



TOWN OF CLIFTON FORGE, VIRGINIA

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2010

TOWN OF CLIFTON FORGE, VIRGINIA

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2010

COUNCIL

Annette Lea Anderson, Mayor

James N. Houff, Vice-Mayor

Donald V. Carter

Nellie D. Friel

W. Ed Mansfield

OFFICIALS

LeeAnna Tyler.....Finance Director/Acting Town Manager
David D. Davis..... Town Attorney

TOWN OF CLIFTON FORGE, VIRGINIA

FINANCIAL REPORT
YEAR ENDED JUNE 30, 2010

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1-2
Management's Discussion and Analysis	3-8
 <u>Basic Financial Statements:</u>	
Government-wide Financial Statements:	
Exhibit 1 Statement of Net Assets	9
Exhibit 2 Statement of Activities	10-11
 Fund Financial Statements:	
Exhibit 3 Balance Sheet—Governmental Funds	12
Exhibit 4 Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	13
Exhibit 5 Statement of Revenues, Expenditures and Changes in Fund Balances—Governmental Funds	14
Exhibit 6 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Exhibit 7 Statement of Net Assets—Proprietary Funds	16
Exhibit 8 Statement of Revenues, Expenses, and Changes in Fund Net Assets—Proprietary Funds	17
Exhibit 9 Statement of Cash Flows—Proprietary Funds	18
Exhibit 10 Statement of Fiduciary Net Assets—Fiduciary Funds	19
Exhibit 11 Statement of Changes in Fiduciary Net Assets—Fiduciary Funds	20
 Notes to Financial Statements	 21-38

TOWN OF CLIFTON FORGE, VIRGINIA

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2010

TABLE OF CONTENTS (CONTINUED)

	<u>Page</u>	
<u>Required Supplementary Information:</u>		
Exhibit 12	Statement of Revenues, Expenditures and Changes in Fund Balances— Budget and Actual—General Fund	39
Exhibit 13	Schedule of Pension Funding Progress	40
<u>Other Supplementary Information:</u>		
Combining and Individual Fund Statements and Schedules:		
Exhibit 14	Combining Statement of Fiduciary Net Assets—Fiduciary Funds	41
Exhibit 15	Combining Statement of Changes in Fiduciary Net Assets—Fiduciary Funds	42
Exhibit 16	Combining Statement of Changes in Assets and Liabilities—Agency Funds	43
<u>Supporting Schedules:</u>		
Schedule 1	Schedule of Revenues—Budget and Actual—Governmental Funds	44-45
Schedule 2	Schedule of Expenditures—Budget and Actual—Governmental Funds	46-47
Schedule 3	Schedule of Revenues, Expenses and Changes in Net Assets—Budget and Actual—Water Enterprise Fund	48
Schedule 4	Schedule of Revenues, Expenses and Changes in Net Assets—Budget and Actual—Sewer Enterprise Fund	49

TOWN OF CLIFTON FORGE, VIRGINIA

**FINANCIAL REPORT
YEAR ENDED JUNE 30, 2010**

TABLE OF CONTENTS (CONTINUED)

Page

Other Statistical Information:

Government-wide information:

Table 1	Government-wide Expenses by Function	50-51
Table 2	Government-wide Revenues	52-53

Fund information:

Table 3	General Governmental Expenditures by Function	54-55
Table 4	General Governmental Revenues by Source	56-57
Table 5	Property Tax Levies and Collections	58
Table 6	Assessed Value of Taxable Property	59
Table 7	Property Tax Rates	60
Table 8	Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita	61
Table 9	Computation of Legal Debt Margin	62

Compliance:

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	63-64
Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular a-133	65-66

TOWN OF CLIFTON FORGE, VIRGINIA

FINANCIAL REPORT
YEAR ENDED JUNE 30, 2010

TABLE OF CONTENTS (CONTINUED)

	<u>Page</u>
<u>Compliance: (Continued)</u>	
Schedule of Expenditures of Federal Awards	67
Notes to Schedule of Expenditures of Federal Awards	68
Schedule of Findings and Questioned Costs	69

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
CLIFTON FORGE, VIRGINIA**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Clifton Forge, Virginia, as of and for the year ended June 30, 2010, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Clifton Forge, Virginia's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, and each major fund, of the Town of Clifton Forge, Virginia, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2011 on our consideration of the Town of Clifton Forge, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis, budgetary comparison information and schedule of pension funding progress as listed in the table of contents, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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 accompanying financial information listed as Other Supplementary Information and Supporting Schedules in the table of contents and the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organization*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such 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. The other statistical information listed in the table of contents is not a required part of the basic financial statements, and we did not audit or apply limited procedures to such information. Accordingly, we express no opinion on them.

Robinson, Farmer, Cox Associates
Charlottesville, Virginia
March 22, 2011

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, 2010. Please read it in conjunction with the Town's basic financial statements, which follow this section.

Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$6.9 million (*net assets*). Of this amount, \$1.8 million (*unrestricted net assets*) may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Town's total net assets increased by \$13,382, of which the governmental activities accounted for a \$197,188 decrease while business-type activities accounted for a \$210,570 increase.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$125,300, a decrease of \$100,108 in comparison with the prior year. 100% of this fund balance is *available for spending* at the Town's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$100,108, 3% of governmental fund expenditures less any capital outlay projects funded with bond proceeds.
- The Town's total debt increased by \$367,132 during the current fiscal year. The key factor in this net increase was the continued drawdown of Virginia Revolving Loan funds.

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 the financial statements. This report also contains 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 assets* presents information on all of the Town's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of how the financial position of the Town may be changing. Increases in net assets may indicate an improved financial position; however, even decreases in net assets may reflect a changing manner in which the Town may have used previously accumulated funds.

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

Government-wide financial statements: (Continued)

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Town include general government administration, public safety, and public works. The business-type activities are for public utilities. The government-wide financial statements can be found on pages 9 through 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. All of the funds of the Town can be divided into two categories: governmental funds and proprietary funds.

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 the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21 through 37 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 schedule of funding in progress relating to the Town's participation in its defined benefit pension plan. Required supplementary information can be found on pages 39 and 40 of this report.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets exceeded liabilities by \$6.9 million at the close of the most recent fiscal year. A large portion of the Town's net assets (\$5 million, 73.1% 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 Assets:

Town of Clifton Forge, Virginia
Summary of Net Assets
As of June 30, 2010

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 662,029	\$ 644,401	\$ 2,253,214	\$ 1,994,044	\$ 2,915,243	\$ 2,638,445
Capital assets	1,624,185	1,708,655	10,106,217	9,990,265	11,730,402	11,698,920
Total assets	\$ 2,286,214	\$ 2,353,056	\$ 12,359,431	\$ 11,984,309	\$ 14,645,645	\$ 14,337,365
Long-term liabilities outstanding	\$ 590,923	\$ 654,214	\$ 6,561,730	\$ 6,131,307	\$ 7,152,653	\$ 6,785,521
Other liabilities	494,115	300,478	146,283	412,150	640,398	712,628
Total liabilities	\$ 1,085,038	\$ 954,692	\$ 6,708,013	\$ 6,543,457	\$ 7,793,051	\$ 7,498,149
Net assets:						
Invested in capital assets, net of related debt	\$ 1,290,215	\$ 1,333,696	\$ 3,584,219	\$ 3,900,827	\$ 4,874,434	\$ 5,234,523
Unrestricted	(89,039)	64,668	2,067,199	1,540,025	1,978,160	1,604,693
Total net assets	\$ 1,201,176	\$ 1,398,364	\$ 5,651,418	\$ 5,440,852	\$ 6,852,594	\$ 6,839,216

At the end of the current fiscal year, the Town is able to report positive balances in both categories of net assets for the business-type activities. Governmental-activities reported a positive balance in net assets invested in capital assets, net of related debt, however, a negative balance of \$89,039 was reported in unrestricted net assets.

As noted previously, the Town's net assets increased by \$13,382 during the current fiscal year, generally due to increased collections from the Town's water and sewer operations.

Government-Wide Financial Analysis: (Continued)

Governmental activities decreased the Town's net assets by \$197,188. The following table summarizes the Town's Statement of Activities:

Town of Clifton Forge, Virginia
Changes in Net Assets
As of June 30, 2008

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program revenues:						
Charges for services	\$ 91,232	\$ 42,539	\$ 2,113,781	\$ 1,956,474	\$ 2,205,013	\$ 1,999,013
Operating grants and contributions	720,419	621,831	-	-	720,419	621,831
Capital grants and contributions	-	-	180,290	368,977	180,290	368,977
General revenues:						
Property taxes	594,157	623,600	-	-	594,157	623,600
Other taxes	742,933	844,962	-	-	742,933	844,962
Unrestricted revenues from use of money and property	5,789	22,530	-	-	5,789	22,530
Miscellaneous	26,973	141,059	-	-	26,973	141,059
Grants and contributions not restricted to specific programs	437,012	337,892	-	-	437,012	337,892
Total revenues	\$ 2,618,515	\$ 2,634,413	\$ 2,294,071	\$ 2,325,451	\$ 4,912,586	\$ 4,959,864
Expenses:						
General government administration	\$ 410,290	\$ 421,016	\$ -	\$ -	\$ 410,290	\$ 421,016
Public safety	928,861	1,056,234	-	-	928,861	1,056,234
Public works	913,542	634,749	-	-	913,542	634,749
Health and welfare	6,387	7,631	-	-	6,387	7,631
Education	2,400	2,400	-	-	2,400	2,400
Parks, recreation and cultural	304,956	389,814	-	-	304,956	389,814
Community development	249,267	30,130	-	-	249,267	30,130
Interest on long-term debt	-	-	-	-	-	0
Water fund	-	-	930,702	946,697	930,702	946,697
Sewer fund	-	-	1,152,799	1,181,826	1,152,799	1,181,826
Total expenses	\$ 2,815,703	\$ 2,541,974	\$ 2,083,501	\$ 2,128,523	\$ 4,899,204	\$ 4,670,497
Increase in net assets	\$ (197,188)	\$ 92,439	\$ 210,570	\$ 196,928	\$ 13,382	\$ 289,367
Net assets - beginning of year	1,398,364	5,651,418	5,440,848	5,243,924	6,839,212	10,895,342
Net assets - end of year	\$ 1,201,176	\$ 5,743,857	\$ 5,651,418	\$ 5,440,852	\$ 6,852,594	\$ 11,184,709

Generally, net asset changes are for the difference between revenues and expenses. The key element of this increase was the increase in property tax revenue and state and federal revenues.

Business-type activities increased the Town's net assets by \$210,570. Similar to how changes arise in the governmental activities, business-type activities also experience budgetary differences; however, as a public utility function comprises the Town's business-type activities there is more of a direct correlation to the revenues generated relative to the expenses incurred because of service demands.

Financial Analysis of the Town's Funds

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

Governmental fund: The focus of the Town's *governmental fund* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Town's financing requirements. In particular *unreserved 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 \$125,300, a decrease of \$100,108 in comparison with the prior year. The entire amount of this total is reported as unreserved, which is available for spending at the Town's discretion.

At the end of the current fiscal year, unreserved fund balance as well as total fund balance of the General Fund was \$125,300. As a measure of the General Fund's liquidity, the fund balance represents 3% of total General Fund expenditures.

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 assets of the proprietary funds were \$5.7 million, of which \$2.1 million was unrestricted and available for use at the Town's discretion. The total increase in net assets was \$210,570.

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, 2010, amounts to \$11.7 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, and machinery and equipment as well as construction in progress.

Capital assets, net of accumulated depreciation, are illustrated in the following table:

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	\$ 759,994	\$ 759,994	\$ 77,412	\$ 77,412	\$ 837,406	\$ 837,406
Buildings	258,389	268,204	-	-	258,389	268,204
Utility plant in service	-	-	10,028,805	7,959,647	10,028,805	7,959,647
Infrastructure	90,054	79,831			90,054	79,831
Machinery & Equipment	514,014	600,626	-	-	514,014	600,626
Construction in progress	1,734	-	-	1,953,206	1,734	1,953,206
Total	\$ <u>1,624,185</u>	\$ <u>1,708,655</u>	\$ <u>10,106,217</u>	\$ <u>9,990,265</u>	\$ <u>11,730,402</u>	\$ <u>11,698,920</u>

Additional information on the Town's capital assets can be found in note 5 on pages 29 through 31 of this report.

Capital Asset and Debt Administration: (Continued)

Long-term debt: At the end of the current fiscal year, the Town had total outstanding debt of \$7.2 million and details are summarized in the following table:

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Bonds and Notes Payable:						
Capital leases	\$ 333,970	\$ 374,959	\$ -	\$ -	\$ 333,970	\$ 374,959
Revenue bonds	-	-	4,197,398	3,655,125	4,197,398	3,655,125
Revolving loan funds	-	-	2,324,600	2,434,313	2,324,600	2,434,313
Landfill closure and post-closure	157,500	165,000	-	-	157,500	165,000
Compensated absences	99,453	114,255	39,732	41,869	139,185	156,124
Total	<u>\$ 590,923</u>	<u>\$ 654,214</u>	<u>\$ 6,561,730</u>	<u>\$ 6,131,307</u>	<u>\$ 7,152,653</u>	<u>\$ 6,785,521</u>

Debt associated with governmental activities decreased by \$63,291 and debt associated with business-type activities increased by \$430,423. The key factors in the governmental and business activities increases were the continued drawdown of funds from the Virginia Revolving Fund loans.

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 debt limitation as of June 30, 2010.

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

Economic Factors and Next Year's Budgets and Rates

Clifton Forge, once a booming railroad town, experienced a decline through the 1990's and into the new millennium. In 2001 because of the continuing decline and fiscal stress, Clifton Forge gave up its city status and reverted to a town.

Although the town still lacks an adequate reserve fund, The Town continues to serve the citizens of the Town and offers a myriad of services such as Police Department, Animal Control, Public Works, Parks and Library. The town's real estate tax remains at \$.21. The water and sewer rates were raised in fiscal year 2010 to a total of \$65 per month for residential properties. This increase was necessitated to offset yearly deficits in the water and wastewater fund balances. The water fund is completing capital improvements to the Water Treatment Plant and installation of Water Meter. The Town is beginning repayment of two Virginia Resource Authority loans relating to the water fund capital improvements. The wastewater fund is currently repaying two Virginia Resource authority loans related to capital improvements at the wastewater plant.

Despite the downward trend of the 1980's and 1990's the town is slowly rebounding into an attractive community to live and work. The Town has adopted the Alleghany Highlands Comprehensive Economic Development strategy to address a multitude of goals including business development, business retention, tourism development and improvements in the region's quality of life.

The Town has several small businesses that have opened in the past two years.

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 government'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 Assets
June 30, 2010

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 505,189	\$ 2,091,209	\$ 2,596,398
Receivables (net of allowance for uncollectibles):			
Taxes receivable	45,625	-	45,625
Accounts receivable	48,111	162,005	210,116
Due from other governmental units	63,104	-	63,104
Capital assets (net of accumulated depreciation):			
Land	759,994	77,412	837,406
Buildings and improvements	258,389	-	258,389
Machinery and equipment	514,014	-	514,014
Infrastructure	90,054	10,028,805	10,118,859
Construction in progress	1,734	-	1,734
Total assets	\$ 2,286,214	\$ 12,359,431	\$ 14,645,645
LIABILITIES			
Accounts payable	\$ 197,387	\$ 117,550	\$ 314,937
Retainage Payable	-	10,000	10,000
Accrued payroll	43,083	12,745	55,828
Accrued interest payable	-	5,988	5,988
Due to other funds	19,741	-	19,741
Deferred revenue	233,904	-	233,904
Long-term liabilities:			
Due within one year	46,991	498,943	545,934
Due in more than one year	543,932	6,062,787	6,606,719
Total liabilities	\$ 1,085,038	\$ 6,708,013	\$ 7,793,051
NET ASSETS			
Invested in capital assets, net of related debt	\$ 1,290,215	\$ 3,584,219	\$ 4,874,434
Unrestricted (deficit)	(89,039)	2,067,199	1,978,160
Total net assets	\$ 1,201,176	\$ 5,651,418	\$ 6,852,594

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

TOWN OF CLIFTON FORGE, VIRGINIA

Statement of Activities

For the Year Ended June 30, 2010

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 390,193	\$ -	\$ -	\$ -
Public safety	928,861	84,685	214,058	-
Public works	913,542	119	441,631	-
Health and welfare	6,387	-	-	-
Education	2,400	-	-	-
Parks, recreation, and cultural	304,956	6,428	39,730	-
Community development	249,267	-	25,000	-
Interest on long-term debt	20,097	-	-	-
Total governmental activities	\$ 2,815,703	\$ 91,232	\$ 720,419	\$ -
Business-type activities:				
Water	\$ 930,702	\$ 858,630	\$ -	\$ 180,290
Sewer	1,152,799	1,255,151	-	-
Total business-type activities	\$ 2,083,501	\$ 2,113,781	\$ -	\$ 180,290
Total primary government	\$ 4,899,204	\$ 2,205,013	\$ 720,419	\$ 180,290
General revenues:				
General property taxes				
Other local taxes:				
Local sales and use tax				
Consumers' utility tax				
Business licenses tax				
Restaurant food tax				
Motor vehicle licenses				
Bank stock taxes				
Other local taxes				
Unrestricted revenues from use of money and property				
Miscellaneous				
Grants and contributions not restricted to specific programs				
Total general revenues				
Change in net assets				
Net assets - beginning				
Net assets - ending				

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

Exhibit 2

Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (390,193)	\$ -	\$ (390,193)
(630,118)	-	(630,118)
(471,792)	-	(471,792)
(6,387)	-	(6,387)
(2,400)	-	(2,400)
(258,798)	-	(258,798)
(224,267)	-	(224,267)
(20,097)	-	(20,097)
<u>\$ (2,004,052)</u>	<u>\$ -</u>	<u>\$ (2,004,052)</u>
\$ -	\$ 108,218	\$ 108,218
-	102,352	102,352
<u>\$ -</u>	<u>\$ 210,570</u>	<u>\$ 210,570</u>
<u>\$ (2,004,052)</u>	<u>\$ 210,570</u>	<u>\$ (1,793,482)</u>
\$ 594,157	\$ -	\$ 594,157
102,622	-	102,622
171,080	-	171,080
153,611	-	153,611
147,148	-	147,148
57,927	-	57,927
96,745	-	96,745
13,800	-	13,800
5,789	-	5,789
26,973	-	26,973
437,012	-	437,012
<u>\$ 1,806,864</u>	<u>\$ -</u>	<u>\$ 1,806,864</u>
\$ (197,188)	\$ 210,570	\$ 13,382
<u>1,398,364</u>	<u>5,440,848</u>	<u>6,839,212</u>
<u>\$ 1,201,176</u>	<u>\$ 5,651,418</u>	<u>\$ 6,852,594</u>

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Fund Financial Statements

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Balance Sheet
 Governmental Funds
 June 30, 2010

	<u>General</u>
ASSETS	
Cash and cash equivalents	\$ 505,189
Receivables (net of allowance for uncollectibles):	
Taxes receivable	45,625
Accounts receivable	48,111
Due from other governmental units	<u>63,104</u>
Total assets	<u>\$ 662,029</u>
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	\$ 197,387
Accrued payroll	43,083
Due to other funds	19,741
Deferred revenue	<u>276,518</u>
Total liabilities	<u>\$ 536,729</u>
Fund balances:	
Unreserved, reported in:	
General fund	<u>\$ 125,300</u>
Total fund balances	<u>\$ 125,300</u>
Total liabilities and fund balances	<u>\$ 662,029</u>

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

Reconciliation of the Balance Sheet of Governmental Funds
 To the Statement of Net Assets
 June 30, 2010

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	125,300
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Capital assets	\$	3,493,009	
Less: accumulated depreciation		<u>(1,868,824)</u>	1,624,185

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	42,614
--	--------

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.

Compensated absences	\$	(99,453)	
Capital leases		(333,970)	
Landfill postclosure liability		<u>(157,500)</u>	<u>(590,923)</u>

Net assets of governmental activities	\$	<u><u>1,201,176</u></u>
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The notes to the financial statements are an integral part of this statement.

Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds
 For the Year Ended June 30, 2010

	<u>General</u>
REVENUES	
General property taxes	\$ 670,058
Other local taxes	742,933
Permits, privilege fees, and regulatory licenses	4,848
Fines and forfeitures	11,685
Revenue from the use of money and property	5,789
Charges for services	74,699
Miscellaneous	26,973
Recovered costs	121,327
Intergovernmental revenues:	
Commonwealth	1,132,431
Federal	25,000
Total revenues	<u>\$ 2,815,743</u>
EXPENDITURES	
Current:	
General government administration	\$ 266,659
Public safety	868,090
Public works	902,409
Health and welfare	6,387
Education	2,400
Parks, recreation, and cultural	298,709
Community development	238,142
Nondepartmental	178,073
Capital projects	86,396
Debt service:	
Principal retirement	48,489
Interest and other fiscal charges	20,097
Total expenditures	<u>\$ 2,915,851</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (100,108)</u>
Net change in fund balances	\$ (100,108)
Fund balances - beginning	<u>225,408</u>
Fund balances - ending	<u><u>\$ 125,300</u></u>

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

Reconciliation of Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended June 30, 2010

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

Net change in fund balances - total governmental funds	\$	(100,108)
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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.

Capital asset additions	\$	29,301	
Less: depreciation expense		<u>(113,771)</u>	(84,470)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(75,901)
--	----------

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 assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Principal repayments	\$	40,989	
Decrease in landfill postclosure liability		<u>7,500</u>	48,489

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.	<u>14,802</u>
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Change in net assets of governmental activities	\$	<u><u>(197,188)</u></u>
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The notes to the financial statements are an integral part of this statement.

Statement of Net Assets
 Proprietary Funds
 June 30, 2010

	Enterprise Fund	Enterprise Fund	
	Water	Sewer	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,343,724	\$ 747,485	\$ 2,091,209
Accounts receivables, net of allowance for uncollectibles	71,388	90,617	162,005
Total current assets	\$ 1,415,112	\$ 838,102	\$ 2,253,214
Noncurrent assets:			
Capital assets (net of accumulated depreciation):			
Land	\$ 27,362	\$ 50,050	\$ 77,412
Infrastructure	4,280,413	5,748,392	10,028,805
Total capital assets	\$ 4,307,775	\$ 5,798,442	\$ 10,106,217
Total noncurrent assets	\$ 4,307,775	\$ 5,798,442	\$ 10,106,217
Total assets	\$ 5,722,887	\$ 6,636,544	\$ 12,359,431
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 103,001	\$ 14,549	\$ 117,550
Retainage Payable	10,000	-	10,000
Accrued payroll	10,984	1,761	12,745
Accrued interest payable	5,988	-	5,988
Bonds payable - current portion	113,008	381,962	494,970
Compensated absences - current portion	3,651	322	3,973
Total current liabilities	\$ 246,632	\$ 398,594	\$ 645,226
Noncurrent liabilities:			
Bonds payable - net of current portion	\$ 2,802,680	\$ 3,224,348	\$ 6,027,028
Compensated absences	32,864	2,895	35,759
Total noncurrent liabilities	\$ 2,835,544	\$ 3,227,243	\$ 6,062,787
Total liabilities	\$ 3,082,176	\$ 3,625,837	\$ 6,708,013
NET ASSETS			
Invested in capital assets, net of related debt	\$ 1,392,087	\$ 2,192,132	\$ 3,584,219
Unrestricted	1,248,624	818,575	2,067,199
Total net assets	\$ 2,640,711	\$ 3,010,707	\$ 5,651,418

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

Statement of Revenues, Expenses, and Changes in Fund Net Assets
 Proprietary Funds
 For the Year Ended June 30, 2010

	Enterprise Fund	Enterprise Fund	
	Water	Sewer	Total
OPERATING REVENUES			
Charges for services:			
Water revenues	\$ 856,245	\$ -	\$ 856,245
Sewer revenues	-	1,252,166	1,252,166
Other revenues	2,385	2,385	4,770
Total operating revenues	\$ 858,630	\$ 1,255,151	\$ 2,113,781
OPERATING EXPENSES			
Transmissional distribution	\$ 172,979	\$ -	\$ 172,979
Water filtration plant	414,411	-	414,411
Wastewater treatment plant	-	504,623	504,623
Sewage collection	-	50,060	50,060
Sewer I and I	-	55,369	55,369
Depreciation	207,921	399,476	607,397
Capital outlay	-	41,836	41,836
Total operating expenses	\$ 795,311	\$ 1,051,364	\$ 1,846,675
Operating income (loss)	\$ 63,319	\$ 203,787	\$ 267,106
NONOPERATING REVENUES (EXPENSES)			
Intergovernmental revenue			
Intergovernmental revenues:			
Commonwealth	\$ 57,352	\$ -	\$ 57,352
Federal	122,938	-	122,938
Contingencies	(99,208)	(98,394)	(197,602)
Interest expense	(36,183)	(3,041)	(39,224)
Total nonoperating revenues (expenses)	\$ 44,899	\$ (101,435)	\$ (56,536)
Change in net assets	\$ 108,218	\$ 102,352	\$ 210,570
Total net assets - beginning	\$ 2,532,493	\$ 2,908,355	\$ 5,440,848
Total net assets - ending	\$ 2,640,711	\$ 3,010,707	\$ 5,651,418

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

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2010

	Enterprise Fund	Enterprise Fund	
	Water	Sewer	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 1,065,062	\$ 1,263,238	\$ 2,328,300
Payments to suppliers	(479,358)	(609,910)	(1,089,268)
Payments to employees	(422,887)	(73,543)	(496,430)
Net cash provided (used) by operating activities	\$ 162,817	\$ 579,785	\$ 742,602
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Additions to utility plant	\$ (723,349)	\$ -	\$ (723,349)
Intergovernmental capital receipts	180,290	-	180,290
Contingencies	(99,208)	(98,394)	(197,602)
Principal payments on bonds	(93,058)	(380,463)	(473,521)
Proceeds from indebtedness	906,080	-	906,080
Interest payments	(36,310)	(3,041)	(39,351)
Net cash provided (used) by capital and related financing activities	\$ 134,445	\$ (481,898)	\$ (347,453)
Net increase (decrease) in cash and cash equivalents	\$ 297,262	\$ 97,887	\$ 395,149
Cash and cash equivalents - beginning	\$ 1,046,462	\$ 649,598	\$ 1,696,060
Cash and cash equivalents - ending	\$ 1,343,724	\$ 747,485	\$ 2,091,209
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 63,319	\$ 203,787	\$ 267,106
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation expense	\$ 207,921	\$ 399,476	\$ 607,397
(Increase) decrease in accounts receivable	41,860	(10,584)	31,276
(Increase) decrease in intergovernmental receivables	164,572	18,671	183,243
Increase (decrease) in accounts payable	(251,151)	(31,210)	(282,361)
Increase (decrease) in retainage payable	(60,688)	-	(60,688)
Increase (decrease) in accrued payroll	(1,105)	(129)	(1,234)
Increase (decrease) accrued vacation leave payable	(1,911)	(226)	(2,137)
Total adjustments	\$ 99,498	\$ 375,998	\$ 475,496
Net cash provided (used) by operating activities	\$ 162,817	\$ 579,785	\$ 742,602

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

Statement of Fiduciary Net Assets
 Fiduciary Funds
 June 30, 2010

	<u>Private-Purpose Trusts</u>	<u>Agency Funds</u>
ASSETS		
Cash and cash equivalents	\$ 251,344	\$ 30,238
Due from other funds	<u>19,741</u>	<u>-</u>
Total assets	<u><u>\$ 271,085</u></u>	<u><u>\$ 30,238</u></u>
LIABILITIES		
Amounts held for others	\$ <u>-</u>	\$ <u>30,238</u>
Total liabilities	<u><u>\$ -</u></u>	<u><u>\$ 30,238</u></u>
NET ASSETS		
Held in trust for cemeteries	<u><u>\$ 271,085</u></u>	

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

Statement of Changes in Fiduciary Net Assets
 Fiduciary Funds
 For the Year Ended June 30, 2010

	<u>Private-Purpose Trust</u>
ADDITIONS	
Contributions:	
Sale of cemetery lots	\$ <u>3,225</u>
Total additions	\$ <u>3,225</u>
DEDUCTIONS	
Total deductions	\$ <u>-</u>
Change in net assets	\$ <u>3,225</u>
Net assets - beginning	\$ <u>267,860</u>
Net assets - ending	\$ <u><u>271,085</u></u>

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

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TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements As of June 30, 2010

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

A. The Financial Reporting Entity

The Town of Clifton Forge, Virginia (government) is a municipal corporation governed by an elected seven-member Town Council. The accompanying financial statements present the 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 the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the government.

Blended Component Units - The Town has no blended component units for the fiscal year ended June 30, 2010.

Discretely Presented Component Units - The Town has no discretely presented component units for the fiscal year ended June 30, 2010.

Jointly Governed Organizations - The Town has no jointly governed organizations for the fiscal year ended June 30, 2010.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. 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.

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

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

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2010 (Continued)

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

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

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

Governmental fund 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 and claims and judgments, are recorded only when payment is due.

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 deferred 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 government reports the following major governmental funds:

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

The government reports the following major proprietary funds:

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

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

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2010 (Continued)

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

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

Additionally, the government reports the following fund types:

Fiduciary funds account for assets held by the government in a trustee capacity or as agent or custodian for individuals, private organizations, other governmental units, or other funds. Agency funds include the Joint Development Investment Fund.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

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

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

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

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

The government'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.

Investments for the government are reported at fair value. The State Treasurer's Local Government Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2010 (Continued)

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

D. Assets, Liabilities, and Net Assets or Equity: (Continued)

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due 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. 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.

4. 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 \$113,113 at June 30, 2009 and is comprised of property taxes, refuse, and water and sewer accounts receivable.

5. 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.

6. 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 government 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 estimated fair market 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 assets lives 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.

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2010 (Continued)

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

D. Assets, Liabilities, and Net Assets or Equity: (Continued)

6. Capital assets: (Continued)

Property, plant, and equipment of the primary government, is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	40
Structures, lines, and accessories	33
Machinery and equipment	3-10
Infrastructure	30

7. 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.

8. Long-term Obligations

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

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

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2010 (Continued)

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

D. Assets, Liabilities, and Net Assets or Equity: (Continued)

9. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. The Town had no such designations at June 30, 2010.

10. Net Assets

Net assets are the difference between assets and liabilities. Net assets invested in capital assets represent capital assets, less accumulated depreciation less any outstanding debt related to the acquisition, construction or improvement of those assets.

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 March 30, 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.

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2010 (Continued)

NOTE 2—STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY: (CONTINUED)

B. Excess of Expenditures Over Appropriations

For the year ended June 30, 2010, the following funds incurred expenditures exceeding appropriations:

<u>Fund</u>	<u>Excess of Expenditures over Appropriations</u>
Water	\$ 16,625
Total	\$ 16,625

C. Deficit Fund Equity

At June 30, 2010, there were no funds with deficit fund equity.

NOTE 3—DEPOSITS AND INVESTMENTS:

Deposits

All cash of the Town of Clifton Forge, Virginia is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act (a multiple financial institution collateral pool), Section 2.2-4400 et. seq. of the *Code of Virginia* or covered by federal depository insurance.

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).

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2010 (Continued)

NOTE 3—DEPOSITS AND INVESTMENTS: (CONTINUED)

Credit Risk of Debt Securities

The Town has no formal investment policy.

The Town's rated debt investments as of June 30, 2010 were rated by Standard & Poor's and the ratings are presented below using Standard & Poor's rating scale.

<u>Locality's Rated Debt Investments' Values</u>	
<u>Rated Debt Investments</u>	<u>Fair Quality Ratings</u>
	<u>AAA</u>
Money Market Mutual Fund	\$ <u>223,257</u>
Total	\$ <u><u>223,257</u></u>

NOTE 4—DUE FROM OTHER GOVERNMENTAL UNITS:

Amounts due from other governmental units at June 30, 2010, are as follows:

Governmental Activities:

Commonwealth of Virginia:

Rolling stock tax	\$ 21,317
Auto rental tax	180
Communications tax	<u>16,607</u>
Total due from the Commonwealth	\$ <u>38,104</u>

Federal:

CDBG planning grant	\$ <u>25,000</u>
Grand Total	\$ <u><u>63,104</u></u>

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2010 (Continued)

NOTE 5—CAPITAL ASSETS:

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2010.

Governmental Activities:

	Balance July 1, 2009	Increases	Decreases	Balance June 30, 2010
Capital assets not being depreciated:				
Land	\$ 759,994	\$ -	\$ -	\$ 759,994
Construction in progress	-	1,734	-	1,734
Total capital assets not being depreciated	\$ 759,994	\$ 1,734	\$ -	\$ 761,728
Capital assets being depreciated:				
Buildings and improvements	\$ 1,136,917	\$ 14,387	\$ -	\$ 1,151,304
Infrastructure (1)	88,701	13,180	-	101,881
Machinery and equipment	1,478,096	-	-	1,478,096
Total capital assets being depreciated	\$ 2,703,714	\$ 27,567	\$ -	\$ 2,731,281
Less: accumulated depreciation for:				
Buildings and improvements	\$ (868,713)	\$ (24,202)	\$ -	\$ (892,915)
Infrastructure	(8,870)	(2,957)	-	(11,827)
Machinery and equipment	(877,470)	(86,612)	-	(964,082)
Total accumulated depreciation	\$ (1,755,053)	\$ (113,771)	\$ -	\$ (1,868,824)
Total capital assets being depreciated, net	\$ 948,661	\$ (86,204)	\$ -	\$ 862,457
Net capital assets	\$ 1,708,655	\$ (84,470)	\$ -	\$ 1,624,185

(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
As of June 30, 2010 (Continued)

NOTE 5—CAPITAL ASSETS: (CONTINUED)

Business-Type Activities:

	<u>Balance July 1, 2009</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2010</u>
Water Fund				
Capital assets not being depreciated:				
Land	\$ 27,362	\$ -	\$ -	\$ 27,362
Construction in progress	1,953,206	723,349	2,676,555	-
Total capital assets not being depreciated	<u>\$ 1,980,568</u>	<u>\$ 723,349</u>	<u>\$ 2,676,555</u>	<u>\$ 27,362</u>
Capital assets being depreciated:				
Infrastructure	\$ 3,259,934	\$ 2,676,555	\$ -	\$ 5,936,489
Less: accumulated depreciation	<u>(1,448,155)</u>	<u>(207,921)</u>	<u>-</u>	<u>(1,656,076)</u>
Total capital assets being depreciated, net	<u>\$ 1,811,779</u>	<u>\$ 2,468,634</u>	<u>\$ -</u>	<u>\$ 4,280,413</u>
Net capital assets	<u><u>\$ 3,792,347</u></u>	<u><u>\$ 3,191,983</u></u>	<u><u>\$ 2,676,555</u></u>	<u><u>\$ 4,307,775</u></u>
Sewer Fund				
Capital assets not being depreciated:				
Land	\$ 50,050	\$ -	\$ -	\$ 50,050
Total capital assets not being depreciated	<u>\$ 50,050</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 50,050</u>
Capital assets being depreciated:				
Infrastructure	\$ 12,029,123	\$ -	\$ -	\$ 12,029,123
Less: accumulated depreciation	<u>(5,881,255)</u>	<u>(399,476)</u>	<u>-</u>	<u>(6,280,731)</u>
Total capital assets being depreciated, net	<u>\$ 6,147,868</u>	<u>\$ (399,476)</u>	<u>\$ -</u>	<u>\$ 5,748,392</u>
Net capital assets	<u><u>\$ 6,197,918</u></u>	<u><u>\$ (399,476)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 5,798,442</u></u>

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2010 (Continued)

NOTE 5—CAPITAL ASSETS: (CONTINUED)

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

Governmental activities:	
General government	\$ 3,721
Public safety	62,053
Public works	31,812
Parks, recreation, and cultural	16,185
Total depreciation expense-governmental activities	\$ 113,771
Business-type activities:	
Water Fund	\$ 207,921
Sewer Fund	399,476
Total depreciation expense-business type-activities	\$ 607,397

NOTE 6—LONG-TERM OBLIGATIONS:

Primary Government—Governmental Activity Long-term Obligations:

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

Year Ending June 30,	Capital Lease	
	Principal	Interest
2011	\$ 45,995	\$ 15,092
2012	26,987	12,805
2013	19,710	11,457
2014	20,576	10,692
2015	21,479	9,689
2016-2020	122,395	33,444
2021-2024	76,828	6,404
Total	\$ 333,970	\$ 99,583

The following is a summary of long-term obligation transactions of the Town for the year ended June 30, 2010.

	Balance June 30, 2009	Issuances	Retirements	Balance June 30, 2010
Capital lease	\$ 374,959	\$ -	\$ 40,989	\$ 333,970
Accrued landfill and postclosure liability	165,000	-	7,500	157,500
Compensated absences	114,255	-	14,802	99,453
Total	\$ 654,214	\$ -	\$ 63,291	\$ 590,923

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2010 (Continued)

NOTE 6—LONG-TERM OBLIGATIONS: (CONTINUED)

Primary Government—Governmental Activity Long-term Obligations: (Continued)

Details of Long-term Obligations:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
Capital leases:		
\$24,198 Capital lease dated May 27, 2009 with annual payments of \$8,625, including interest at 6.221%. Final installment due July 2, 2011.	\$ 15,724	\$ 7,619
\$24,335 Capital lease dated July 30, 2008 with annual payments of \$8,573, including interest at 5.80%. Final installment due July 30, 2010.	8,103	8,103
\$335,000 Capital lease dated December 15, 2008 with annual payments of \$31,799, including interest at 4.634%. Final installment due in 2024.	310,143	30,274
Total capital leases	\$ 333,970	\$ 45,996
Accrued landfill and postclosure liability	\$ 157,500	\$ -
Compensated absences	\$ 99,453	\$ 995
Total	<u>\$ 590,923</u>	<u>\$ 46,991</u>

The assets acquired through capital leases are as follows:

Asset:	
Equipment	\$ 533,533
Less: Accumulated depreciation	<u>(84,080)</u>
Total	<u>449,453</u>

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2010 (Continued)

NOTE 6—LONG-TERM OBLIGATIONS: (CONTINUED)**Primary Government-Enterprise Activity Long-term Obligations:**

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

Year Ending June 30,	Bonds	
	Principal	Interest
2011	\$ 494,970	\$ 38,254
2012	495,994	35,627
2013	386,830	33,224
2014	388,437	31,617
2015	390,093	29,961
2016-2020	1,977,151	123,118
2021-2025	1,350,026	73,367
2026-2030	599,263	17,453
2031-2035	318,933	-
2036-2040	120,301	-
Total	\$ <u>6,521,998</u>	\$ <u>382,621</u>

The following is a summary of long-term obligations transactions of the Town for the year ended June 30, 2010:

	Balance July 1, 2009	Additions	Reductions	Balance June 30, 2010
Revenue bonds	\$ 3,655,125	\$ 906,081	\$ 363,808	\$ 4,197,398
Virginia revolving loan fund	2,434,313	-	109,713	2,324,600
Compensated absences	41,869	-	2,137	39,732
Total	\$ <u>6,131,307</u>	\$ <u>906,081</u>	\$ <u>475,658</u>	\$ <u>6,561,730</u>

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2010 (Continued)

NOTE 6—LONG-TERM OBLIGATIONS: (CONTINUED)

Primary Government-Enterprise Activity Long-term Obligations: (Continued)

Details of long-term obligations:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
<u>Revenue Bonds:</u>		
\$2,000,000 Sewer Revenue Bonds (VRA), maturing semi-annually with interest at 1%, maturing April, 2012.	\$ 221,935	\$ 111,212
\$5,415,000 Wastewater System Revenue Bond, Series 2000 (VRA), maturing semi-annually in equal payments of \$135,375 through September 1, 2022, 0% interest.	3,384,375	270,750
\$760,500 Water Revenue Bonds (VRA), maturing semi-annually in equal installments of \$12,675 through November 1, 2038. At June 30, 2009, \$646,290 of this bond had been drawdown.	722,475	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. At June 30, 2009, \$1,201,675 of this bond had been drawdown.	1,200,720	49,221
\$1,153,088 Water Revenue Bonds (VRA), maturing semi-annually in equal installments of \$19,218 through November 1, 2039. At June 30, 2009, \$267,375 of this bond had been drawdown.	992,493	38,437
Sub-total bonds payable	\$ 6,521,998	\$ 494,970
Compensated absences	\$ 39,732	\$ 3,973
Total	<u>\$ 6,561,730</u>	<u>\$ 498,943</u>

NOTE 7—DEFERRED REVENUE:

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. Deferred revenue is comprised of the following:

A. Deferred Property Tax Revenue

Deferred revenue representing deferred property tax revenues totaled \$42,614 at June 30, 2010.

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2010 (Continued)

NOTE 7—DEFERRED REVENUE: (CONTINUED)

B. Deferred Street and Highway Maintenance Revenue

Deferred revenue representing deferred State Street and Highway Maintenance revenues totaled \$233,904 at June 30, 2010.

NOTE 8—COMPENSATED ABSENCES:

Town employees earn sick leave based upon length of service. Upon termination of employment, employees are paid 25% of accumulated sick leave up to \$2,000. Maximum payout of sick leave at retirement is \$2,500. Vacation leave is earned at various rates depending on the date of employment and number of years of service. Vacation leave accrued in one year must be taken by the end of the following year or it will be lost. Upon separation or retirement, a full-time employee shall be paid for all accrued annual leave, up to the maximum allowed. The Town has outstanding accrued compensated absences totaling \$99,453 in the Primary Government, and \$39,732 in the Enterprise Funds.

NOTE 9—DEFINED BENEFIT PENSION PLAN:

A. Plan Description

Name of Plan:	Virginia Retirement System (VRS)
Identification of Plan:	Agent and Cost-Sharing Multiple-Employer Defined Benefit Pension Plan
Administering Entity:	Virginia Retirement System (System)

All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after five years of service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service (age 60 for participating local law enforcement officers, firefighters, and sheriffs) or at age 50 with at least 30 years of service if elected by the employer (age 50 with at least 25 years of service for participating local law enforcement officers, firefighters, and sheriffs) payable monthly for life in an amount equal to 1.7 percent of their average final compensation (AFC) for each year of credited service (1.85% to sheriffs and if the employer elects, to other employees in hazardous duty positions receiving enhanced benefits). Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for annual cost-of-living adjustment (COLA) beginning in their second year of retirement. The COLA is limited to 5% per year. AFC is defined as the highest consecutive 36 months of reported compensation. Participating local law enforcement officers, firefighters, and sheriffs may receive a monthly benefit supplement if they retire prior to age 65. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The system issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be downloaded from their website at <http://www.varetire.org/Pdf/publications/2009-Annual-Report.pdf> or obtained by writing to the System at P.O. Box 2500, Richmond, VA, 23218-2500.

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2010 (Continued)

NOTE 9—DEFINED BENEFIT PENSION PLAN: (CONTINUED)

B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their annual salary to the VRS. The employer may assume this 5% member contribution. In addition, the Town is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The Town's contribution rate for the fiscal year ended June 30, 2010 was 8.02% of annual covered payroll.

C. Annual Pension Cost

For fiscal year 2010, Town's annual pension cost of \$113,063 (does not include employee share of \$70,488 which was assumed by the Town) was equal to the Town's required and actual contributions.

Three-Year Trend Information			
Fiscal Year Ending	Annual Pension Cost (APC) ¹	Percentage of APC Contributed	Net Pension Obligation
June 30, 2008	\$ 126,214	100%	\$ -
June 30, 2009	114,092	100%	-
June 30, 2010	113,063	100%	-

The required contribution was determined as part of the June 30, 2007 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at June 30, 2007 included (a) 7.50% investment rate of return, (b) projected salary increases ranging from 3.75% to 5.60% per year, and (c) 2.50% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 2.50%. The actuarial value of the County's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The County's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis within a period of 20 years. The remaining amortization period at June 30, 2007 was 20 years.

D. Funded Status and Funding Progress

As of June 30, 2009, the most recent actuarial valuation date, the plan was 95.28% funded. The actuarial accrued liability for benefits was \$6,865,763, and the actuarial value of assets was \$6,541,788, resulting in an unfunded actuarial accrued liability (UAAL) of \$323,975. The covered payroll (annual payroll of active employees covered by the plan) was \$1,466,437, and ratio of the UAAL to the covered payroll was 22.09%.

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2010 (Continued)

NOTE 10—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 11—RISK MANAGEMENT:

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

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

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

NOTE 12—LITIGATION:

At June 30, 2010, there were no matters of litigation involving the Town or which would materially affect the Town's financial position should any court decisions on pending matters not be favorable to the Town.

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 \$157,500 reported as landfill postclosure care liability at June 30, 2010, represents the Town's estimate of its share of the postclosure monitoring costs based on the use of 100 percent of the estimated capacity of the landfill. Closure of the landfill site has been completed in prior years. The City of Covington is primarily responsible for postclosure costs and the Town of Clifton Forge pays the City its share of the costs. The Town of Clifton Forge's expected portion of these contracts is 12%. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2010 (Continued)

NOTE 14—AGREEMENT WITH ALLEGHANY COUNTY FOR FUTURE JOINT ENDEAVORS:

In order to secure the expansion of Westvaco Corporation in Alleghany County, the Town deeded property known as the “airport property” to Alleghany County, which in turn sold the property to Westvaco Corporation. The agreement with the County provides for the proceeds from the sale of the property to be placed in a fund for future joint endeavors of the Town and County. The proceeds of this sale and income earned on the investments are included as an agency fund in the accompanying financial statements.

NOTE 15—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, 2010, is as follows:

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Operating revenues	\$ 858,630	\$ 1,255,151	\$ 2,113,781
Depreciation	207,921	399,476	607,397
Operating income (loss)	63,319	203,787	267,106
Net income	108,218	102,352	210,570
Capital assets additions	723,349	-	723,349
Net working capital	1,417,702	835,408	2,253,110
Total assets	5,722,887	6,636,544	12,359,431
Bonds payable	2,915,688	3,606,310	6,521,998
Total equity	2,640,711	3,010,707	5,651,418

REQUIRED SUPPLEMENTARY INFORMATION

Note to Required Supplementary Information:

Presented budgets were prepared in accordance with accounting principles generally accepted in the United States of America.

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General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2010

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
General property taxes	\$ 604,000	\$ 604,000	\$ 670,058	\$ 66,058
Other local taxes	819,000	819,000	742,933	(76,067)
Permits, privilege fees, and regulatory licenses	1,960	1,960	4,848	2,888
Fines and forfeitures	9,600	9,600	11,685	2,085
Revenue from the use of money and property	16,750	16,750	5,789	(10,961)
Charges for services	60,300	60,300	74,699	14,399
Miscellaneous	10,000	40,447	26,973	(13,474)
Recovered costs	46,255	152,380	121,327	(31,053)
Intergovernmental revenues:				
Commonwealth	1,073,212	1,073,212	1,132,431	59,219
Total revenues	\$ 2,641,077	\$ 2,777,649	\$ 2,815,743	\$ 38,094
EXPENDITURES				
Current:				
General government administration	\$ 264,426	\$ 264,426	\$ 266,659	\$ (2,233)
Public safety	905,667	910,792	868,090	42,702
Public works	887,842	887,842	902,409	(14,567)
Health and welfare	-	-	6,387	(6,387)
Education	2,400	2,400	2,400	-
Parks, recreation, and cultural	329,222	329,222	298,709	30,513
Community development	206,659	306,659	238,142	68,517
Nondepartmental	179,526	198,373	178,073	20,300
Capital projects	60,335	72,935	86,396	(13,461)
Debt service:				
Principal retirement	5,000	5,000	48,489	(43,489)
Interest and other fiscal charges	-	-	20,097	(20,097)
Total expenditures	\$ 2,841,077	\$ 2,977,649	\$ 2,915,851	\$ 61,798
Excess (deficiency) of revenues over (under) expenditures	\$ (200,000)	\$ (200,000)	\$ (100,108)	\$ 99,892
Net change in fund balances	\$ (200,000)	\$ (200,000)	\$ (100,108)	\$ 99,892
Fund balances - beginning	200,000	200,000	225,408	25,408
Fund balances - ending	\$ -	\$ -	\$ 125,300	\$ 125,300

Virginia Retirement System
Schedule of Pension Funding Progress

Actuarial Valuation Date		Actuarial Value of Assets (AVA) (a)		Actuarial Accrued Liability (AAL) (b)		Unfunded (Excess Funded) Actuarial Accrued Liability (UAAL) (b-a)		Funded Ratio (a/b)		Annual Covered Payroll (c)		UAAL as % of Covered Payroll ((b-a)/c)
06/30/09	\$	6,541,788	\$	6,865,763	\$	323,975		95.28%	\$	1,466,437		22.09%
06/30/08		6,510,921		6,562,758		51,837		99.21%		1,259,920		4.11%
06/30/07		5,998,815		6,196,493		197,678		96.81%		1,412,028		14.00%

OTHER SUPPLEMENTARY INFORMATION

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Combining and Individual Fund Statements and Schedules

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Combining Statement of Fiduciary Net Assets
 Fiduciary Funds
 June 30, 2010

	Private-Purpose Trust Funds			Agency Funds
	Mountain View Cemetery	Crown Hill Cemetery	Total Private-Purpose Trust Funds	Joint Development Investment Fund
ASSETS				
Cash and cash equivalents	\$ 217,986	\$ 33,358	\$ 251,344	\$ 30,238
Due from other funds	19,741	-	19,741	-
Total assets	<u>\$ 237,727</u>	<u>\$ 33,358</u>	<u>\$ 271,085</u>	<u>\$ 30,238</u>
LIABILITIES				
Amounts held for others	\$ -	\$ -	\$ -	\$ 30,238
Total liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,238</u>
NET ASSETS				
Held in trust for cemeteries	<u>\$ 237,727</u>	<u>\$ 33,358</u>	<u>\$ 271,085</u>	

Combining Statement of Changes in Fiduciary Net Assets
 Fiduciary Funds
 For the Year Ended June 30, 2010

	Mountain View Cemetery Private-Purpose Trust	Crown Hill Cemetery Private-Purpose Trust	Total Private-Purpose Trust
ADDITIONS			
Contributions:			
Sale of cemetery lots	\$ 3,225	\$ -	\$ 3,225
Total additions	\$ 3,225	\$ -	\$ 3,225
DEDUCTIONS			
Total deductions	\$ -	\$ -	\$ -
Change in net assets	\$ 3,225	\$ -	\$ 3,225
Net assets - beginning	\$ 234,502	\$ 33,358	\$ 267,860
Net assets - ending	<u>\$ 237,727</u>	<u>\$ 33,358</u>	<u>\$ 271,085</u>

Combining Statement of Changes in Assets and Liabilities

Agency Funds

For the Year Ended June 30, 2010

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Joint Development Investment Fund:				
ASSETS				
Cash and cash equivalents	\$ 30,238	\$ 605	\$ -	\$ 30,843
Total assets	<u>\$ 30,238</u>	<u>\$ 605</u>	<u>\$ -</u>	<u>\$ 30,843</u>
LIABILITIES				
Amounts held for others	\$ 30,238	\$ 605	\$ -	\$ 30,843
Total liabilities	<u>\$ 30,238</u>	<u>\$ 605</u>	<u>\$ -</u>	<u>\$ 30,843</u>
Totals - All Agency Funds:				
ASSETS				
Cash and cash equivalents	\$ 30,238	\$ 605	\$ -	\$ 30,843
Total assets	<u>\$ 30,238</u>	<u>\$ 605</u>	<u>\$ -</u>	<u>\$ 30,843</u>
LIABILITIES				
Amounts held for others	\$ 30,238	\$ 605	\$ -	\$ 30,843
Total liabilities	<u>\$ 30,238</u>	<u>\$ 605</u>	<u>\$ -</u>	<u>\$ 30,843</u>

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Supporting Schedules

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2010

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	\$ 321,000	\$ 321,000	\$ 359,517	\$ 38,517
Real and personal public service corporation taxes	25,000	25,000	27,056	2,056
Personal property taxes	240,000	240,000	216,613	(23,387)
Machinery and tools taxes	500	500	442	(58)
Penalties	10,000	10,000	17,683	7,683
Interest	7,500	7,500	48,747	41,247
Total general property taxes	\$ 604,000	\$ 604,000	\$ 670,058	\$ 66,058
Other local taxes:				
Local sales and use taxes	\$ 95,000	\$ 95,000	\$ 102,622	\$ 7,622
Consumers' utility taxes	260,000	260,000	171,080	(88,920)
Business license taxes	160,000	160,000	153,611	(6,389)
Franchise License tax	17,500	17,500	-	(17,500)
Motor vehicle licenses	61,500	61,500	57,927	(3,573)
Bank stock taxes	75,000	75,000	96,745	21,745
Restaurant food taxes	140,000	140,000	147,148	7,148
Tobacco tax	10,000	10,000	13,800	3,800
Total other local taxes	\$ 819,000	\$ 819,000	\$ 742,933	\$ (76,067)
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 1,950	\$ 1,950	\$ 1,528	\$ (422)
Taxi permits	10	10	3,320	3,310
Total permits, privilege fees, and regulatory licenses	\$ 1,960	\$ 1,960	\$ 4,848	\$ 2,888
Fines and forfeitures:				
Court fines and forfeitures	\$ 9,600	\$ 9,600	\$ 11,685	\$ 2,085
Revenue from use of money and property:				
Revenue from use of money	\$ 10,750	10,750	\$ 1,326	\$ (9,424)
Revenue from use of property	6,000	6,000	4,463	(1,537)
Total revenue from use of money and property	\$ 16,750	\$ 16,750	\$ 5,789	\$ (10,961)
Charges for services:				
Charges for fire protection	\$ 50,000	\$ 50,000	\$ 67,500	\$ 17,500
Charges for animal protection	500	500	652	152
Charges for sanitation and waste removal	1,000	1,000	119	(881)
Charges for library	8,800	8,800	6,428	(2,372)
Total charges for services	\$ 60,300	\$ 60,300	\$ 74,699	\$ 14,399
Miscellaneous revenue:				
Sale of cemetery lots	\$ 4,000	\$ 4,000	\$ 1,075	\$ (2,925)
Friends of Library	2,000	2,000	3,754	1,754
Masonic Theatre donations	-	-	8,080	8,080
Cash Over/Short	-	-	20	20
Theatre for performing arts	2,000	2,000	685	(1,315)
Miscellaneous	2,000	32,447	13,359	(19,088)
Total miscellaneous revenue	\$ 10,000	\$ 40,447	\$ 26,973	\$ (13,474)

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2010 (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	\$ 18,255	\$ 18,255	\$ 18,255	\$ -
Other costs	28,000	134,125	103,072	(31,053)
Total recovered costs	\$ 46,255	\$ 152,380	\$ 121,327	\$ (31,053)
Total revenue from local sources	\$ 1,567,865	\$ 1,704,437	\$ 1,658,312	\$ (46,125)
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicle rental tax	\$ -	\$ -	\$ 666	\$ 666
Rolling stock tax	18,000	18,000	21,317	3,317
Communications taxes	-	-	98,385	98,385
PPTRA Reimbursement	316,644	316,644	316,644	-
Total noncategorical aid	\$ 334,644	\$ 334,644	\$ 437,012	\$ 102,368
Other categorical aid:				
Virginia Commission for the Arts grant	\$ 5,000	\$ 5,000	\$ 5,000	\$ -
DJC Grants	208,358	208,358	197,555	(10,803)
Local law enforcement block grant	-	-	1,189	1,189
Department of fire programs funds	11,652	11,652	11,833	181
Litter control grant	3,000	3,000	2,363	(637)
Street and highway maintenance funds	474,000	474,000	441,631	(32,369)
Library	36,558	36,558	34,730	(1,828)
Asset forfeiture	-	-	1,118	1,118
Total other categorical aid	\$ 738,568	\$ 738,568	\$ 695,419	\$ (43,149)
Total categorical aid	\$ 738,568	\$ 738,568	\$ 695,419	\$ (43,149)
Total revenue from the Commonwealth	\$ 1,073,212	\$ 1,073,212	\$ 1,132,431	\$ 59,219
Revenue from the Federal Government:				
Categorical aid:				
Community development block grant - planning	\$ -	\$ -	\$ 25,000	\$ 25,000
Total revenue from the federal government	\$ -	\$ -	\$ 25,000	\$ 25,000
Total General Fund	\$ 2,641,077	\$ 2,777,649	\$ 2,815,743	\$ 38,094

Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2010

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
General government administration:				
Legislative:				
Town Council	\$ 17,100	\$ 17,100	\$ 14,896	\$ 2,204
General and financial administration:				
Town manager	\$ 87,070	\$ 87,070	\$ 97,929	\$ (10,859)
Legal services	10,205	10,205	6,598	3,607
Independent auditor	12,500	12,500	15,193	(2,693)
Finance	137,551	137,551	132,043	5,508
Total general and financial administration	\$ 247,326	\$ 247,326	\$ 251,763	\$ (4,437)
Total general government administration	\$ 264,426	\$ 264,426	\$ 266,659	\$ (2,233)
Public safety:				
Law enforcement and traffic control:				
Police department	\$ 669,625	\$ 674,750	\$ 648,806	\$ 25,944
Fire and rescue services:				
Fire department	\$ 174,950	\$ 174,950	\$ 167,789	\$ 7,161
Ambulance and rescue services	-	-	-	-
Total fire and rescue services	\$ 174,950	\$ 174,950	\$ 167,789	\$ 7,161
Inspections:				
Building	\$ -	\$ -	\$ (1,346)	\$ 1,346
Other protection:				
Animal control	\$ 61,092	\$ 61,092	\$ 52,841	\$ 8,251
Total public safety	\$ 905,667	\$ 910,792	\$ 868,090	\$ 42,702
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Highways, streets, bridges and sidewalks	\$ 697,055	\$ 697,055	\$ 306,919	\$ 390,136
Administration	56,877	56,877	53,568	3,309
Eligible Streets	-	-	441,631	(441,631)
Total maintenance of highways, streets, bridges & sidewalks	\$ 753,932	\$ 753,932	\$ 802,118	\$ (48,186)
Maintenance of general buildings and grounds:				
General properties	\$ 37,200	\$ 37,200	\$ 35,630	\$ 1,570
Cemeteries	96,710	96,710	64,661	32,049
Total maintenance of general buildings and grounds	\$ 133,910	\$ 133,910	\$ 100,291	\$ 33,619
Total public works	\$ 887,842	\$ 887,842	\$ 902,409	\$ (14,567)
Health and welfare:				
Welfare:				
Tax relief for the elderly	\$ -	\$ -	\$ 6,387	\$ (6,387)

Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2010 (Continued)

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Education:				
Other instructional costs:				
Contributions to community colleges	\$ 2,400	\$ 2,400	\$ 2,400	\$ -
Parks, recreation, and cultural:				
Parks and recreation:				
Recreation	\$ -	\$ -	\$ -	\$ -
Parks and grounds	118,349	118,349	103,400	14,949
Senior citizen center	35,330	35,330	27,055	8,275
Total parks and recreation	\$ 153,679	\$ 153,679	\$ 130,455	\$ 23,224
Cultural enrichment:				
Cultural enrichment	\$ 10,002	\$ 10,002	\$ 10,002	\$ -
Library:				
Library	\$ 165,541	\$ 165,541	\$ 158,252	\$ 7,289
Total parks, recreation, and cultural	\$ 329,222	\$ 329,222	\$ 298,709	\$ 30,513
Community development:				
Planning and community development:				
Planning Commission	\$ 6,200	\$ 6,200	\$ 4,063	\$ 2,137
Community development	197,459	297,459	229,079	68,380
Contribution to Chamber of Commerce	3,000	3,000	5,000	(2,000)
Total planning and community development	\$ 206,659	\$ 306,659	\$ 238,142	\$ 68,517
Total community development	\$ 206,659	\$ 306,659	\$ 238,142	\$ 68,517
Nondepartmental:				
Nondepartmental	\$ 146,705	\$ 165,552	\$ 120,304	\$ 45,248
Contingencies	32,821	32,821	57,769	(24,948)
Total nondepartmental	\$ 179,526	\$ 198,373	\$ 178,073	\$ 20,300
Capital projects:				
Capital Outlay	\$ 60,335	\$ 72,935	\$ 86,396	\$ (13,461)
Debt service:				
Principal retirement	\$ 5,000	\$ 5,000	\$ 48,489	\$ (43,489)
Interest and other fiscal charges	-	-	20,097	(20,097)
Total General Fund	\$ 2,841,077	\$ 2,977,649	\$ 2,915,851	\$ 61,798

Schedule of Revenues, Expenses and Changes in Net Assets
 Water Enterprise Fund
 For the Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Operating Revenues:				
Sale of services, commodities and properties:				
Sale of water	\$ 445,000	\$ 445,000	\$ 414,116	\$ (30,884)
Administration fees	2,000	2,000	2,385	385
County water	400,000	400,000	424,233	24,233
Penalties	6,000	6,000	17,896	11,896
Total operating revenue	<u>\$ 853,000</u>	<u>\$ 853,000</u>	<u>\$ 858,630</u>	<u>\$ 5,630</u>
Operating Expenses:				
Water filtration plant	\$ 453,100	\$ 453,100	\$ 414,411	\$ 38,689
Transmissional distribution	182,945	182,945	172,979	9,966
Depreciation	-	-	207,921	(207,921)
Capital outlay	31,250	31,250	-	31,250
Total operating expenses	<u>\$ 667,295</u>	<u>\$ 667,295</u>	<u>\$ 795,311</u>	<u>\$ (128,016)</u>
Net operating income	<u>\$ 185,705</u>	<u>\$ 185,705</u>	<u>\$ 63,319</u>	<u>\$ (122,386)</u>
Non-operating revenues (expenses):				
Intergovernmental revenue:				
Commonwealth	\$ -	\$ -	\$ 57,352	\$ 57,352
Federal	-	-	122,938	122,938
Interest expense	(140,867)	(140,867)	(36,183)	104,684
Contingencies	(105,915)	(105,915)	(99,208)	6,707
Net non-operating revenues (expenses)	<u>\$ (246,782)</u>	<u>\$ (246,782)</u>	<u>\$ 44,899</u>	<u>\$ 291,681</u>
Net income (loss)	<u><u>\$ (61,077)</u></u>	<u><u>\$ (61,077)</u></u>	<u><u>\$ 108,218</u></u>	<u><u>\$ 169,295</u></u>

Schedule of Revenues, Expenses and Changes in Net Assets

Sewer Enterprise Fund

For the Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Operating Revenues:				
Sale of services, commodities and properties:				
Sewage treatment charges	\$ 1,058,000	\$ 1,058,000	\$ 1,054,798	\$ (3,202)
Connection fees	-	-	600	600
Administration fees	2,000	2,000	2,385	385
County sewer	140,000	140,000	197,368	57,368
Penalties	6,000	6,000	-	(6,000)
Total operating revenue	\$ 1,206,000	\$ 1,206,000	\$ 1,255,151	\$ 49,151
Operating Expenses:				
Wastewater treatment plant	\$ 529,704	\$ 529,704	\$ 504,623	\$ 25,081
Sewage collection	124,545	124,545	50,060	74,485
Sewer I and I	61,122	61,122	55,369	5,753
Depreciation	-	-	399,476	(399,476)
Capital improvements	10,000	10,000	41,836	(31,836)
Total operating expenses	\$ 725,371	\$ 725,371	\$ 1,051,364	\$ (325,993)
Net operating income	\$ 480,629	\$ 480,629	\$ 203,787	\$ (276,842)
Non-operating revenues (expenses):				
Contingencies	\$ (106,162)	\$ (106,162)	\$ (98,394)	\$ 7,768
Interest expense	(383,925)	(383,925)	(3,041)	380,884
Net non-operating revenues (expenses)	\$ (490,087)	\$ (490,087)	\$ (101,435)	\$ 388,652
Net income (loss)	\$ (9,458)	\$ (9,458)	\$ 102,352	\$ 111,810

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Other Statistical Information

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Government-wide Information

TOWN OF CLIFTON FORGE, VIRGINIA

Government-Wide Expenses by Function
Last Seven Fiscal Years (1)

Fiscal Year	General Government Administration	Public Safety	Public Works	Parks, Recreation, and Cultural	Community Development
2003-04	\$ 390,295	\$ 865,933	\$ 455,703	\$ 313,243	\$ 41,455
2004-05	303,027	941,176	681,786	401,349	4,820
2005-06	292,945	953,817	934,516	447,848	29,907
2006-07	352,034	1,046,016	774,507	444,835	8,418
2007-08	347,715	961,637	597,751	299,743	24,061
2008-09	421,016	1,056,234	634,749	389,814	30,130
2009-10	390,193	928,861	913,542	304,956	249,267

(1) Information has only been available for 7 years.

Table 1

Interest on Long- Term Debt	Other	Water Fund	Sewer Fund	Total
\$ 6,002	\$ 4,672	\$ 613,822	\$ 1,128,692	\$ 3,819,817
4,105	4,378	678,462	1,152,973	4,172,076
2,107	4,378	665,878	1,112,552	4,443,948
5,702	6,509	716,525	1,067,395	4,421,941
957	7,756	713,448	763,755	3,716,823
-	10,031	946,697	1,181,826	4,670,497
20,097	8,787	930,702	1,152,799	4,899,204

TOWN OF CLIFTON FORGE, VIRGINIA

Government-Wide Revenues
Last Seven Fiscal Years (1)

PROGRAM REVENUES				
Fiscal Year	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
2003-04	\$ 1,892,742	\$ 505,018	\$ 94,700	
2004-05	1,944,194	692,069	2,400	
2005-06	1,856,013	788,706	2,700	
2006-07	1,889,741	893,907	-	
2007-08	1,878,420	777,365	-	
2008-09	1,999,013	621,831	368,977	
2009-10	2,204,909	720,419	180,290	

(1) Information has only been available for 7 years.

Table 2

GENERAL REVENUES						
General Property Taxes	Other Local Taxes	Unrestricted Investment Earnings	Miscellaneous	Grants and Contributions Not Restricted to Specific Programs	Total	
\$ 531,710	\$ 774,270	\$ 25,676	\$ 3,838	\$ 351,218	\$ 4,179,172	
494,587	756,177	29,595	64,187	331,212	4,314,421	
520,330	804,928	28,004	17,598	340,636	4,358,915	
573,258	896,580	105,880	10,832	340,291	4,710,489	
498,919	838,669	78,079	26,980	336,829	4,435,261	
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	

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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
2000-01	\$ 328,190	\$ 921,836	\$ 1,009,342	\$ 276,920
2001-02	220,702	774,563	1,038,912	349,617
2002-03	191,202	864,694	654,663	325,962
2003-04	375,498	814,648	484,867	324,448
2004-05	347,198	892,678	672,548	392,269
2005-06	259,463	935,624	917,064	427,499
2006-07	286,748	968,469	836,447	435,492
2007-08	225,326	943,127	697,967	393,089
2008-09	278,951	971,663	659,116	380,012
2009-10	266,659	868,090	902,409	298,709

(1) Includes General Fund of Primary Government.

(2) Clifton Forge became a town on July 1, 2001. Prior to that date the town had been a city and had expenditures for both health and welfare and education. Those expenditures have been removed from this table for the purpose of comparability.

(2) Does not include nondepartmental expenses.

Table 3

Community Development		Capital Projects		Debt Service		Other	Total (2)
\$	28,192	\$	153,214	\$	119,695	\$ -	\$ 2,837,389
	10,128		58,663		128,473	-	2,581,058
	8,624		34,087		105,673	-	2,184,905
	41,455		24,260		41,189	-	2,106,365
	4,820		5,762		41,189	4,378	2,360,842
	4,825		4,915		56,807	9,352	2,615,549
	8,418		32,268		19,465	6,509	2,593,816
	6,943		217,119		20,593	7,756	2,511,920
	5,050		562,928		15,509	8,031	2,881,260
	238,142		243,773		2,886	95,183	2,915,851

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
2000-01	\$ 1,930,812	\$ 1,003,692	\$ 6,052	\$ 15,982	\$ 64,249
2001-02	531,284	751,672	788	6,796	28,478
2002-03	498,410	782,712	511	13,331	30,345
2003-04	553,854	774,270	776	12,892	25,676
2004-05	495,121	756,177	1,889	20,813	32,797
2005-06	509,995	804,928	1,943	15,485	28,004
2006-07	536,047	896,577	1,556	12,873	105,880
2007-08	544,255	838,669	2,113	7,659	78,079
2008-09	615,168	844,962	1,658	14,505	22,530
2009-10	670,058	742,933	4,848	11,685	5,789

(1) Includes General Fund of the Primary Government.

(2) Clifton Forge became a town on July 1, 2001. Prior to that date they had operated as a city. The decrease in property tax revenue is attributable to that change.

Table 4

Charges for Services	Miscellaneous	Recovered Costs	Inter- governmental	Total (2)
\$ 448,900	\$ 187,343	\$ 69,094	\$ 2,325,184	\$ 6,051,308
6,351	126,181	18,665	1,292,812	2,763,027
11,358	92,718	13,665	1,002,591	2,445,641
20,043	20,860	24,461	856,236	2,289,068
21,728	64,187	57,243	1,070,328	2,520,283
21,266	17,598	83,592	1,122,619	2,605,430
29,324	10,832	58,780	1,220,968	2,872,837
26,148	26,980	283,826	1,047,725	2,855,454
26,376	141,059	63,384	959,723	2,689,365
74,699	26,973	121,327	1,157,431	2,815,743

Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy (1,3)	Current Tax (1) 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
2000-01	\$ 2,004,482	\$ 1,700,967	84.86%	\$ 43,309	\$ 1,744,276	87.02%	\$ 325,800	16.25%
2001-02	755,527	393,141	52.04%	100,534	493,675	65.34%	250,260	33.12%
2002-03	760,935	408,438	53.68%	58,595	467,033	61.38%	197,569	25.96%
2003-04	542,950	536,905	98.89%	27,415	564,320	103.94%	173,655	31.98%
2004-05	468,989	436,776	93.13%	28,972	465,748	99.31%	192,685	41.09%
2005-06	496,586	461,247	92.88%	20,196	481,443	96.95%	133,773	26.94%
2006-07	516,859	460,941	89.18%	24,262	485,203	93.88%	171,210	33.13%
2007-08	540,917	506,974	93.72%	17,645	524,619	96.99%	152,441	28.18%
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%

(1) Exclusive of penalties and interest.

(2) Does not include land redemptions.

(3) Clifton Forge became a town on July 1, 2001. Prior to that date they had operated as a city. The decrease in levies is attributable to that change.

Assessed Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year	Real Estate (1)	Personal Property	Mobile Homes (3)	Public Utility (2)		Total
				Real Estate	Personal Property	
2000-01	\$ 96,733,480	\$ 17,036,364	\$ -	\$ 11,866,487	\$ 12,973	\$ 125,649,304
2001-02	126,252,900	8,625,536	-	12,493,363	11,531	147,383,330
2002-03	105,492,800	8,311,656	-	13,821,949	8,850	127,635,255
2003-04	105,844,900	8,256,294	32,100	15,634,712	707,261	130,475,267
2004-05	106,031,400	7,523,173	32,100	13,469,757	31,117	127,087,547
2005-06	106,152,100	8,375,595	122,100	12,548,382	25,754	127,223,931
2006-07	106,205,200	8,451,319	39,200	11,607,909	23,433	126,327,061
2007-08	144,981,500	9,081,431	62,100	16,875,857	3,988	171,004,876
2008-09	144,390,500	9,009,054	48,900	12,151,874	3,637	165,603,965
2008-09	141,747,600	8,046,720	37,300	12,793,206	13,854	162,638,680

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

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

(3) 2004 was the first year the Town assessed mobile home taxes.

Property Tax Rates (1)
Last Ten Fiscal Years

Fiscal Year	Real Estate (3)	Mobile Homes (2)	Personal Property	Machinery and Tools
2000-01	\$ 1.33	\$ -	\$ 3.35	\$ 3.35
2001-02	0.19	-	3.35	3.35
2002-03	0.18	-	6.70	6.70
2003-04	0.23	0.23	6.70	6.70
2004-05	0.23	0.23	6.70	6.70
2005-06	0.23	0.23	6.70	6.70
2006-07	0.23	0.23	6.70	6.70
2007-08	0.17	0.23	6.70	6.70
2008-09	0.21	0.21	6.70	6.70
2009-10	0.21	0.21	6.70	6.70

(1) Per \$100 of assessed value.

(2) 2004 was the first year the Town assessed mobile home taxes.

(3) Clifton Forge became a town on July 1, 2001. Prior to that date they had operated as a city. The decrease in the real estate tax rate is attributable to this change.

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:		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			
2000-01	4,289	\$ 125,649,304	\$ 3,783,142	\$ -	\$ 3,518,142	\$ 265,000	0.21%	\$ 62
2001-02	4,289	147,383,330	6,126,553	-	5,939,313	187,240	0.13%	44
2002-03	4,289	148,802,003	6,612,702	-	6,501,349	111,353	0.07%	26
2003-04	4,289	130,475,267	6,203,053	-	6,126,887	76,166	0.06%	18
2004-05	4,289	127,087,547	5,540,468	-	5,501,386	39,082	0.03%	9
2005-06	4,289	127,223,931	5,124,833	-	5,124,833	-	0.00%	-
2006-07	4,289	126,327,061	4,747,222	-	4,747,222	-	0.00%	-
2007-08	4,289	171,004,876	4,368,538	-	4,368,538	-	0.00%	-
2008-09	4,289	165,603,965	6,089,438	-	6,089,438	-	0.00%	-
2008-09	4,289	162,638,680	6,521,998	-	6,521,998	-	0.00%	-

(1) Center for Public Service at the University of Virginia.

(2) From Table 6

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

Computation of Legal Debt Margin
At June 30, 2010

Total Assessed Value of Real Estate	\$ 144,981,500
Legal Debt Margin:	\$ 14,498,150
Less: Gross Indebtedness	\$ -
Legal Margin for Creation of Additional Debt	\$ 14,498,150

Compliance

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ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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 TOWN COUNCIL
TOWN OF CLIFTON FORGE, VIRGINIA
CLIFTON FORGE, VIRGINIA

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund, of the Town of Clifton Forge, Virginia, as of and for the year ended June 30, 2010, which collectively comprise the Town of Clifton Forge, Virginia's basic financial statements and have issued our report thereon dated March 22, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Clifton Forge, Virginia's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Clifton Forge, Virginia's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Clifton Forge, Virginia's financial statements are free of 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*.

We noted certain matters that were reported to management of the Town of Clifton Forge, Virginia, in a separate letter dated March 22, 2011.

This report is intended solely for the information and use of management, Town Council and others within the entity, and is not intended to be and should not be used by anyone other than these specified parties.

Robinson, Farmer, Cox Associates

Charlottesville, Virginia

March 22, 2011

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

TO THE TOWN COUNCIL
TOWN OF CLIFTON FORGE, VIRGINIA
CLIFTON FORGE, VIRGINIA

Compliance

We have audited the Town of Clifton Forge, Virginia's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Town of Clifton Forge, Virginia's major federal programs for the year ended June 30, 2010. The Town of Clifton Forge, Virginia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Town of Clifton Forge, Virginia's management. Our responsibility is to express an opinion on the Town of Clifton Forge, Virginia's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Clifton Forge, Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Town of Clifton Forge, Virginia's compliance with those requirements.

In our opinion, the Town of Clifton Forge, Virginia complied, in all material respects, with the 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, 2010.

Internal Control Over Compliance

Management of the Town of Clifton Forge, Virginia is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Town of Clifton Forge, Virginia's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Clifton Forge, Virginia's internal control over compliance.

Internal Control Over Compliance: (Continued)

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 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, Town Council, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Robinson, Farmer, Cox Associates
Charlottesville, Virginia
March 22, 2011

TOWN OF CLIFTON FORGE, VIRGINIA

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2010

Federal Grantor/State Pass - Through Grantor/ Program Title	Federal Catalog Number	Expenditures
Department of Housing and Urban Development:		
Direct payments:		
Community development block grant	14.228	\$ <u>25,000</u>
Environmental Protection Agency:		
Direct payments:		
Department of Health:		
Capitalization Grant for Clean Water State Revolving Fund	66.458	\$ <u>913,735</u>
Total Federal Assistance		\$ <u><u>938,735</u></u>

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2010

Note 1 - General

The accompanying schedule of expenditures of federal awards (the 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, 2010. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. 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, change in net assets, 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. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3 - 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:

Primary government:

General Fund	\$ 25,000
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Enterprise Funds:

Water Fund:

Grants	122,938
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Loan Proceeds	790,797
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Total primary government	\$ 938,735
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Total federal expenditures per the Schedule of Expenditures
of Federal Awards

\$ 938,735

TOWN OF CLIFTON FORGE, VIRGINIA

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2010

Section I - Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? No

Significant deficiency(ies) identified? No

Noncompliance material to financial statements noted? No

Federal Awards:

Internal control over major programs:

Material weakness(es) identified? No

Significant deficiency(ies) identified? No

Type of auditor's report issued on compliance
for major programs:

Unqualified

Any audit findings disclosed that are required to be
reported in accordance with Circular A-133,
Section .510 (a)?

No

Identification of major programs:

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
66.458	Capitalization Grants for Clean Water State Revolving Funds

Dollar threshold used to distinguish between Type A
and Type B programs

\$ 300,000

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 Federal Award Findings and Questioned Costs

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

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