfers	\$ -	\$ (832,500)	\$ 357,834	\$ 1,190,334
Capital contributions and grants - State	\$ -	\$ -	\$ 667,524	\$ 667,524
Change in net position	\$ -	\$ (832,500)	\$ 1,025,358	\$ 1,857,858

Other Statistical Information

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Government-wide Information

TOWN OF CLIFTON FORGE, VIRGINIA

Government-wide Expenses by Function
Last Ten Fiscal Years

Fiscal Year	General Government Administration	Public Safety	Public Works	Parks, Recreation, and Cultural
2008-09	\$ 421,016	\$ 1,056,234	\$ 634,749	\$ 389,814
2009-10	390,193	928,861	913,542	304,956
2010-11	522,019	992,001	729,685	268,278
2011-12	522,765	982,527	737,596	277,107
2012-13	520,236	1,048,094	807,040	275,235
2013-14	590,768	1,167,341	928,631	329,347
2014-15	475,226	1,023,906	660,928	594,200
2015-16	405,327	1,035,099	998,874	833,947
2016-17	382,151	978,824	555,605	409,685
2017-18	358,116	1,007,657	952,033	398,343

Table 1

Community Development	Interest on Long- term Debt	Other	Water Fund	Sewer Fund	Total
\$ 30,130	\$ -	\$ 10,031	\$ 946,697	\$ 1,181,826	\$ 4,670,497
249,267	20,097	8,787	930,702	1,152,799	4,899,204
88,082	12,635	8,825	923,244	1,129,984	4,674,753
89,307	16,528	6,447	1,111,478	1,428,145	5,171,900
127,727	18,702	7,117	1,004,570	1,221,660	5,030,381
129,521	42,944	6,282	1,100,685	1,351,775	5,647,294
138,854	26,842	7,339	965,997	1,389,447	5,282,739
393,010	21,510	8,164	932,505	4,224,181	8,852,617
589,430	23,140	8,898	840,885	1,435,860	5,224,478
536,792	25,308	7,762	949,612	1,421,998	5,657,621

TOWN OF CLIFTON FORGE, VIRGINIA

Government-wide Revenues
Last Ten Fiscal Years

PROGRAM REVENUES				
Fiscal Year		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
2008-09	\$	1,999,013	\$ 621,831	\$ 368,977
2009-10		2,204,909	720,419	180,290
2010-11		2,223,803	921,231	32,864
2011-12		2,713,934	757,442	19,223
2012-13		2,603,083	910,554	15,188
2013-14		2,750,398	899,149	14,785
2014-15		2,641,003	894,274	1,286,659
2015-16		2,635,889	1,200,250	594,103
2016-17		3,173,977	1,189,138	506,250
2017-18		3,352,230	1,046,581	2,057,701

GENERAL REVENUES							
General Property Taxes	Other Local Taxes	Unrestricted Investment Earnings	Miscellaneous	Grants and Contributions Not Restricted to Specific Programs	Transfers	Total	
\$ 623,600	\$ 867,492	\$ 22,530	\$ 141,059	\$ 337,892	\$ -	\$ 4,982,394	
594,157	742,933	5,789	26,973	437,012	-	4,912,482	
574,130	771,811	3,151	26,432	436,076	-	4,989,498	
638,317	783,193	9,010	23,289	422,021	-	5,366,429	
536,411	772,556	10,845	77,034	420,338	-	5,346,009	
662,508	818,958	17,927	21,105	418,651	-	5,603,481	
602,480	838,486	16,106	381,559	418,442	-	7,079,009	
585,139	914,881	16,271	409,998	415,280	10,000	6,781,811	
597,153	901,126	18,163	306,253	412,783	-	7,104,843	
588,575	964,716	41,930	77,912	409,754	15,000	8,554,399	

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Fund Information

TOWN OF CLIFTON FORGE, VIRGINIA

General Governmental Expenditures by Function (1)
Last Ten Fiscal Years

Fiscal Year	General Government Administration	Public Safety	Public Works	Parks, Recreation, and Cultural
2008-09	278,951	971,663	659,116	380,012
2009-10	266,659	868,090	902,409	298,709
2010-11	277,385	956,894	858,419	281,446
2011-12	263,094	914,198	815,527	280,794
2012-13	269,640	1,001,607	812,979	286,893
2013-14	278,136	1,033,675	870,189	328,276
2014-15	289,287	1,009,379	631,237	606,841
2015-16	296,571	1,026,178	927,495	425,897
2016-17	311,771	1,011,462	584,096	431,323
2017-18	293,687	1,050,389	987,940	418,239

(1) Includes General Fund of Primary Government.

Table 3

Community Development	Capital Projects	Non- departmental	Debt Service	Other	Total
5,050	562,928	-	15,509	8,031	2,881,260
238,142	243,773	-	2,886	95,183	2,915,851
190,721	39,912	210,165	85,106	8,825	2,908,873
127,224	197,206	239,566	72,078	6,447	2,916,134
134,365	275,038	233,582	100,230	7,117	3,121,451
122,887	176,244	266,948	410,218	6,282	3,492,855
148,878	737,495	184,872	125,123	7,339	3,740,451
144,171	1,253,858	215,575	106,662	8,164	4,404,571
104,721	1,105,844	142,481	131,507	8,898	3,832,103
84,119	1,793,968	188,202	138,318	7,762	4,962,624

TOWN OF CLIFTON FORGE, VIRGINIA

General Governmental Revenues by Source (1)
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
2008-09	\$ 615,168	\$ 844,962	1,658	\$ 14,505	\$ 22,530
2009-10	670,058	742,933	4,848	11,685	5,789
2010-11	578,391	771,811	6,156	8,242	3,151
2011-12	588,602	783,193	8,951	11,966	9,010
2012-13	610,187	772,556	4,780	8,072	10,783
2013-14	604,824	818,958	7,702	16,461	16,972
2014-15	610,843	838,486	9,824	14,377	15,958
2015-16	584,409	914,881	4,210	9,336	16,271
2016-17	583,768	901,126	21,355	9,032	18,139
2017-18	592,333	964,716	4,004	13,402	41,930

(1) Includes General Fund of the Primary Government.

Table 4

	Charges for Services	Miscellaneous	Recovered Costs	Inter- governmental	Total
\$	26,376	\$ 141,059	\$ 63,384	\$ 959,723	\$ 2,689,365
	74,699	26,973	121,327	1,157,431	2,815,743
	56,493	26,432	145,225	1,357,307	2,953,208
	59,413	23,289	100,080	1,179,463	2,763,967
	56,078	77,034	75,945	1,330,892	2,946,327
	57,097	21,105	96,636	1,313,700	2,953,455
	67,517	381,559	78,110	1,589,617	3,606,291
	59,141	409,998	174,734	1,963,038	4,136,018
	70,969	306,253	52,813	2,084,009	4,047,464
	72,950	77,912	119,757	2,846,512	4,733,516

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
2008-09	606,631	572,722	94.41%	20,528	593,250	97.79%	165,573	27.29%
2009-10	546,457	521,816	95.49%	81,812	603,628	110.46%	89,452	16.37%
2010-11	568,628	535,191	94.12%	24,326	559,517	98.40%	92,067	16.19%
2011-12	596,623	551,944	92.51%	22,982	574,926	96.36%	106,660	17.88%
2012-13	612,146	571,025	93.28%	26,146	597,171	97.55%	118,992	19.44%
2013-14	616,167	563,247	91.41%	27,724	590,971	95.91%	106,881	17.35%
2014-15	616,253	559,856	90.85%	35,518	595,374	96.61%	99,024	16.07%
2015-16	599,401	551,035	91.93%	28,778	579,813	96.73%	99,070	16.53%
2016-17	593,548	545,112	91.84%	26,860	571,972	96.36%	112,202	18.90%
2017-18	603,587	552,032	91.46%	28,144	580,176	96.12%	121,362	20.11%

(1) Exclusive of penalties and interest.

(2) Does not include land redemptions.

(3) Exclusive of PPTRA levy and collections.

Assessed Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year	Real Estate (1)		Personal Property		Mobile Homes		Public Utility (2)		Total			
							Real Estate	Personal Property				
2008-09	\$	144,390,500	\$	9,009,054	\$	48,900	\$	12,151,874	\$	3,637	\$	165,603,965
2009-10		141,747,600		8,046,720		37,300		12,793,206		13,854		162,638,680
2010-11		145,606,800		8,289,201		32,400		17,325,209		15,947		171,269,557
2011-12		146,306,600		8,604,873		49,900		18,970,801		23,007		173,955,181
2012-13		146,111,800		8,905,432		53,900		18,310,728		15,307		173,397,167
2013-14		142,806,600		9,044,173		24,700		15,315,207		15,307		167,205,987
2014-15		142,925,700		8,649,145		44,700		14,435,672		4,990		166,060,207
2015-16		143,019,900		8,730,534		44,700		14,338,130		8,175		166,141,439
2016-17		142,907,600		8,744,459		23,200		14,115,119		24,578		165,814,956
2017-18		143,317,800		8,747,231		15,800		17,303,286		20,203		169,404,320

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

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

Property Tax Rates (1)
Last Ten Fiscal Years

Fiscal Year	Real Estate	Mobile Homes	Personal Property	Machinery and Tools
2008-09	\$ 0.21	\$ 0.21	\$ 6.70	\$ 6.70
2009-10	0.21	0.21	6.70	6.70
2010-11	0.21	0.21	6.70	6.70
2011-12	0.21	0.21	6.70	6.70
2012-13	0.21	0.21	6.70	6.70
2013-14	0.21	0.21	6.70	6.70
2014-15	0.21	0.21	6.70	6.70
2015-16	0.21	0.21	6.70	6.70
2016-17	0.21	0.21	6.70	6.70
2017-18	0.21	0.21	6.70	6.70

(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			
2008-09	4,289	\$ 165,603,965	\$ 6,089,438	\$ -	\$ 6,089,438	-	0.00%	-
2009-10	3,874	162,638,680	6,521,998	-	6,521,998	-	0.00%	-
2010-11	3,874	171,269,557	6,111,596	-	6,111,596	-	0.00%	-
2011-12	3,903	173,955,181	5,822,539	-	5,672,539	150,000	0.09%	38
2012-13	3,880	173,397,167	7,793,970	-	5,285,776	2,508,194	1.45%	646
2013-14	3,869	167,205,987	7,422,908	-	7,016,451	406,457	0.24%	105
2014-15	3,790	166,060,207	6,733,317	-	6,391,503	341,814	0.21%	90
2015-16	3,740	166,141,439	6,688,922	-	6,198,705	490,217	0.30%	131
2016-17	3,715	165,814,956	6,250,738	-	5,705,880	544,858	0.33%	147
2017-18	3,565	169,404,320	6,737,273	-	6,264,370	472,903	0.28%	133

(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, 2018

Total Assessed Value of Real Estate	\$ 160,621,086
Legal Debt Margin - 10% of assessed value of real estate	\$ 16,062,109
Less: Applicable gross indebtedness	<u>4,944,070</u>
Legal margin for creation of additional debt	<u>\$ 11,118,039</u>

Compliance

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ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Clifton Forge, Virginia, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town of Clifton Forge, Virginia's basic financial statements, and have issued our report thereon dated November 30, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Clifton Forge, Virginia's internal control over financial reporting (internal control) 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 of Clifton Forge, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Clifton Forge, Virginia's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Clifton Forge, Virginia's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

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

November 30, 2018

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

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

Report on Compliance for Each Major Federal Program

We have audited the Town of Clifton Forge, Virginia, Virginia's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Town of Clifton Forge, Virginia, Virginia's major federal programs for the year ended June 30, 2018. Town of Clifton Forge, Virginia, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Town of Clifton Forge, Virginia, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control over Compliance

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

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

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

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

Robinson, Farmer, Cox Associates

Charlottesville, Virginia
November 30, 2018

TOWN OF CLIFTON FORGE, VIRGINIA

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

Federal Grantor/State Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Housing and Urban Development: Pass-through Payments: Department of Housing and Community Development: Community Development Block Grant/States' Program and Non-Entitlement Grants in Hawaii	14.228	N/A	\$ 132,287
Total Department of Housing and Urban Development			\$ 132,287
Department of Transportation: Pass-through Payments: Virginia Department of Transportation: Highway Planning and Construction	20.205	N/A	\$ 1,121,835
Total Department of Transportation			\$ 1,121,835
Department of Homeland Security Pass-through Payments: Department of Emergency Management Disaster Grants - Public Assistance - (Presidentially Declared)	97.036	N/A	\$ 6,638
Total Department of Homeland Security			\$ 6,638
Total Expenditures of Federal Awards			\$ 1,260,760

See accompanying notes to schedule of expenditures of federal awards.

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards ("Schedule") includes the federal grant activity of the Town of Clifton Forge, Virginia under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Town of Clifton Forge, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town of Clifton Forge, Virginia.

Note 2 - Basis of Accounting

- (1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (2) Pass-through entity identifying numbers are presented where available.

Note 3 - Indirect Cost Rate

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

Note 4 - Subrecipients

No awards were passed through to subrecipients.

Note 5 - Relationship to Financial Statements

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

Intergovernmental federal revenues per the basic financial statements:	
General Fund	\$ <u>1,260,760</u>
Total federal expenditures per basic financial statements	
	\$ <u>1,260,760</u>
Total federal expenditures per the Schedule of Expenditures of Federal Awards	
	\$ <u><u>1,260,760</u></u>

TOWN OF CLIFTON FORGE, VIRGINIA

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2018

Section I - Summary of Auditors' Results

Financial Statements

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

Federal Awards

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

Identification of major programs:

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
20.205	Highway Planning and Construction

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

Section II - Financial Statement Findings

There are no financial statement findings to report.

Section III - Federal Award Findings and Questioned Costs

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

Section IV - Prior Year Findings

There are no prior year findings to report.

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