



FINANCIAL REPORT
YEAR ENDED JUNE 30, 2014

TOWN OF CLIFTON FORGE, VIRGINIA

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2014

TOWN OF CLIFTON FORGE, VIRGINIA

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2014

COUNCIL

Carl Brinkley, Mayor

Gayle Hillert, Vice-Mayor

Johnette Roberts

Robert Johnson

Jeff Irvine

OFFICIALS

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

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FOR THE YEAR ENDED JUNE 30, 2014

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ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Clifton Forge, Virginia, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedule of pension funding progress on pages 3-8, 49, and 50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Town of Clifton Forge, Virginia's basic financial statements. The combining and individual fund financial statements, supporting schedules, and other statistical information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2014, on our consideration of Town of Clifton Forge, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Clifton Forge, Virginia's internal control over financial reporting and compliance.

Robinson, Farney Cox Associates
Charlottesville, Virginia
December 5, 2014

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, 2014. 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 and deferred inflows of resources at the close of the most recent fiscal year by \$7.6 million (*net position*). Of this amount, \$2.7 million (*unrestricted net position*) may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Town's total net position decreased by \$43,813, of which the governmental activities accounted for a \$281,863 decrease while business-type activities accounted for a \$238,050 increase.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$247,277, a decrease of \$195,434 in comparison with the prior year. 55% of this fund balance is *available for spending* at the Town's discretion (*unassigned fund balance*). The Town had \$110,084 in restricted fund balance at June 30, 2014.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$137,193, 4% of governmental fund expenditures less any capital outlay projects funded with bond proceeds.
- The Town's total debt decreased by \$266,507 during the current fiscal year.

Overview of the Financial Statements

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

Government-wide financial statements

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

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

Government-wide financial statements: (Continued)

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Town include general government administration, public safety, and public works. The business-type activities are for public utilities. The government-wide financial statements can be found on pages 9 and 10 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 financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements can be found on pages 20 through 48 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 49 and 50 of this report. The Town's report includes other supplementary information of combining and individual fund statements and supporting schedules. This information can be found on pages 51 through 59 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets exceeded liabilities and deferred inflows of resources by \$7.6 million at the close of the most recent fiscal year. A large portion of the Town's net position (\$5.0 million, 66% of total) reflects its investment in capital assets (e.g., land, buildings, improvements, infrastructure machinery and equipment, and vehicles), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities (i.e., the Town's investment in capital assets are of a permanent nature as assets acquired are generally not sold or otherwise disposed of during their useful life).

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

Town of Clifton Forge, Virginia Summary of Net Position						
	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 1,004,276	\$ 1,118,141	\$ 4,120,524	\$ 4,456,790	\$ 5,124,800	\$ 5,574,931
Capital assets	1,901,997	1,974,314	9,565,161	9,363,018	11,467,158	11,337,332
Total assets	\$ 2,906,273	\$ 3,092,455	\$ 13,685,685	\$ 13,819,808	\$ 16,591,958	\$ 16,912,263
Long-term liabilities outstanding	\$ 1,017,956	\$ 946,160	\$ 7,085,586	\$ 7,423,891	\$ 8,103,542	\$ 8,370,051
Other liabilities	69,439	55,121	169,710	203,578	239,149	258,699
Total liabilities	\$ 1,087,395	\$ 1,001,281	\$ 7,255,296	\$ 7,627,469	\$ 8,342,691	\$ 8,628,750
Deferred inflows of resources	\$ 615,584	\$ 606,017	\$ -	\$ -	\$ 615,584	\$ 606,017
Net position:						
Net investment in capital assets	\$ 1,320,349	\$ 1,551,829	\$ 3,704,397	\$ 4,077,304	\$ 5,024,746	\$ 5,629,133
Restricted	1,725	5,852	-	-	1,725	5,852
Unrestricted	(118,780)	(72,524)	2,725,992	2,115,035	2,607,212	2,042,511
Total net position	\$ 1,203,294	\$ 1,485,157	\$ 6,430,389	\$ 6,192,339	\$ 7,633,683	\$ 7,677,496

At the end of the current fiscal year, the Town is able to report positive balances in both categories of net position for the business-type activities. Governmental-activities reported a positive balance in net investment in capital assets; however, a negative balance of \$118,780 was reported in unrestricted net position.

As noted previously, the Town's net position decreased by \$43,813 during the current fiscal year.

Government-wide Financial Analysis: (Continued)

Governmental activities decreased the Town's net position by \$281,863. The following table summarizes the Town's Statement of Activities:

Town of Clifton Forge, Virginia Changes in Net Position						
	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services	\$ 81,260	\$ 68,930	\$ 2,669,138	\$ 2,534,153	\$ 2,750,398	\$ 2,603,083
Operating grants and contributions	895,049	910,554	4,100	-	899,149	910,554
Capital grants and contributions	-	-	14,785	15,188	14,785	15,188
General revenues:						
Property taxes	662,508	536,411	-	-	662,508	536,411
Other taxes	818,958	772,556	-	-	818,958	772,556
Unrestricted revenues from use of money and property	16,972	10,783	955	62	17,927	10,845
Miscellaneous	21,105	77,034	-	-	21,105	77,034
Grants and contributions not restricted to specific programs	418,651	420,338	-	-	418,651	420,338
Total revenues	\$ 2,914,503	\$ 2,796,606	\$ 2,688,978	\$ 2,549,403	\$ 5,603,481	\$ 5,346,009
Expenses:						
General government administration	\$ 590,768	\$ 520,236	\$ -	\$ -	\$ 590,768	\$ 520,236
Public safety	1,167,341	1,048,094	-	-	1,167,341	1,048,094
Public works	928,631	807,040	-	-	928,631	807,040
Health and welfare	6,282	7,117	-	-	6,282	7,117
Parks, recreation and cultural	329,347	275,235	-	-	329,347	275,235
Community development	129,521	127,727	-	-	129,521	127,727
Interest on long-term debt	42,944	18,702	-	-	42,944	18,702
Water fund	-	-	1,100,685	1,004,570	1,100,685	1,004,570
Sewer fund	-	-	1,351,775	1,221,660	1,351,775	1,221,660
Total expenses	\$ 3,194,834	\$ 2,804,151	\$ 2,452,460	\$ 2,226,230	\$ 5,647,294	\$ 5,030,381
Increase (decrease) in net position before transfers	\$ (280,331)	\$ (7,545)	\$ 236,518	\$ 323,173	\$ (43,813)	\$ 315,628
Transfers	\$ (1,532)	\$ 28,004	\$ 1,532	\$ (28,004)	\$ -	\$ -
Increase in net position	\$ (281,863)	\$ 20,459	\$ 238,050	\$ 295,169	\$ (43,813)	\$ 315,628
Net position - beginning of year	\$ 1,485,157	\$ 1,464,698	\$ 6,192,339	\$ 5,897,170	\$ 7,677,496	\$ 7,361,868
Net position - end of year	\$ 1,203,294	\$ 1,485,157	\$ 6,430,389	\$ 6,192,339	\$ 7,633,683	\$ 7,677,496

Changes in net position are comprised of the differences between revenues, expenses, and similar items. The key elements of the decrease in governmental activities were attributed to increases in expenses.

Business-type activities increased the Town's net position by \$238,050. Similar to how changes arise in the governmental activities, business-type activities also experience budgetary differences; however, as a public utility function comprises the Town's business-type activities there is more of a direct correlation to the revenues generated relative to the expenses incurred because of service demands.

Financial Analysis of the Town's Funds

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

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

As of the end of the current fiscal year, the Town's governmental fund reported an ending fund balance of \$247,277, a decrease of \$195,434 in comparison with the prior year. Of this amount \$137,193 is reported as unassigned, which is available for spending at the Town's discretion. At June 30, 2014, The Town had \$110,084 in restricted fund balance.

Proprietary funds: The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Total net position of the proprietary funds was \$6.4 million, of which \$2.7 million was unrestricted and available for use at the Town's discretion. The total increase in net position was \$238,050.

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, 2014, amounts to \$11.5 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	
	2014	2013	2014	2013	2014	2013
Land	\$ 759,994	\$ 759,994	\$ 77,412	\$ 77,412	\$ 837,406	\$ 837,406
Buildings	336,605	342,875	-	-	336,605	342,875
Infrastructure	146,466	152,555	8,818,623	9,115,051	8,965,089	9,267,606
Machinery & Equipment	658,932	701,425	-	-	658,932	701,425
Construction in progress	-	17,465	669,126	170,555	669,126	188,020
Total	\$ 1,901,997	\$ 1,974,314	\$ 9,565,161	\$ 9,363,018	\$ 11,467,158	\$ 11,337,332

Additional information on the Town's capital assets can be found in Note 5 on pages 30 through 32 of this report.

Long-term debt: At the end of the current fiscal year, the Town had total outstanding debt of \$8.1 million and details are summarized in the following table:

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Capital leases	\$ 283,550	\$ 301,291	\$ -	\$ -	\$ 283,550	\$ 301,291
Notes payable	91,802	410,494	1,187,000	2,097,700	1,278,802	2,508,194
Revenue bonds	-	-	3,161,375	2,572,125	3,161,375	2,572,125
General obligation bonds	290,000	-	-	-	290,000	-
Premium on issuance	24,655	-	72,042	-	96,697	-
Revolving loan funds	-	-	2,596,034	2,713,651	2,596,034	2,713,651
Landfill closure and post-closure	127,500	135,000	-	-	127,500	135,000
Net pension obligation	96,500	-	31,337	-	127,837	-
Compensated absences	103,949	99,375	37,798	40,415	141,747	139,790
Total	\$ 1,017,956	\$ 946,160	\$ 7,085,586	\$ 7,423,891	\$ 8,103,542	\$ 8,370,051

Capital Asset and Debt Administration: (Continued)

Obligations associated with governmental activities increased by \$71,796 and obligations associated with business-type activities decreased by \$338,305.

The Town is subject to a statutory debt limitation. The legal debt margin is limited to 10% of total assessed value. The margin is computed as all bonded debt and long-term notes except for enterprise indebtedness over total assessed value of taxed real property. The Town was in compliance with the debt limitation as of June 30, 2014.

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

Economic Factors and Next Year's Budgets and Rates

In 2001, Clifton Forge became only the second city in Virginia's modern history to revert from city to town status; however, the financial stress faced by the Town did not disappear with the reversion.

Despite the downward trend of the 1990's, the town continues to rebound into an attractive community in which to live and work. The Town has received numerous grants and loans in order to continue revitalization through projects such as water and sewer infrastructure improvements, new and improved parks and trails, upgraded library computer equipment and a new boat launch. Town Council and citizens are very supportive of the revitalization efforts.

The budget includes a 2% pay increase for all department heads and a 3% across the board pay increase for all remaining employees. The budget continues to include a capital improvement program in general, water and wastewater funds while keeping the overall budget increase to a minimum.

Although the town still lacks an adequate reserve fund, the Town continues to make strides to increase fund balances. Moreover, meals, business license and sales tax revenue continue to increase over previous years. The Town's real estate tax remains at \$.21 and the personal property rate has not changed since 2001. The Town began consumption based billing for water and sewer in July 2011 with a base rate for 5,000 gallons set at \$96.00. For the current year the Town raised water rates by \$2.00 while lowering sewer rates by \$2.00 to remain at the \$96.00.

Requests for Information

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

Basic Financial Statements

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Government-wide Financial Statements

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Statement of Net Position
June 30, 2014

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 117,611	\$ 2,600,127	\$ 2,717,738
Receivables (net of allowance for uncollectibles):			
Taxes receivable	691,057	-	691,057
Accounts receivable	53,921	287,657	341,578
Due from other governmental units	31,603	77,053	108,656
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents	110,084	1,155,687	1,265,771
Capital assets (net of accumulated depreciation):			
Land	759,994	77,412	837,406
Buildings and improvements	336,605	-	336,605
Machinery and equipment	658,932	-	658,932
Infrastructure	146,466	8,818,623	8,965,089
Construction in progress	-	669,126	669,126
Total assets	\$ 2,906,273	\$ 13,685,685	\$ 16,591,958
LIABILITIES			
Accounts payable	\$ 40,755	\$ 77,556	\$ 118,311
Deposits for UT	-	65,261	65,261
Accrued payroll	10,943	11,917	22,860
Accrued interest payable	-	14,976	14,976
Due to other funds	17,741	-	17,741
Long-term liabilities:			
Due within one year	108,676	1,614,475	1,723,151
Due in more than one year	909,280	5,471,111	6,380,391
Total liabilities	\$ 1,087,395	\$ 7,255,296	\$ 8,342,691
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue - property taxes	\$ 615,584	\$ -	\$ 615,584
NET POSITION			
Net investment in capital assets	\$ 1,320,349	\$ 3,704,397	\$ 5,024,746
Restricted for:			
Forfeited assets - law enforcement	1,725	-	1,725
Unrestricted (deficit)	(118,780)	2,725,992	2,607,212
Total net position	\$ 1,203,294	\$ 6,430,389	\$ 7,633,683

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

Statement of Activities

For the Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
PRIMARY GOVERNMENT:							
Governmental activities:							
General government administration	\$ 590,768	\$ -	\$ -	\$ -	\$ (590,768)	\$ -	\$ (590,768)
Public safety	1,167,341	74,163	246,199	-	(846,979)	-	(846,979)
Public works	928,631	225	589,314	-	(339,092)	-	(339,092)
Health and welfare	6,282	-	-	-	(6,282)	-	(6,282)
Parks, recreation, and cultural	329,347	6,872	43,723	-	(278,752)	-	(278,752)
Community development	129,521	-	15,813	-	(113,708)	-	(113,708)
Interest on long-term debt	42,944	-	-	-	(42,944)	-	(42,944)
Total governmental activities	\$ 3,194,834	\$ 81,260	\$ 895,049	\$ -	\$ (2,218,525)	\$ -	\$ (2,218,525)
Business-type activities:							
Water	\$ 1,100,685	\$ 1,115,822	\$ 4,100	\$ 14,785	\$ -	\$ 34,022	\$ 34,022
Sewer	1,351,775	1,553,316	-	-	-	201,541	201,541
Total business-type activities	\$ 2,452,460	\$ 2,669,138	\$ 4,100	\$ 14,785	\$ -	\$ 235,563	\$ 235,563
Total primary government	\$ 5,647,294	\$ 2,750,398	\$ 899,149	\$ 14,785	\$ (2,218,525)	\$ 235,563	\$ (1,982,962)
General revenues:							
General property taxes					\$ 662,508	\$ -	\$ 662,508
Other local taxes:							
Local sales and use tax					108,861	-	108,861
Consumers' utility tax					169,129	-	169,129
Business licenses tax					197,831	-	197,831
Restaurant food tax					195,467	-	195,467
Motor vehicle licenses					53,638	-	53,638
Bank stock taxes					81,152	-	81,152
Tobacco tax					12,880	-	12,880
Unrestricted revenues from use of money and property					16,972	955	17,927
Miscellaneous					21,105	-	21,105
Grants and contributions not restricted to specific programs					418,651	-	418,651
Transfers					(1,532)	1,532	-
Total general revenues and transfers					\$ 1,936,662	\$ 2,487	\$ 1,939,149
Change in net position					\$ (281,863)	\$ 238,050	\$ (43,813)
Net position - beginning					1,485,157	6,192,339	7,677,496
Net position - ending					\$ 1,203,294	\$ 6,430,389	\$ 7,633,683

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

Fund Financial Statements

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Balance Sheet
 Governmental Fund
 June 30, 2014

	<u>General</u>
ASSETS	
Cash and cash equivalents	\$ 117,611
Receivables (net of allowance for uncollectibles):	
Taxes receivable	691,057
Accounts receivable	53,921
Due from other governmental units	31,603
Restricted assets:	
Temporarily restricted:	
Cash and cash equivalents	<u>110,084</u>
Total assets	<u>\$ 1,004,276</u>
LIABILITIES	
Accounts payable	\$ 40,755
Accrued payroll	10,943
Due to other funds	<u>17,741</u>
Total liabilities	<u>\$ 69,439</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue-property taxes	<u>\$ 687,560</u>
FUND BALANCE	
Restricted for:	
Forfeited assets - law enforcement	\$ 1,725
Capital - unspent bond proceeds	108,359
Unassigned, reported in:	
General fund	<u>137,193</u>
Total fund balance	<u>\$ 247,277</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 1,004,276</u>

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

Reconciliation of the Balance Sheet of Governmental Fund
to the Statement of Net Position
June 30, 2014

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

Total fund balance per Exhibit 3 - Balance Sheet - Governmental Fund	\$	247,277
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When capital assets (land, buildings, equipment) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net position includes those capital assets among the assets of the locality as a whole.

Capital assets	\$	4,340,159	
Less: accumulated depreciation		<u>(2,438,162)</u>	1,901,997

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

Unavailable revenue related to property taxes	71,976
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Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. All liabilities - both current and long-term - are reported in the Statement of Net Position.

Compensated absences	\$	(103,949)	
Net pension obligation		(96,500)	
Capital leases		(283,550)	
Bonds and notes payable		(406,457)	
Landfill postclosure liability		<u>(127,500)</u>	<u>(1,017,956)</u>

Net position of governmental activities	\$	<u><u>1,203,294</u></u>
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The notes to financial statements are an integral part of this statement.

Statement of Revenues, Expenditures, and Change in Fund Balance
 Governmental Fund
 For the Year Ended June 30, 2014

	<u>General</u>
REVENUES	
General property taxes	\$ 604,824
Other local taxes	818,958
Permits, privilege fees, and regulatory licenses	7,702
Fines and forfeitures	16,461
Revenue from the use of money and property	16,972
Charges for services	57,097
Miscellaneous	21,105
Recovered costs	96,636
Intergovernmental revenues:	
Commonwealth	1,262,966
Federal	50,734
Total revenues	<u>\$ 2,953,455</u>
EXPENDITURES	
Current:	
General government administration	\$ 278,136
Public safety	1,033,675
Public works	870,189
Health and welfare	6,282
Parks, recreation, and cultural	328,276
Community development	122,887
Nondepartmental	266,948
Capital outlay	176,244
Debt service:	
Principal retirement	367,274
Interest and other fiscal charges	42,944
Total expenditures	<u>\$ 3,492,855</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (539,400)</u>
OTHER FINANCING SOURCES (USES)	
Transfers out	\$ (1,532)
Issuance of bond	290,000
Issuance of capital leases	30,843
Bond premium	24,655
Total other financing sources (uses)	<u>\$ 343,966</u>
Net change in fund balance	<u>\$ (195,434)</u>
Fund balance - beginning	<u>\$ 442,711</u>
Fund balance - ending	<u><u>\$ 247,277</u></u>

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

Reconciliation of Statement of Revenues,
Expenditures, and Change in Fund Balance of Governmental Fund
to the Statement of Activities
For the Year Ended June 30, 2014

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

Net change in fund balance - total governmental fund	\$	(195,434)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period.

Capital asset additions	\$	92,822	
Less: depreciation expense		<u>(165,139)</u>	(72,317)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	57,686
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The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal repayments	\$	367,274	
Issuance of capital leases		(30,843)	
Issuance of bond payable		(314,655)	
Decrease in landfill postclosure liability		<u>7,500</u>	29,276

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

(Increase)/decrease in net pension obligation	(96,500)	
(Increase)/decrease in compensated absences	<u>(4,574)</u>	<u>(101,074)</u>

Change in net position of governmental activities	\$	<u><u>(281,863)</u></u>
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The notes to financial statements are an integral part of this statement.

Statement of Net Position
 Proprietary Funds
 June 30, 2014

	Enterprise Fund	Enterprise Fund	
	Water	Sewer	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,524,324	\$ 1,075,803	\$ 2,600,127
Accounts receivables, net of allowance for uncollectibles	99,274	188,383	287,657
Due from other governmental units	77,053	-	77,053
Total current assets	\$ 1,700,651	\$ 1,264,186	\$ 2,964,837
Noncurrent assets:			
Restricted assets:			
Cash and cash equivalents	\$ 274,170	\$ 881,517	\$ 1,155,687
Capital assets (net of accumulated depreciation):			
Land	\$ 27,362	\$ 50,050	\$ 77,412
Construction in progress	46,744	622,382	669,126
Infrastructure	4,099,851	4,718,772	8,818,623
Total capital assets	\$ 4,173,957	\$ 5,391,204	\$ 9,565,161
Total noncurrent assets	\$ 4,448,127	\$ 6,272,721	\$ 10,720,848
Total assets	\$ 6,148,778	\$ 7,536,907	\$ 13,685,685
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 2,522	\$ 75,034	\$ 77,556
Deposits for UT	65,261	-	65,261
Accrued payroll	10,596	1,321	11,917
Accrued interest payable	11,260	3,716	14,976
Bonds payable - current portion	141,744	281,951	423,695
Notes payable - current portion	-	1,187,000	1,187,000
Compensated absences - current portion	3,478	302	3,780
Total current liabilities	\$ 234,861	\$ 1,549,324	\$ 1,784,185
Noncurrent liabilities:			
Bonds payable - net of current portion	\$ 3,075,651	\$ 2,330,105	\$ 5,405,756
Net pension obligaton	26,634	4,703	31,337
Compensated absences - net of current portion	31,302	2,716	34,018
Total noncurrent liabilities	\$ 3,133,587	\$ 2,337,524	\$ 5,471,111
Total liabilities	\$ 3,368,448	\$ 3,886,848	\$ 7,255,296
NET POSITION			
Net investment in capital assets	\$ 1,230,732	\$ 2,473,665	\$ 3,704,397
Unrestricted	1,549,598	1,176,394	2,725,992
Total net position	\$ 2,780,330	\$ 3,650,059	\$ 6,430,389

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

Statement of Revenues, Expenses, and Changes in Fund Net Position
 Proprietary Funds
 For the Year Ended June 30, 2014

	Enterprise Fund	Enterprise Fund	
	Water	Sewer	Total
OPERATING REVENUES			
Charges for services:			
Water revenues	\$ 1,113,522	\$ -	\$ 1,113,522
Sewer revenues	-	1,532,221	1,532,221
Connection Fees	1,200	-	1,200
Other revenues	1,100	1,050	2,150
Miscellaneous	-	20,045	20,045
Total operating revenues	\$ 1,115,822	\$ 1,553,316	\$ 2,669,138
OPERATING EXPENSES			
Transmissional distribution	\$ 164,895	\$ -	\$ 164,895
Water filtration plant	496,431	-	496,431
Wastewater treatment plant	-	717,428	717,428
Sewage collection	-	83,690	83,690
Sewer inflow and infiltration	-	59,867	59,867
Depreciation	192,874	344,832	537,706
Small tools and repairs	71,830	34,734	106,564
Total operating expenses	\$ 926,030	\$ 1,240,551	\$ 2,166,581
Operating income (loss)	\$ 189,792	\$ 312,765	\$ 502,557
NONOPERATING REVENUES (EXPENSES)			
Contingencies	\$ (110,701)	\$ (94,777)	\$ (205,478)
Dam safety assistance fund	4,100	-	4,100
Interest revenue	491	464	955
Interest expense	(63,954)	(16,447)	(80,401)
Total nonoperating revenues (expenses)	\$ (170,064)	\$ (110,760)	\$ (280,824)
Income before contributions and transfers	\$ 19,728	\$ 202,005	\$ 221,733
Capital contributions - intergovernmental	14,785	-	14,785
Transfers in (out)	46,085	(44,553)	1,532
Change in net position	\$ 80,598	\$ 157,452	\$ 238,050
Total net position - beginning	\$ 2,699,732	\$ 3,492,607	\$ 6,192,339
Total net position - ending	\$ 2,780,330	\$ 3,650,059	\$ 6,430,389

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

Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2014

	Enterprise Fund	Enterprise Fund	
	Water	Sewer	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 1,078,725	\$ 1,524,725	\$ 2,603,450
Payments to suppliers	(324,990)	(817,611)	(1,142,601)
Payments to employees	(411,738)	(87,975)	(499,713)
Net cash provided by (used for) operating activities	\$ 341,997	\$ 619,139	\$ 961,136
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers to other funds	\$ 46,085	\$ (44,553)	\$ 1,532
Operating subsidy from dam safety assistance fund	4,100	-	4,100
Net cash provided by (used for) noncapital financing activities	\$ 50,185	\$ (44,553)	\$ 5,632
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Additions to utility plant	\$ (136,316)	\$ (603,533)	\$ (739,849)
Intergovernmental capital receipts	14,785	-	14,785
Contingencies	(110,701)	(94,777)	(205,478)
Principal payments on bonds	(117,617)	(270,750)	(388,367)
Principal payments on notes	(607,850)	(302,850)	(910,700)
Proceeds from indebtedness	621,361	310,681	932,042
Interest payments	(58,603)	(13,507)	(72,110)
Net cash provided by (used for) capital and related financing activities	\$ (394,941)	\$ (974,736)	\$ (1,369,677)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	\$ 491	\$ 464	\$ 955
Net increase (decrease) in cash and cash equivalents	\$ (2,268)	\$ (399,686)	\$ (401,954)
Cash and cash equivalents - beginning	1,800,762	2,357,006	4,157,768
Cash and cash equivalents - ending	\$ 1,798,494	\$ 1,957,320	\$ 3,755,814
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ 189,792	\$ 312,765	\$ 502,557
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation expense	\$ 192,874	\$ 344,832	\$ 537,706
(Increase) decrease in accounts receivable	(10,185)	(28,591)	(38,776)
(Increase) decrease in intergovernmental receivables	(26,912)	-	(26,912)
Increase (decrease) in accounts payable	(41,918)	(11,511)	(53,429)
Increase (decrease) in retainage payable	(3,335)	-	(3,335)
Increase (decrease) in deposits for UT	5,545	-	5,545
Increase (decrease) in accrued payroll	9,142	(82)	9,060
Increase (decrease) in net pension obligation	26,634	4,703	31,337
Increase (decrease) in compensated absences	360	(2,977)	(2,617)
Total adjustments	\$ 152,205	\$ 306,374	\$ 458,579
Net cash provided by (used for) operating activities	\$ 341,997	\$ 619,139	\$ 961,136

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

Statement of Fiduciary Net Position
 Fiduciary Funds
 June 30, 2014

	Private-Purpose Trusts	Agency Funds
	<hr/>	<hr/>
ASSETS		
Cash and cash equivalents	\$ 271,344	\$ 31,862
Due from other funds	<hr/> 17,741	<hr/> -
Total assets	<hr/> \$ 289,085	<hr/> \$ 31,862
LIABILITIES		
Amounts held for others	\$ -	\$ 31,862
Total liabilities	<hr/> \$ -	<hr/> \$ 31,862
NET POSITION		
Held in trust for cemeteries	<hr/> \$ 289,085	

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

Statement of Change in Fiduciary Net Position
 Fiduciary Funds
 For the Year Ended June 30, 2014

	Private-Purpose Trust
ADDITIONS	
Contributions:	
Sale of cemetery lots	\$ <u>3,675</u>
Total additions	\$ <u>3,675</u>
DEDUCTIONS	
Total deductions	\$ <u>-</u>
Change in net position	\$ <u>3,675</u>
Net position - beginning	\$ <u>285,410</u>
Net position - ending	\$ <u><u>289,085</u></u>

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

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TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements June 30, 2014

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

A. The Financial Reporting Entity

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

The Town has no component units for the fiscal year ended June 30, 2014.

Jointly Governed Organizations - The Town has no jointly governed organizations for the fiscal year ended June 30, 2014.

B. Government-wide and Fund Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Town reports the following major governmental funds:

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

The Town reports the following major proprietary funds:

Enterprise Funds

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

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

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

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

Enterprise Funds: (continued)

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.

Proprietary funds distinguish operating revenues and expenses from *nonoperating items*. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's enterprise funds are charges to customers for sales and services. The enterprise funds also recognize the portion of tap fees intended to recover the cost of connecting new customers to the system as operating revenue. Operating expenses for enterprise funds include the cost of sales and services, administrative expense, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Additionally, the government reports the following fund types:

Fiduciary funds (Trust and Agency 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. Trust Funds, which consist of the Mountain View Cemetery and Crown Hill Cemetery Funds.

D. Assets, Liabilities, and Net Position or Equity

1. Deposits and Investments

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

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.

2. Receivables and Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) 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. Restricted Assets

Proceeds from bonds issued for general and enterprise funds are classified as restricted assets on the Balance Sheet and Statement of Net Position because their use is limited to future capital outlay. These funds are maintained in a separate bank account under the care of a trustee.

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2014 (Continued)

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

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

4. Property Taxes

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

5. Allowance for Uncollectible Accounts

The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$31,407 at June 30, 2014 for property taxes, and water and sewer allowances were \$63,595 and \$149,863, respectively.

6. Use of Estimates

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

7. Capital Assets

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

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

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

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

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

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

8. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported in the government-wide financial statements. No expenditure is reported for these amounts in the fund financial statements. In accordance with the provisions of Governmental Accounting Standards No. 16, *Accounting for Compensated Absences*, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that it is estimated will be taken as "terminal leave" prior to retirement. The Town accrues salary-related payments associated with the payment of compensated absences.

9. Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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

10. Fund Equity

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

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

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

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

10. Fund Equity: (continued)

- Assigned fund balance - amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- Unassigned fund balance - amounts that are available for any purpose; positive amounts are only reported in the general fund.

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

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

11. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. At June 30, 2014, the Town had no deferred outflows.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has one item that qualifies for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30 and 2nd half installments levied during the fiscal year but due after June 30th and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, 2nd half installments levied during the fiscal year but due after June 30th are reported as deferred inflows of resources.

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

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

12. Net Position

Net position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. Net investment in capital assets represents capital assets, less accumulated depreciation, less any outstanding debt related to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.

13. Net Position Flow Assumption

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

NOTE 2—STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

A. Budgetary Information

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

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

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2014 (Continued)

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

B. Deficit Fund Equity

At June 30, 2014, there were no funds with deficit fund equity.

NOTE 3—DEPOSITS AND INVESTMENTS:

Deposits

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

Investments

Statutes authorize the Town to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements and the State Treasurer's Local Government Investment Pool (LGIP).

Credit Risk of Debt Securities

The Town has no formal investment policy.

The Town's rated debt investments as of June 30, 2014 were rated by Standard & Poor's and the ratings are presented below using Standard & Poor's rating scale.

<u>Town's Rated Debt Investments' Values</u>	
<u>Rated Debt Investments</u>	<u>Fair Quality Ratings</u>
	<u>AAA</u>
State Non-Arbitrage Pool	\$ 310,397
Money Market Mutual Funds	291,027
Total	\$ <u>601,424</u>

External Investment Pool

The State Non-Arbitrage Pool (SNAP) is an open-end management investment company registered with the Securities and Exchange Commission. The fair value of the positions in the external investment pool (State Non-Arbitrage Pool) is the same as the value of the pool shares. As the pool is not SEC registered, regulatory oversight of the pools rests with the Virginia State Treasury.

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2014 (Continued)

NOTE 4—DUE FROM OTHER GOVERNMENTAL UNITS:

Amounts due from other governmental units at June 30, 2014, are as follows:

Governmental Activities:

Commonwealth of Virginia:

Rolling stock tax	\$	6,281
Auto rental tax		320
Motor vehicle commission tax		20
Fire programs grant		1,844
Communications tax		15,929
		<hr/>
Total due from the Commonwealth	\$	24,394
		<hr/>

Federal:

ISTEA Grant	\$	4,209
CDBG Planning Grant		3,000
		<hr/>
Total due from Federal Government	\$	7,209
		<hr/>
Grand Total	\$	31,603
		<hr/> <hr/>

Business-type Activities:

Alleghany County:

Bulk water sales	\$	77,053
		<hr/> <hr/>

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2014 (Continued)

NOTE 5—CAPITAL ASSETS:

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2014.

Governmental Activities:

	Balance June 30, 2013	Increases	Decreases	Balance June 30, 2014
Capital assets not being depreciated:				
Land	\$ 759,994	\$ -	\$ -	\$ 759,994
Construction in progress	17,465	-	17,465	-
Total capital assets not being depreciated	<u>\$ 777,459</u>	<u>\$ -</u>	<u>\$ 17,465</u>	<u>\$ 759,994</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 1,308,128	\$ 17,465	\$ -	\$ 1,325,593
Infrastructure (1)	182,646	-	-	182,646
Machinery and equipment	1,979,104	92,822	-	2,071,926
Total capital assets being depreciated	<u>\$ 3,469,878</u>	<u>\$ 110,287</u>	<u>\$ -</u>	<u>\$ 3,580,165</u>
Less: accumulated depreciation for:				
Buildings and improvements	\$ (965,253)	\$ (23,735)	\$ -	\$ (988,988)
Infrastructure	(30,091)	(6,088)	-	(36,179)
Machinery and equipment	(1,277,679)	(135,316)	-	(1,412,995)
Total accumulated depreciation	<u>\$ (2,273,023)</u>	<u>\$ (165,139)</u>	<u>\$ -</u>	<u>\$ (2,438,162)</u>
Total capital assets being depreciated, net	<u>\$ 1,196,855</u>	<u>\$ (54,852)</u>	<u>\$ -</u>	<u>\$ 1,142,003</u>
Net capital assets	<u>\$ 1,974,314</u>	<u>\$ (54,852)</u>	<u>\$ 17,465</u>	<u>\$ 1,901,997</u>

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

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2014 (Continued)

NOTE 5—CAPITAL ASSETS: (CONTINUED)

Business-type Activities:

	<u>Balance</u> <u>June 30, 2013</u>		<u>Increases</u>		<u>Decreases</u>		<u>Balance</u> <u>June 30, 2014</u>
<i>Water Fund</i>							
Capital assets not being depreciated:							
Land	\$ 27,362	\$	-	\$	-	\$	27,362
Construction in progress	151,706		136,316		241,277		46,745
Total capital assets not being depreciated	<u>\$ 179,068</u>	\$	<u>136,316</u>	\$	<u>241,277</u>	\$	<u>74,107</u>
Capital assets being depreciated:							
Infrastructure	\$ 6,362,773	\$	241,277	\$	-	\$	6,604,050
Less: accumulated depreciation	<u>(2,311,325)</u>		<u>(192,874)</u>		<u>-</u>		<u>(2,504,199)</u>
Total capital assets being depreciated, net	<u>\$ 4,051,448</u>	\$	<u>48,403</u>	\$	<u>-</u>	\$	<u>4,099,851</u>
Net capital assets	<u><u>\$ 4,230,516</u></u>	\$	<u><u>184,719</u></u>	\$	<u><u>241,277</u></u>	\$	<u><u>4,173,958</u></u>
<i>Sewer Fund</i>							
Capital assets not being depreciated:							
Land	\$ 50,050	\$	-	\$	-	\$	50,050
Construction in progress	18,849		603,533		-		622,382
Total capital assets not being depreciated	<u>\$ 68,899</u>	\$	<u>603,533</u>	\$	<u>-</u>	\$	<u>672,432</u>
Capital assets being depreciated:							
Infrastructure	\$ 12,334,474	\$	-	\$	-	\$	12,334,474
Less: accumulated depreciation	<u>(7,270,871)</u>		<u>(344,832)</u>		<u>-</u>		<u>(7,615,703)</u>
Total capital assets being depreciated, net	<u>\$ 5,063,603</u>	\$	<u>(344,832)</u>	\$	<u>-</u>	\$	<u>4,718,771</u>
Net capital assets	<u><u>\$ 5,132,502</u></u>	\$	<u><u>258,701</u></u>	\$	<u><u>-</u></u>	\$	<u><u>5,391,203</u></u>

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2014 (Continued)

NOTE 5—CAPITAL ASSETS: (CONTINUED)

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

Governmental activities:	
General government administration	\$ 5,278
Public safety	60,154
Public works	89,630
Parks, recreation, and cultural	10,077
Total depreciation expense-governmental activities	<u>\$ 165,139</u>
Business-type activities:	
Water Fund	\$ 192,874
Sewer Fund	344,832
Total depreciation expense-business-type activities	<u>\$ 537,706</u>

NOTE 6—LONG-TERM OBLIGATIONS:

Governmental Activity Long-term Obligations:

The following is a summary of long-term obligation transactions of the Town for the year ended June 30, 2014.

	Balance June 30, 2013	Issuances	Retirements	Balance June 30, 2014
Capital leases	\$ 301,290	\$ 30,843	\$ 48,583	\$ 283,550
Notes payable	410,493	-	318,691	91,802
General obligation bonds payable	-	290,000	-	290,000
Premium on issuance	-	24,655	-	24,655
Accrued landfill and postclosure liability	135,000	-	7,500	127,500
Net pension obligation	-	96,500	-	96,500
Compensated absences	99,375	4,574	-	103,949
Total	<u>\$ 946,158</u>	<u>\$ 446,572</u>	<u>\$ 374,774</u>	<u>\$ 1,017,956</u>

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

Year Ending June 30,	Principal	Interest
2015	\$ 97,048	\$ 27,105
2016	83,917	23,058
2017	70,992	20,548
2018	34,434	18,509
2019	35,507	17,124
2020-2024	163,454	61,184
2025-2029	80,000	32,406
2030-2034	100,000	11,422
Total	<u>\$ 665,352</u>	<u>\$ 211,356</u>

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2014 (Continued)

NOTE 6—LONG-TERM OBLIGATIONS: (CONTINUED)

Governmental Activity Long-term Obligations: (Continued)

Details of Long-term Obligations:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
Capital Leases:		
\$75,103 Capital lease dated October 12, 2010 with annual payments of \$16,702, including interest at 6.95%. Final installment due September 12, 2015.	\$ 25,827	\$ 15,414
\$30,606 Capital lease dated March 18, 2013 with annual payments of \$10,801.86, including interest at 5.8%. Final installment due March 18, 2015.	10,190	10,190
\$30,843 Capital lease dated January 10, 2014 with monthly payments of \$924.29, including interest at 5.00%. Final installment due January 10, 2017.	26,831	9,977
\$335,000 Capital lease dated December 15, 2008 with annual payments of \$31,799, including interest at 4.634%. Final installment due in 2023.	<u>220,702</u>	<u>21,479</u>
Total capital leases	\$ 283,550	\$ 57,060
Note Payable:		
\$150,000 note payable dated January 25, 2012 for repairs to the Town Hall roof and maintenance building. Payments of \$31,851 due annually with the final installment due January 25, 2017, bearing interest at 2.03%.	\$ 91,802	\$ 29,988
Bonds Payable:		
\$290,000 General Obligation VRA Bond dated November 20, 2013. Principal paid annually; interest paid semi-annually at 2.125% to 4.25%. Final payment due October 1, 2033.	\$ 290,000	\$ 10,000
Premium on bond issuance	<u>24,655</u>	<u>1,233</u>
Total bonds payable	\$ 314,655	\$ 11,233
Accrued landfill and postclosure liability	\$ 127,500	\$ -
Compensated absences	\$ 103,949	\$ 10,395
Net pension obligation	\$ 96,500	\$ -
Total	<u>\$ 1,017,956</u>	<u>\$ 108,676</u>

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2014 (Continued)

NOTE 6—LONG-TERM OBLIGATIONS: (CONTINUED)

Governmental Activity Long-term Obligations: (Continued)

The assets acquired through capital leases are as follows:

Asset:		
Equipment	\$	665,747
Less: Accumulated depreciation		<u>(342,316)</u>
Total	\$	<u>323,431</u>

Enterprise Activity Long-term Obligations:

The following is a summary of long-term obligations transactions of the Town for the year ended June 30, 2014:

	Balance June 30, 2013	Issuances	Retirements	Balance June 30, 2014
Revenue bonds	\$ 2,572,125	\$ 860,000	\$ 270,750	\$ 3,161,375
Premium on issuance	-	72,042	-	72,042
Virginia revolving loan fund	2,713,651	-	117,617	2,596,034
Note payable	2,097,700	-	910,700	1,187,000
Net pension obligation	-	31,337	-	31,337
Compensated absences	40,415	-	2,617	37,798
Total	<u>\$ 7,423,891</u>	<u>\$ 963,379</u>	<u>\$ 1,301,684</u>	<u>\$ 7,085,586</u>

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

Year Ending June 30,	Principal	Interest
2015	\$ 1,607,093	\$ 79,168
2016	421,800	64,428
2017	423,560	61,981
2018	425,374	59,380
2019	427,244	56,622
2020-2024	1,795,213	230,238
2025-2029	904,719	124,616
2030-2034	613,931	35,194
2035-2039	306,256	-
2040	19,219	-
Total	<u>\$ 6,944,409</u>	<u>\$ 711,627</u>

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2014 (Continued)

NOTE 6—LONG-TERM OBLIGATIONS: (CONTINUED)

Enterprise Activity Long-term Obligations: (Continued)

Details of long-term obligations:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
Bonds Payable:		
\$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.	\$ 2,301,375	\$ 270,750
\$760,500 Water Revenue Bonds (VRA), maturing semi-annually in equal installments of \$12,675 through November 1, 2038, 0% interest.	621,075	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.	994,834	55,557
\$1,153,088 Water Revenue Bonds (VRA), maturing semi-annually in equal installments of \$19,218 through November 1, 2039, 0% interest.	980,125	38,436
\$860,000 Double Barrel Revenue Bonds (VRA) dated November 20, 2013. Principal paid annually; interest paid semi-annually at 2.125% to 5.125%. Final payment due October 1, 2033.	860,000	30,000
Premium on bond issuance	72,042	3,602
Total bonds payable	<u>5,829,451</u>	<u>423,695</u>
Note Payable:		
\$1,187,000 General Obligation Sewer Utility Bond Anticipation note payable dated June 12, 2013. The principal of the Note shall be due and payable on the earlier of (a) issuance and sale of the Town's \$1,187,000 General Obligation Sewer Utility Bond (the "Bond"), to be issued and sold under the Virginia Clean Water Revolving Loan Fund Program or (b) two (2) years from the date of issuance of the Note. Interest is paid quarterly at 1.04%.	\$ 1,187,000	\$ 1,187,000
Net pension obligation	\$ 31,337	\$ -
Compensated absences	\$ 37,798	\$ 3,780
Total	<u>\$ 7,085,586</u>	<u>\$ 1,614,475</u>

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2014 (Continued)

NOTE 7—UNAVAILABLE REVENUE:

Unavailable 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. Unavailable revenue is comprised of the following:

A. Unavailable Property Tax Revenue

Unavailable Property Tax Revenue - Unavailable revenue representing uncollected tax billings not available for funding of current expenditures totaled \$687,560 (including 2nd half tax billings of \$615,584 not due until December 5) at June 30, 2014.

NOTE 8—COMPENSATED ABSENCES:

Town employees earn sick leave based upon length of service. Upon termination of 10 years of employment, employees are paid 25% sick leave. Maximum payout of sick leave at retirement is \$2,000. Vacation leave is earned at various rates depending on the date of employment and number of years of service. Vacation leave accrued above the maximum allowable must be taken by the end of the year or it will be lost. Upon separation or retirement, an employee shall be paid for all accrued annual leave. The Town has outstanding accrued compensated absences totaling \$103,949 in the Primary Government and \$37,798 in the Enterprise Funds.

NOTE 9—PENSION PLAN:

A. Plan Description

Name of Plan:	Virginia Retirement System (VRS)
Identification of Plan:	Agent Multiple-Employer Pension Plan
Administering Entity:	Virginia Retirement System (System)

All full-time, salaried permanent (professional) employees of public school divisions and employees of participating employers are automatically covered by VRS upon employment. Members earn one month of service credit for each month they are employed and they and their employer are paying contributions to VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as service credit in their plan.

Within the VRS Plan, the System administers three different benefit plans for local government employees - Plan 1, Plan 2, and, Hybrid. Each plan has different eligibility and benefit structures as set out below:

VRS – PLAN 1

1. **Plan Overview** - VRS Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.

NOTE 9—PENSION PLAN: (CONTINUED)

A. Plan Description: (continued)

VRS – PLAN 1 (CONTINUED)

2. **Eligible Members** - Employees are in VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.
3. **Hybrid Opt-In Election** - VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

The Hybrid Retirement Plan's effective date for eligible VRS Plan 1 members who opted in was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

Members who were eligible for an optional retirement plan (ORP) and had prior service under VRS Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 1 or ORP.

4. **Retirement Contributions** - Members contribute up to 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some school divisions and political subdivisions elected to phase in the required 5% member contribution; all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.
5. **Creditable Service** - Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.
6. **Vesting** - Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.

Members are always 100% vested in the contributions that they make.

7. **Calculating the Benefit** - The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.

An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.

NOTE 9—PENSION PLAN: (CONTINUED)

A. Plan Description: (continued)

VRS – PLAN 1 (CONTINUED)

8. **Average Final Compensation** - A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.
9. **Service Retirement Multiplier** - The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.7%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.7% or 1.85% as elected by the employer.
10. **Normal Retirement Age** - Age 65.
11. **Earliest Unreduced Retirement Eligibility** - Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit at age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.

Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.
12. **Earliest Reduced Retirement Eligibility** - Members may retire with a reduced benefit as early as age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.
13. **Cost-of-Living Adjustment (COLA) in Retirement** - The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.
14. **Eligibility** - For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.

For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.
15. **Exceptions to COLA Effective Dates** - The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:
 - The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.
 - The member retires on disability.
 - The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).

NOTE 9—PENSION PLAN: (CONTINUED)

A. Plan Description: (continued)

VRS – PLAN 1 (CONTINUED)

15. Exceptions to COLA Effective Dates (continued)

- The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.
- The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.

16. Disability Coverage - Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.

Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

17. Purchase of Prior Service - Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.

VRS – PLAN 2

- 1. Plan Overview** - VRS Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.
- 2. Eligible Members** - Employees are in VRS Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.
- 3. Hybrid Opt-In Election** - VRS Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

The Hybrid Retirement Plan's effective date for eligible VRS Plan 2 members who opted in was July 1, 2014.

NOTE 9—PENSION PLAN: (CONTINUED)

A. Plan Description: (continued)

VRS – PLAN 2 (CONTINUED)

3. Hybrid Opt-In Election (continued)

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

Members who were eligible for an optional retirement plan (ORP) and have prior service under VRS Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 2 or ORP.

4. Retirement Contributions - Same as VRS Plan 1—Refer to Section 4.

5. Creditable Service - Same as VRS Plan 1— Refer to Section 5.

6. Vesting - Same as VRS Plan 1—Refer to Section 6.

7. Calculating the Benefit - Same as VRS Plan 1—Refer to Section 7.

8. Average Final Compensation - A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.

9. Service Retirement Multiplier - Same as Plan1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.

10. Normal Retirement Age - Normal Social Security retirement age.

11. Earliest Unreduced Retirement Eligibility - Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.

Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.

12. Earliest Reduced Retirement Eligibility - Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.

13. Cost-of-Living Adjustment (COLA) in Retirement - The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.

14. Eligibility - Same as VRS Plan 1—Refer to Section 14.

15. Exceptions to COLA Effective Dates - Same as VRS Plan 1—Refer to Section 15.

NOTE 9—PENSION PLAN: (CONTINUED)

A. Plan Description: (continued)

VRS – PLAN 2 (CONTINUED)

- 16. Disability Coverage** - Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.

Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

- 17. Purchase of Prior Service** - Same as VRS Plan 1—Refer to Section 17.

HYBRID RETIREMENT PLAN

- 1. Plan Overview** - The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as VRS Plan 1 and VRS Plan 2 members who were eligible and opted into the plan during a special election window. (See “Eligible Members”)

- The defined benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula.
- The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.
- In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

- 2. Eligible Members** - Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:

- State employees*
- School division employees
- Political subdivision employees*
- Judges appointed or elected to an original term on or after January 1, 2014
- Members in VRS Plan 1 or VRS Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan’s effective date for opt-in members was July 1, 2014

NOTE 9—PENSION PLAN: (CONTINUED)

A. Plan Description: (continued)

HYBRID RETIREMENT PLAN (CONTINUED)

3. ***Non-Eligible Members** - Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:

- Members of the State Police Officers' Retirement System (SPORS)
- Members of the Virginia Law Officers' Retirement System (VaLORS)
- Political subdivision employees who are covered by enhanced benefits for hazardous duty employees

Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under VRS Plan 1 or VRS Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select VRS Plan 1 or VRS Plan 2 (as applicable) or ORP.

4. **Retirement Contributions** - A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.

5. **Creditable Service**

Defined Benefit Component - Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

Defined Contribution Component - Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.

6. **Vesting**

Defined Benefit Component - Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. VRS Plan 1 or VRS Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.

Defined Contribution Component - Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.

NOTE 9—PENSION PLAN: (CONTINUED)

A. Plan Description: (continued)

HYBRID RETIREMENT PLAN (CONTINUED)

6. Vesting (Continued)

Members are always 100% vested in the contributions that they make.

Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.

- After two years, a member is 50% vested and may withdraw 50% of employer contributions.
- After three years, a member is 75% vested and may withdraw 75% of employer contributions.
- After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.

Distribution is not required by law until age 70½.

7. Calculating the Benefit

Defined Benefit Component - Same as VRS Plan 1—Refer to Section 7.

Defined Contribution Component - The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.

- 8. Average Final Compensation** - Same as VRS Plan 2—Refer to Section 8. It is used in the retirement formula for the defined benefit component of the plan.

- 9. Service Retirement Multiplier** - The retirement multiplier is 1.0%.

For members that opted into the Hybrid Retirement Plan from VRS Plan 1 or VRS Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

10. Normal Retirement Age

Defined Benefit Component - Same as VRS Plan 2—Refer to Section 10.

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

11. Earliest Unreduced Retirement Eligibility

Defined Benefit Component - Members are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

NOTE 9—PENSION PLAN: (CONTINUED)

A. Plan Description: (continued)

HYBRID RETIREMENT PLAN (CONTINUED)

12. Earliest Reduced Retirement Eligibility

Defined Benefit Component - Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

13. Cost-of-Living Adjustment (COLA) in Retirement

Defined Benefit Component - Same as VRS Plan 2—Refer to Section 13.

Defined Contribution Component - Not Applicable.

14. Eligibility - Same as VRS Plan 1 and VRS Plan 2—Refer to Section 14.

15. Exceptions to COLA Effective Dates - Same as VRS Plan 1 and VRS Plan 2—Refer to Section 15.

16. Disability Coverage - Eligible political subdivision and school division members (including VRS Plan 1 and VRS Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.

State employees (including VRS Plan 1 and VRS Plan 2 opt-ins) participating in the Hybrid Retirement Plan are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

Hybrid members (including VRS Plan 1 and VRS Plan 2 opt-ins) covered under VSDP or VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

17. Purchase of Prior Service

Defined Benefit Component - Same as VRS Plan 1 and VRS Plan 2—Refer to Section 17.

Defined Contribution Component - Not Applicable.

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2013-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2014 (Continued)

NOTE 9—PENSION PLAN: (CONTINUED)

B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. 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 2014 was 17.12% of annual covered payroll. The Town elected to contribute less than the actuarial determined rate. The actual rate contributed was 10.50% of annual covered payroll.

C. Annual Pension Cost

For fiscal year 2014, the Town's annual pension cost of \$217,943 was more than the Town's actual contributions of \$152,559.

Three-Year Trend Information			
Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2012	\$ 117,929	100%	\$ -
June 30, 2013	208,176	70%	62,453
June 30, 2014	217,943	70%	65,384

The FY 2014 required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of 7.00%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees, 3.75% to 6.20% per year for teachers, and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year for Plan1 employees and 2.25% for Plan 2 employees. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the Town'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 Town's unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at June 30, 2011 for the Unfunded Actuarial Accrued Liability (UAAL) was 30 years.

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2014 (Continued)

NOTE 9—PENSION PLAN: (CONTINUED)

D. Funding Status and Progress

As of June 30, 2013, the most recent actuarial valuation date, the Town's plan was 73.85% funded. The actuarial accrued liability for benefits was \$8,611,686, and the actuarial value of assets was \$6,359,910, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,251,776. The covered payroll (annual payroll of active employees covered by the plan) was \$1,370,227 and ratio of the UAAL to the covered payroll was 164.34%.

The schedule of funding progress, presented as Required Supplementary Information (RSI) 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 (AAL) for benefits.

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 have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 12—LITIGATION:

At June 30, 2014, 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.

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2014 (Continued)

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 \$127,500 reported as landfill postclosure care liability at June 30, 2014, represents the Town's estimate of its share of the postclosure monitoring costs based on the use of 100 percent of the estimated capacity of the landfill. Closure of the landfill site has been completed in prior years. The City of Covington is primarily responsible for postclosure costs and the Town of Clifton Forge pays the City its share of the costs. The Town of Clifton Forge's expected portion of these contracts is 12%. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

NOTE 14—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, 2014, is as follows:

	Water	Sewer	Total
Operating revenues	\$ 1,115,822	\$ 1,553,316	\$ 2,669,138
Depreciation	192,874	344,832	537,706
Operating income (loss)	216,426	317,468	533,894
Net income	107,232	162,155	269,387
Capital assets additions	136,316	603,533	739,849
Net working capital	1,468,191	(283,937)	1,184,254
Total assets	6,148,778	7,536,907	13,685,685
Bonds payable	3,217,395	3,799,056	7,016,451
Total net position	2,806,964	3,654,762	6,461,726

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2014 (Continued)

NOTE 16—RESTRICTED CASH:

Cash is restricted for the following:

	Governmental Activities	Business-type Activities	Total Primary Government
Unspent bond proceeds	\$ 108,359	\$ 1,090,426	\$ 1,198,785
Utility deposits held	-	65,261	65,261
Forfeited assets	1,725	-	1,725
Total	<u>\$ 110,084</u>	<u>\$ 1,155,687</u>	<u>\$ 1,265,771</u>

NOTE 17—UPCOMING PRONOUNCEMENTS

The Governmental Accounting Standards Board has issued Statement No. 68, *Accounting and Financial Reporting for Pensions; an amendment of GASB Statement No. 27*. This Statement replaces the requirements of Statements No. 27 and No. 50 related to pension plans that are administered through trusts or equivalent arrangements. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not administered as trusts or equivalent arrangements. The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2014. The Town believes the implementation of Statement No. 68 will significantly impact the Town's net position; however, no formal study or estimate of the impact of this standard has been performed.

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Required Supplementary Information

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General Fund

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

For the Year Ended June 30, 2014

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive (Negative)
REVENUES				
General property taxes	\$ 599,000	\$ 599,000	\$ 604,824	\$ 5,824
Other local taxes	885,500	885,500	818,958	(66,542)
Permits, privilege fees, and regulatory licenses	5,700	5,700	7,702	2,002
Fines and forfeitures	7,000	7,000	16,461	9,461
Revenue from the use of money and property	8,600	8,600	16,972	8,372
Charges for services	58,900	58,900	57,097	(1,803)
Miscellaneous	17,000	27,050	21,105	(5,945)
Recovered costs	40,255	44,255	96,636	52,381
Intergovernmental revenues:				
Commonwealth	1,086,944	1,086,944	1,262,966	176,022
Federal	-	29,639	50,734	21,095
Total revenues	\$ 2,708,899	\$ 2,752,588	\$ 2,953,455	\$ 200,867
EXPENDITURES				
Current:				
General government administration	\$ 279,785	\$ 285,214	\$ 278,136	\$ 7,078
Public safety	1,001,616	1,045,339	1,033,675	11,664
Public works	697,852	692,469	870,189	(177,720)
Health and welfare	-	-	6,282	(6,282)
Parks, recreation, and cultural	296,812	304,820	328,276	(23,456)
Community development	115,879	123,117	122,887	230
Nondepartmental	213,104	218,126	266,948	(48,822)
Capital projects	130,000	130,000	176,244	(46,244)
Debt service:				
Principal retirement	103,851	83,503	367,274	(283,771)
Interest and other fiscal charges	-	-	42,944	(42,944)
Total expenditures	\$ 2,838,899	\$ 2,882,588	\$ 3,492,855	\$ (610,267)
Excess (deficiency) of revenues over (under) expenditures	\$ (130,000)	\$ (130,000)	\$ (539,400)	\$ (409,400)
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ -	\$ -	\$ (1,532)	\$ (1,532)
Issuance of bond	130,000	130,000	290,000	160,000
Issuance of capital leases	-	-	30,843	30,843
Bond premium	-	-	24,655	24,655
Total other financing sources (uses)	\$ 130,000	\$ 130,000	\$ 343,966	\$ 213,966
Net change in fund balances	\$ -	\$ -	\$ (195,434)	\$ (195,434)
Fund balances - beginning	-	-	442,711	442,711
Fund balances - ending	\$ -	\$ -	\$ 247,277	\$ 247,277

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)
06/30/13	\$	6,359,910	\$	8,611,686	\$	2,251,776		73.85%	\$	1,370,227		164.34%
06/30/12		6,224,988		8,285,256		2,060,268		75.13%		1,337,309		154.06%
06/30/11		6,408,479		7,818,913		1,410,434		81.96%		1,251,041		112.74%

Other Supplementary Information

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Combining and Individual Fund Statements

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Combining Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2014

	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	\$ 237,986	\$ 33,358	\$ 271,344	\$ 31,862
Due from other funds	17,741	-	17,741	-
Total assets	<u>\$ 255,727</u>	<u>\$ 33,358</u>	<u>\$ 289,085</u>	<u>\$ 31,862</u>
LIABILITIES				
Amounts held for others	\$ -	\$ -	\$ -	\$ 31,862
Total liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 31,862</u>
NET POSITION				
Held in trust for cemeteries	<u>\$ 255,727</u>	<u>\$ 33,358</u>	<u>\$ 289,085</u>	

Combining Statement of Changes in Fiduciary Net Position
 Fiduciary Funds
 For the Year Ended June 30, 2014

	Mountain View Cemetery Private-Purpose Trust	Crown Hill Cemetery Private-Purpose Trust	Total Private-Purpose Trust
ADDITIONS			
Contributions:			
Sale of cemetery lots	\$ 3,675	\$ -	\$ 3,675
Total additions	\$ 3,675	\$ -	\$ 3,675
DEDUCTIONS			
Total deductions	\$ -	\$ -	\$ -
Change in net position	\$ 3,675	\$ -	\$ 3,675
Net position - beginning	\$ 252,052	\$ 33,358	\$ 285,410
Net position - ending	\$ 255,727	\$ 33,358	\$ 289,085

Statement of Changes in Assets and Liabilities

Agency Funds

For the Year Ended June 30, 2014

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Joint Development Investment Fund:				
ASSETS				
Cash and cash equivalents	\$ 31,707	\$ 155	\$ -	\$ 31,862
Total assets	<u>\$ 31,707</u>	<u>\$ 155</u>	<u>\$ -</u>	<u>\$ 31,862</u>
LIABILITIES				
Amounts held for others	\$ 31,707	\$ 155	\$ -	\$ 31,862
Total liabilities	<u>\$ 31,707</u>	<u>\$ 155</u>	<u>\$ -</u>	<u>\$ 31,862</u>

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Supporting Schedules

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Schedule of Revenues - Budget and Actual
Governmental Fund
For the Year Ended June 30, 2014

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	\$ 310,000	\$ 310,000	\$ 295,438	\$ (14,562)
Real and personal public service corporation taxes	39,500	39,500	32,497	(7,003)
Personal property taxes	234,500	234,500	260,747	26,247
Machinery and tools taxes	2,500	2,500	2,288	(212)
Penalties	6,000	6,000	7,878	1,878
Interest	6,500	6,500	5,976	(524)
Total general property taxes	\$ 599,000	\$ 599,000	\$ 604,824	\$ 5,824
Other local taxes:				
Local sales and use taxes	\$ 115,000	\$ 115,000	\$ 108,861	\$ (6,139)
Consumers' utility taxes	260,000	260,000	169,129	(90,871)
Business license taxes	180,000	180,000	197,831	17,831
Motor vehicle licenses	57,000	57,000	53,638	(3,362)
Bank stock taxes	90,000	90,000	81,152	(8,848)
Restaurant food taxes	170,000	170,000	195,467	25,467
Tobacco tax	13,500	13,500	12,880	(620)
Total other local taxes	\$ 885,500	\$ 885,500	\$ 818,958	\$ (66,542)
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 1,200	\$ 1,200	\$ 1,126	\$ (74)
Zoning Fees	500	500	1,300	800
Building permits	4,000	4,000	5,276	1,276
Total permits, privilege fees, and regulatory licenses	\$ 5,700	\$ 5,700	\$ 7,702	\$ 2,002
Fines and forfeitures:				
Court fines and forfeitures	\$ 7,000	\$ 7,000	\$ 16,461	\$ 9,461
Revenue from use of money and property:				
Revenue from use of money	\$ 2,000	\$ 2,000	\$ 2,670	\$ 670
Revenue from use of property	6,600	6,600	14,302	7,702
Total revenue from use of money and property	\$ 8,600	\$ 8,600	\$ 16,972	\$ 8,372
Charges for services:				
Charges for fire protection	\$ 50,000	\$ 50,000	\$ 50,000	\$ -
Charges for animal protection	100	100	-	(100)
Charges for sanitation and waste removal	300	300	225	(75)
Charges for library	8,500	8,500	6,872	(1,628)
Total charges for services	\$ 58,900	\$ 58,900	\$ 57,097	\$ (1,803)
Miscellaneous revenue:				
Sale of cemetery lots	\$ 5,000	\$ 5,000	\$ 1,225	\$ (3,775)
Friends of Library	4,000	4,000	3,914	(86)
Sale of Salvage/Surplus	8,000	8,000	7,799	(201)
Theatre for performing arts	-	-	400	400
Miscellaneous	-	10,050	7,767	(2,283)
Total miscellaneous revenue	\$ 17,000	\$ 27,050	\$ 21,105	\$ (5,945)

Schedule of Revenues - Budget and Actual
 Governmental Fund
 For the Year Ended June 30, 2014 (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	\$ 20,255	\$ 20,255	\$ 21,775	\$ 1,520
Other costs	20,000	24,000	74,861	50,861
Total recovered costs	\$ 40,255	\$ 44,255	\$ 96,636	\$ 52,381
Total revenue from local sources	\$ 1,621,955	\$ 1,636,005	\$ 1,639,755	\$ 3,750
Intergovernmental Revenue:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicle rental tax	\$ -	\$ -	\$ 1,180	\$ 1,180
Rolling stock tax	10,000	10,000	6,301	(3,699)
Communications taxes	-	-	94,526	94,526
PPTRA Reimbursement	316,644	316,644	316,644	-
Total noncategorical aid	\$ 326,644	\$ 326,644	\$ 418,651	\$ 92,007
Categorical aid:				
Virginia Commission for the Arts grant	\$ 5,000	\$ 5,000	\$ 5,000	\$ -
DJC Grants	190,000	190,000	188,380	(1,620)
State disaster recovery grant	-	-	22,742	22,742
Department of conservation and recreation	-	-	8,500	8,500
Local law enforcement block grant	-	-	5,571	5,571
Byrne Grant	-	-	26,604	26,604
Department of fire programs funds	12,000	12,000	22,742	10,742
Litter control grant	2,300	2,300	2,902	602
Street and highway maintenance funds	520,000	520,000	531,651	11,651
Library	31,000	31,000	30,223	(777)
Total categorical aid	\$ 760,300	\$ 760,300	\$ 844,315	\$ 84,015
Total revenue from the Commonwealth	\$ 1,086,944	\$ 1,086,944	\$ 1,262,966	\$ 176,022
Revenue from the Federal Government:				
Categorical aid:				
DHCD planning grant	\$ -	\$ -	\$ 3,000	\$ 3,000
Rural development grant	-	-	12,813	12,813
Byrne Grant	-	29,639	-	(29,639)
Transportation Enhancement Grant	-	-	34,921	34,921
Total categorical aid	\$ -	\$ 29,639	\$ 50,734	\$ 21,095
Total revenue from the federal government	\$ -	\$ 29,639	\$ 50,734	\$ 21,095
Total General Fund	\$ 2,708,899	\$ 2,752,588	\$ 2,953,455	\$ 200,867

Schedule of Expenditures - Budget and Actual
 Governmental Fund
 For the Year Ended June 30, 2014

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
General government administration:				
Legislative:				
Town Council	\$ 16,098	\$ 15,192	\$ 12,927	\$ 2,265
General and financial administration:				
Town manager	\$ 109,106	\$ 116,033	\$ 114,062	\$ 1,971
Legal services	7,312	8,687	9,021	(334)
Independent auditor	13,750	13,560	13,560	-
Finance	133,519	131,742	128,566	3,176
Total general and financial administration	\$ 263,687	\$ 270,022	\$ 265,209	\$ 4,813
Total general government administration	\$ 279,785	\$ 285,214	\$ 278,136	\$ 7,078
Public safety:				
Law enforcement and traffic control:				
Police department	\$ 806,627	\$ 850,350	\$ 838,397	\$ 11,953
Fire and rescue services:				
Fire department	\$ 194,989	\$ 194,989	\$ 195,278	\$ (289)
Total public safety	\$ 1,001,616	\$ 1,045,339	\$ 1,033,675	\$ 11,664
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Highways, streets, bridges and sidewalks	\$ 544,262	\$ 530,501	\$ 124,412	\$ 406,089
Administration	44,293	54,730	54,075	655
Eligible Streets	-	-	582,643	(582,643)
Total maintenance of highways, streets, bridges & sidewalks	\$ 588,555	\$ 585,231	\$ 761,130	\$ (175,899)
Maintenance of general buildings and grounds:				
General properties	\$ 27,744	\$ 28,904	\$ 28,835	\$ 69
Cemeteries	81,553	78,334	80,224	(1,890)
Total maintenance of general buildings and grounds	\$ 109,297	\$ 107,238	\$ 109,059	\$ (1,821)
Total public works	\$ 697,852	\$ 692,469	\$ 870,189	\$ (177,720)
Health and welfare:				
Welfare:				
Tax relief for the elderly	\$ -	\$ -	\$ 6,282	\$ (6,282)

Schedule of Expenditures - Budget and Actual
Governmental Fund
For the Year Ended June 30, 2014 (Continued)

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Parks, recreation, and cultural:				
Parks and recreation:				
Parks and grounds	\$ 104,096	\$ 112,604	\$ 113,039	\$ (435)
Cultural enrichment:				
Cultural enrichment	\$ 10,000	\$ 9,500	\$ 9,500	\$ -
Library:				
Library	\$ 182,716	\$ 182,716	\$ 205,737	\$ (23,021)
Total parks, recreation, and cultural	\$ 296,812	\$ 304,820	\$ 328,276	\$ (23,456)
Community development:				
Planning and community development:				
Planning Commission	\$ 3,000	\$ 2,913	\$ 2,913	\$ -
Community development	106,379	113,704	113,474	230
Other Planning Community Dev.	6,500	6,500	6,500	-
Total planning and community development	\$ 115,879	\$ 123,117	\$ 122,887	\$ 230
Total community development	\$ 115,879	\$ 123,117	\$ 122,887	\$ 230
Nondepartmental:				
Nondepartmental	\$ 178,962	\$ 200,362	\$ 248,658	\$ (48,296)
Contingencies	34,142	17,764	18,290	(526)
Total nondepartmental	\$ 213,104	\$ 218,126	\$ 266,948	\$ (48,822)
Capital projects:				
Capital Outlay	\$ 130,000	\$ 130,000	\$ 176,244	\$ (46,244)
Debt service:				
Principal retirement	\$ 103,851	\$ 83,503	\$ 367,274	\$ (283,771)
Interest and other fiscal charges	-	-	42,944	(42,944)
Total debt service	\$ 103,851	\$ 83,503	\$ 410,218	\$ (326,715)
Total General Fund	\$ 2,838,899	\$ 2,882,588	\$ 3,492,855	\$ (610,267)

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

Water Enterprise Fund

For the Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Operating Revenues:				
Sale of services, commodities and properties:				
Sale of water	\$ 624,229	\$ 624,229	\$ 630,489	\$ 6,260
Connection fees	2,000	2,000	1,200	(800)
Administration fees	2,000	2,000	1,100	(900)
County water	400,000	400,000	470,616	70,616
Penalties	8,000	8,000	12,417	4,417
Miscellaneous	9,200	9,200	-	(9,200)
Total operating revenue	\$ 1,045,429	\$ 1,045,429	\$ 1,115,822	\$ 70,393
Operating Expenses:				
Water filtration plant	\$ 524,026	\$ 538,672	\$ 496,431	\$ 42,241
Transmissional distribution	167,184	167,184	164,895	2,289
Depreciation	-	-	192,874	(192,874)
Capital outlay	-	4,100	71,830	(67,730)
Total operating expenses	\$ 691,210	\$ 709,956	\$ 926,030	\$ (216,074)
Net operating income	\$ 354,219	\$ 335,473	\$ 189,792	\$ (145,681)
Nonoperating revenues (expenses):				
Dam safety assistance fund	\$ -	\$ 4,100	\$ 4,100	\$ -
Interest revenue	-	-	491	491
Interest expense	(230,577)	(230,577)	(63,954)	166,623
Contingencies	(123,642)	(123,642)	(110,701)	12,941
Net nonoperating revenues (expenses)	\$ (354,219)	\$ (350,119)	\$ (170,064)	\$ 180,055
Net income (loss) before contributions and operating transfers	\$ -	\$ (14,646)	\$ 19,728	\$ 34,374
Capital contributions - intergovernmental	\$ -	\$ 14,646	\$ 14,785	\$ 139
Fund transfers	-	-	46,085	46,085
Change in net position	\$ -	\$ -	\$ 80,598	\$ 80,598

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

Sewer Enterprise Fund

For the Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Operating Revenues:				
Sale of services, commodities and properties:				
Sewage treatment charges	\$ 1,541,561	\$ 1,541,561	\$ 1,532,221	\$ (9,340)
Administration fees	2,000	2,000	1,050	(950)
Penalties	20,000	20,000	20,045	45
Total operating revenue	<u>\$ 1,563,561</u>	<u>\$ 1,563,561</u>	<u>\$ 1,553,316</u>	<u>\$ (10,245)</u>
Operating Expenses:				
Wastewater treatment plant	\$ 729,200	\$ 756,410	\$ 717,428	\$ 38,982
Sewage collection	68,883	88,762	83,690	5,072
Sewer I and I	96,083	60,343	59,867	476
Depreciation	-	-	344,832	(344,832)
Capital outlay	251,740	251,740	34,734	217,006
Total operating expenses	<u>\$ 1,145,906</u>	<u>\$ 1,157,255</u>	<u>\$ 1,240,551</u>	<u>\$ (83,296)</u>
Net operating income	<u>\$ 417,655</u>	<u>\$ 406,306</u>	<u>\$ 312,765</u>	<u>\$ (93,541)</u>
Nonoperating Revenues (Expenses):				
Contingencies	\$ (106,411)	\$ (96,605)	\$ (94,777)	\$ 1,828
Interest revenue	-	-	464	464
Interest expense	(311,244)	(309,701)	(16,447)	293,254
Net nonoperating revenues (expenses)	<u>\$ (417,655)</u>	<u>\$ (406,306)</u>	<u>\$ (110,760)</u>	<u>\$ 295,546</u>
Net income (loss) before operating transfers	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 202,005</u>	<u>\$ 202,005</u>
Fund transfers	<u>-</u>	<u>-</u>	<u>(44,553)</u>	<u>(44,553)</u>
Change in net position	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 157,452</u></u>	<u><u>\$ 157,452</u></u>

Other Statistical Information

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Government-wide Information

TOWN OF CLIFTON FORGE, VIRGINIA

Government-wide Expenses by Function
Last Ten Fiscal Years

Fiscal Year	General Government Administration	Public Safety	Public Works	Parks, Recreation, and Cultural
2004-05	\$ 303,027	\$ 941,176	\$ 681,786	\$ 401,349
2005-06	292,945	953,817	934,516	447,848
2006-07	352,034	1,046,016	774,507	444,835
2007-08	347,715	961,637	597,751	299,743
2008-09	421,016	1,056,234	634,749	389,814
2009-10	390,193	928,861	913,542	304,956
2010-11	522,019	992,001	729,685	268,278
2011-12	522,765	982,527	737,596	277,107
2012-13	520,236	1,048,094	807,040	275,235
2013-14	590,768	1,167,341	928,631	329,347

Table 1

Community Development	Interest on Long- term Debt	Other	Water Fund	Sewer Fund	Total
\$ 4,820	\$ 4,105	\$ 4,378	\$ 678,462	\$ 1,152,973	\$ 4,172,076
29,907	2,107	4,378	665,878	1,112,552	4,443,948
8,418	5,702	6,509	716,525	1,067,395	4,421,941
24,061	957	7,756	713,448	763,755	3,716,823
30,130	-	10,031	946,697	1,181,826	4,670,497
249,267	20,097	8,787	930,702	1,152,799	4,899,204
88,082	12,635	8,825	923,244	1,129,984	4,674,753
89,307	16,528	6,447	1,111,478	1,428,145	5,171,900
127,727	18,702	7,117	1,004,570	1,221,660	5,030,381
129,521	42,944	6,282	1,100,685	1,351,775	5,647,294

TOWN OF CLIFTON FORGE, VIRGINIA

Government-wide Revenues

Last Ten Fiscal Years

PROGRAM REVENUES			
Fiscal Year	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
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
2010-11	2,223,803	921,231	32,864
2011-12	2,713,934	757,442	19,223
2012-13	2,603,083	910,554	15,188
2013-14	2,750,398	899,149	14,785

GENERAL REVENUES

	General Property Taxes	Other Local Taxes	Unrestricted Investment Earnings	Miscellaneous	Grants and Contributions Not Restricted to Specific Programs	Total
\$	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
	574,130	771,811	3,151	26,432	436,076	4,989,498
	638,317	783,193	9,010	23,289	422,021	5,366,429
	536,411	772,556	10,845	77,034	420,338	5,346,009
	662,508	818,958	17,927	21,105	418,651	5,603,481

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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
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
2010-11		277,385		956,894		858,419		281,446
2011-12		263,094		914,198		815,527		280,794
2012-13		269,640		1,001,607		812,979		286,893
2013-14		278,136		1,033,675		870,189		328,276

(1) Includes General Fund of Primary Government.

Table 3

Community Development	Capital Projects	Non- departmental	Debt Service	Other	Total
\$ 4,820	\$ 5,762	\$ -	\$ 41,189	\$ 4,378	\$ 2,356,464
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
190,721	39,912	210,165	85,106	8,825	2,908,873
127,224	197,206	239,566	72,078	6,447	2,916,134
134,365	275,038	233,582	100,230	7,117	3,121,451
122,887	176,244	266,948	410,218	6,282	3,492,855

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
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
2010-11	578,391	771,811	6,156	8,242	3,151
2011-12	588,602	783,193	8,951	11,966	9,010
2012-13	610,187	772,556	4,780	8,072	10,783
2013-14	604,824	818,958	7,702	16,461	16,972

(1) Includes General Fund of the Primary Government.

Table 4

Charges for Services	Miscellaneous	Recovered Costs	Inter- governmental	Total
\$ 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
56,493	26,432	145,225	1,357,307	2,953,208
59,413	23,289	100,080	1,179,463	2,763,967
56,078	77,034	75,945	1,330,892	2,946,327
57,097	21,105	96,636	1,313,700	2,953,455

Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy (1)	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
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%
2010-11	568,628	535,191	94.12%	24,326	559,517	98.40%	92,067	16.19%
2011-12	596,623	551,944	92.51%	22,982	574,926	96.36%	106,660	17.88%
2012-13	612,146	571,025	93.28%	26,146	597,171	97.55%	118,992	19.44%
2013-14	616,167	563,247	91.41%	27,724	590,971	95.91%	106,881	17.35%

(1) Exclusive of penalties and interest.

(2) Does not include land redemptions.

Assessed Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year	Real Estate (1)		Personal Property		Mobile Homes		Public Utility (2)		Total			
							Real Estate	Personal Property				
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
2009-10		141,747,600		8,046,720		37,300		12,793,206		13,854		162,638,680
2010-11		145,606,800		8,289,201		32,400		17,325,209		15,947		171,269,557
2011-12		146,306,600		8,604,873		49,900		18,970,801		23,007		173,955,181
2012-13		146,111,800		8,905,432		53,900		18,310,728		15,307		173,397,167
2013-14		142,806,600		9,044,173		24,700		15,315,207		15,307		167,205,987

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

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

Property Tax Rates (1)
Last Ten Fiscal Years

Fiscal Year	Real Estate	Mobile Homes	Personal Property	Machinery and Tools
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
2010-11	0.21	0.21	6.70	6.70
2011-12	0.21	0.21	6.70	6.70
2012-13	0.21	0.21	6.70	6.70
2013-14	0.21	0.21	6.70	6.70

(1) Per \$100 of assessed value.

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

Fiscal Year	Population (1)	Assessed Value (2)	Gross Bonded Debt (3)	Less:		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			
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%	-
2009-10	4,289	162,638,680	6,521,998	-	6,521,998	-	0.00%	-
2010-11	4,289	171,269,557	6,111,596	-	6,111,596	-	0.00%	-
2011-12	4,289	173,955,181	5,822,539	-	5,672,539	150,000	0.09%	35
2012-13	4,289	173,397,167	7,793,970	-	5,285,776	2,508,194	1.45%	585
2013-14	4,289	167,205,987	7,422,908	-	7,016,451	406,457	0.24%	95

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

(2) From Table 6.

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

Computation of Legal Debt Margin
June 30, 2014

Total Assessed Value of Real Estate	\$ 158,121,807
Legal Debt Margin - 10% of assesed value of real estate	\$ 15,812,181
Less: Applicable gross indebtedness	<u>4,164,836</u>
Legal margin for creation of additional debt	<u>\$ 11,647,345</u>

Compliance

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ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Clifton Forge, Virginia, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Town of Clifton Forge, Virginia's basic financial statements, and have issued our report thereon dated December 5, 2014.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Robinson, Farmer, Cox Associates

Charlottesville, Virginia

December 5, 2014