



FINANCIAL REPORT
YEAR ENDED JUNE 30, 2015

TOWN OF CLIFTON FORGE, VIRGINIA

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2015

COUNCIL

Carl Brinkley, Mayor

Gayle Hillert, Vice-Mayor

Johnette Roberts

Robert Umstead

Jeff Irvine

OFFICIALS

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

TOWN OF CLIFTON FORGE, VIRGINIA
FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2015

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ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Clifton Forge, Virginia, as of and for the year June 30, 2015, 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, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 17 to the financial statements, in 2015, the Town adopted new accounting guidance, GASB Statement Nos. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* and 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB funding on pages 4-9, 60, and 61-63 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 schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

Other Information (continued)

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2015, 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, Farmer, Cox Associates

Charlottesville, Virginia
December 15, 2015

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

As management of the Town of Clifton Forge (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2015. Please read it in conjunction with the Town's basic financial statements, which follow this section.

Financial Highlights

- The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$7.8 million (*net position*). Of this amount, \$1.5 million (*unrestricted net position*) may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Town's total net position increased by \$1,796,270, of which the governmental activities accounted for a \$592,523 increase while business-type activities accounted for a \$1,203,747 increase.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$113,117, a decrease of \$134,160 in comparison with the prior year. 12% of this fund balance is *available for spending* at the Town's discretion (*unassigned fund balance*). The Town had \$99,185 in restricted fund balance at June 30, 2015.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$13,932, .50% of governmental fund expenditures less any capital outlay projects funded with bond proceeds.
- The Town's total long-term obligations decreased by \$1,133,554 during the current fiscal year.
- The Town implemented Statement of Governmental Accounting Standards (GASB Statement) Nos. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* and 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. Accordingly, the net pension liability and related information are reported on the statement of net position along with a more comprehensive measure of pension expense and enhanced, note disclosures and required supplementary information. More information regarding the implementation of this new accounting standard can be found in Notes 17 and 9 of the Notes to Financial Statements.

Overview of the Financial Statements

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

Government-wide financial statements

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

Government-wide financial statements: (Continued)

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

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

Fund financial statements

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

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

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

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

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

Notes to financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements can be found on pages 21 through 59 of this report.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning budgetary comparisons for the general fund and the schedules relating to the Town's participation in its defined benefit pension plan. Required supplementary information can be found on pages 60 through 63 of this report. The Town's report includes other supplementary information of combining and individual fund statements, supporting schedules and other statistical information. This information can be found on pages 64 through 85 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$7.8 million at the close of the most recent fiscal year. A large portion of the Town's net position (\$6.1 million, 79% 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	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 1,072,106	\$ 1,004,276	\$ 3,695,577	\$ 4,120,524	\$ 4,767,683	\$ 5,124,800
Capital assets	2,447,988	1,901,997	10,690,749	9,565,161	13,138,737	11,467,158
Total assets	\$ 3,520,094	\$ 2,906,273	\$ 14,386,326	\$ 13,685,685	\$ 17,906,420	\$ 16,591,958
Deferred outflows of resources	\$ 195,935	\$ -	\$ 56,100	\$ -	\$ 252,035	\$ -
Long-term liabilities outstanding	\$ 1,942,462	\$ 1,017,956	\$ 6,822,236	\$ 7,085,586	\$ 8,764,698	\$ 8,103,542
Other liabilities	313,228	69,439	245,081	169,710	558,309	239,149
Total liabilities	\$ 2,255,690	\$ 1,087,395	\$ 7,067,317	\$ 7,255,296	\$ 9,323,007	\$ 8,342,691
Deferred inflows of resources	\$ 944,053	\$ 615,584	\$ 103,624	\$ -	\$ 1,047,677	\$ 615,584
Net position:						
Net investment in capital assets	\$ 1,856,261	\$ 1,320,349	\$ 4,298,479	\$ 3,704,397	\$ 6,154,740	\$ 5,024,746
Restricted	99,185	1,725	-	-	99,185	1,725
Unrestricted	(1,439,160)	(118,780)	2,973,006	2,725,992	1,533,846	2,607,212
Total net position	\$ 516,286	\$ 1,203,294	\$ 7,271,485	\$ 6,430,389	\$ 7,787,771	\$ 7,633,683

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 \$1,439,160 was reported in unrestricted net position.

Government-wide Financial Analysis: (Continued)

As noted previously, the Town's net position increased by \$1,796,270 during the current fiscal year. Governmental activities increased the Town's net position by \$592,523. 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	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program revenues:						
Charges for services	\$ 91,718	\$ 81,260	\$ 2,549,285	\$ 2,669,138	\$ 2,641,003	\$ 2,750,398
Operating grants and contributions	820,984	895,049	73,290	4,100	894,274	899,149
Capital grants and contributions	350,191	-	936,468	14,785	1,286,659	14,785
General revenues:						
Property taxes	602,480	662,508	-	-	602,480	662,508
Other taxes	838,486	818,958	-	-	838,486	818,958
Unrestricted revenues from use of money and property	15,958	16,972	148	955	16,106	17,927
Miscellaneous	381,559	21,105	-	-	381,559	21,105
Grants and contributions not restricted to specific programs	418,442	418,651	-	-	418,442	418,651
Total revenues	\$ 3,519,818	\$ 2,914,503	\$ 3,559,191	\$ 2,688,978	\$ 7,079,009	\$ 5,603,481
Expenses:						
General government administration	\$ 475,226	\$ 590,768	\$ -	\$ -	\$ 475,226	\$ 590,768
Public safety	1,023,906	1,167,341	-	-	1,023,906	1,167,341
Public works	660,928	928,631	-	-	660,928	928,631
Health and welfare	7,339	6,282	-	-	7,339	6,282
Parks, recreation and cultural	594,200	329,347	-	-	594,200	329,347
Community development	138,854	129,521	-	-	138,854	129,521
Interest on long-term debt	26,842	42,944	-	-	26,842	42,944
Water fund	-	-	965,997	1,100,685	965,997	1,100,685
Sewer fund	-	-	1,389,447	1,351,775	1,389,447	1,351,775
Total expenses	\$ 2,927,295	\$ 3,194,834	\$ 2,355,444	\$ 2,452,460	\$ 5,282,739	\$ 5,647,294
Increase (decrease) in net position before transfers	\$ 592,523	\$ (280,331)	\$ 1,203,747	\$ 236,518	\$ 1,796,270	\$ (43,813)
Transfers	\$ -	\$ (1,532)	\$ -	\$ 1,532	\$ -	\$ -
Increase in net position	\$ 592,523	\$ (281,863)	\$ 1,203,747	\$ 238,050	\$ 1,796,270	\$ (43,813)
Net position - beginning of year, as restated	\$ (76,237)	\$ 1,485,157	\$ 6,067,738	\$ 6,192,339	\$ 5,991,501	\$ 7,677,496
Net position - end of year	\$ 516,286	\$ 1,203,294	\$ 7,271,485	\$ 6,430,389	\$ 7,787,771	\$ 7,633,683

As previously mentioned, the Town adopted new accounting standards, GASB Statement No. 68. Accordingly the beginning net position as of July 1, 2014 has been restated. Reference Note 17 for additional details. Changes in net position are comprised of the differences between revenues, expenses, and similar items. The key elements of the increase in governmental activities were attributed to increases in miscellaneous revenue and grant revenues.

Business-type activities increased the Town's net position by \$1,203,747. 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 \$113,117, a decrease of \$134,160 in comparison with the prior year. Of this amount \$13,932 is reported as unassigned, which is available for spending at the Town's discretion. At June 30, 2015, The Town had \$99,185 in restricted fund balance.

Proprietary funds: The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Total net position of the proprietary funds was \$7.3 million, of which \$3.0 million was unrestricted and available for use at the Town's discretion. The total increase in net position was \$1,203,747.

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, 2015, amounts to \$13.1 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	
	2015	2014	2015	2014	2015	2014
Land	\$ 759,994	\$ 759,994	\$ 77,412	\$ 77,412	\$ 837,406	\$ 837,406
Buildings	599,715	336,606	-	-	599,715	336,606
Infrastructure	140,378	146,467	8,280,917	8,818,623	8,421,295	8,965,090
Machinery & equipment	526,252	658,931	-	-	526,252	658,931
Contruccion in progress	421,649	-	2,332,420	669,126	2,754,069	669,126
Total	<u>\$ 2,447,988</u>	<u>\$ 1,901,998</u>	<u>\$ 10,690,749</u>	<u>\$ 9,565,161</u>	<u>\$ 13,138,737</u>	<u>\$ 11,467,159</u>

Additional information on the Town's capital assets can be found in Note 5 on pages 31 through 33.

Long-term Obligations: At the end of the current fiscal year, the Town had total outstanding obligations of \$8.8 million and details are summarized in the following table:

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Capital leases	\$ 226,491	\$ 283,550	-	-	\$ 226,491	\$ 283,550
Notes payable	61,814	91,803	-	1,187,000	61,814	1,278,803
Revenue bonds	-	-	3,914,741	3,161,375	3,914,741	3,161,375
General obligation bonds	280,000	290,000	-	-	280,000	290,000
Premium on issuance	23,422	24,655	68,439	72,042	91,861	96,697
Revolving loan funds	-	-	2,476,762	2,596,034	2,476,762	2,596,034
Landfill closure and post-closure	120,000	127,500	-	-	120,000	127,500
Net pension liability	1,120,564	1,494,609	320,840	427,937	1,441,404	1,922,546
Compensated absences	110,171	103,949	41,454	37,798	151,625	141,747
Total	<u>\$ 1,942,462</u>	<u>\$ 2,416,066</u>	<u>\$ 6,822,236</u>	<u>\$ 7,482,186</u>	<u>\$ 8,764,698</u>	<u>\$ 9,898,252</u>

Capital Asset and Debt Administration: (Continued)

Obligations associated with governmental activities decreased by \$473,604 and obligations associated with business-type activities decreased by \$659,950.

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, 2015.

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

Economic Factors and Next Year's Budgets and Rates

In 2001, Clifton Forge became only the second city in Virginia's modern history to revert from city to town status. Since that time, the Town has continued to make advancements towards increasing fund balances, implementing a capital improvements program and improving the quality of life for our citizens.

The revitalization of the downtown area continues with the amphitheater, the rehabilitation of the Masonic Theater, the location of several new businesses and the Clifton Forge School of the Arts. Meals tax, business license and sales tax revenue continue to increase over previous years. Gross food sales in calendar year 2015 increased over 11% from 2014. The budget includes a 2% across the board pay increase for all town employees. The Town's real estate tax has remained at \$.21 for 7 years.

The town began consumption based billing for water and sewer in July 2011 with a base rate for 5,000 gallons set at \$94.00. The current rate of \$99.00 includes a \$3.00 fee for necessary lateral line maintenance.

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, 2015

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ -	\$ 3,210,308	\$ 3,210,308
Receivables (net of allowance for uncollectibles):			
Taxes receivable	652,022	-	652,022
Accounts receivable	211,879	239,782	451,661
Due from other governmental units	109,020	107,040	216,060
Restricted assets:			
Cash and cash equivalents	99,185	138,447	237,632
Capital assets (net of accumulated depreciation):			
Land	759,994	77,412	837,406
Buildings and improvements	599,715	-	599,715
Machinery and equipment	526,252	-	526,252
Infrastructure	140,378	8,280,917	8,421,295
Construction in progress	421,649	2,332,420	2,754,069
Total assets	\$ 3,520,094	\$ 14,386,326	\$ 17,906,420
DEFERRED OUTFLOWS OF RESOURCES			
Pension contributions subsequent to measurement date	\$ 195,935	\$ 56,100	\$ 252,035
Total deferred outflows of resources	\$ 195,935	\$ 56,100	\$ 252,035
LIABILITIES			
Accounts payable	\$ 73,407	\$ 151,100	\$ 224,507
Reconciled overdraft payable	209,116	-	209,116
Deposits for utility customers	-	70,775	70,775
Accrued payroll	12,964	9,287	22,251
Accrued interest payable	-	13,919	13,919
Due to other funds	17,741	-	17,741
Long-term liabilities:			
Due within one year	96,169	471,167	567,336
Due in more than one year	1,846,293	6,351,069	8,197,362
Total liabilities	\$ 2,255,690	\$ 7,067,317	\$ 9,323,007
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue - property taxes	\$ 582,148	\$ -	\$ 582,148
Items related to measurement of net pension liability	361,905	103,624	465,529
Total deferred inflows of resources	\$ 944,053	\$ 103,624	\$ 1,047,677
NET POSITION			
Net investment in capital assets	\$ 1,856,261	\$ 4,298,479	\$ 6,154,740
Restricted for:			
Forfeited assets - law enforcement	1,738	-	1,738
Highway maintenance	43,864	-	43,864
Library improvements	53,583	-	53,583
Unrestricted (deficit)	(1,439,160)	2,973,006	1,533,846
Total net position	\$ 516,286	\$ 7,271,485	\$ 7,787,771

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

Statement of Activities
For the Year Ended June 30, 2015

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	\$ 475,226	\$ -	\$ -	\$ -	\$ (475,226)	\$ -	\$ (475,226)
Public safety	1,023,906	73,427	224,767	-	(725,712)	-	(725,712)
Public works	660,928	450	548,842	80,991	(30,645)	-	(30,645)
Health and welfare	7,339	-	-	-	(7,339)	-	(7,339)
Parks, recreation, and cultural	594,200	17,067	37,572	-	(539,561)	-	(539,561)
Community development	138,854	774	9,803	269,200	140,923	-	140,923
Interest on long-term debt	26,842	-	-	-	(26,842)	-	(26,842)
Total governmental activities	\$ 2,927,295	\$ 91,718	\$ 820,984	\$ 350,191	\$ (1,664,402)	\$ -	\$ (1,664,402)
Business-type activities:							
Water	\$ 965,997	\$ 1,032,226	\$ 73,290	\$ -	\$ -	\$ 139,519	\$ 139,519
Sewer	1,389,447	1,517,059	-	936,468	-	1,064,080	1,064,080
Total business-type activities	\$ 2,355,444	\$ 2,549,285	\$ 73,290	\$ 936,468	\$ -	\$ 1,203,599	\$ 1,203,599
Total primary government	\$ 5,282,739	\$ 2,641,003	\$ 894,274	\$ 1,286,659	\$ (1,664,402)	\$ 1,203,599	\$ (460,803)
General revenues:							
General property taxes					\$ 602,480	\$ -	\$ 602,480
Other local taxes:							
Local sales and use tax					115,491	-	115,491
Consumers' utility tax					168,443	-	168,443
Business licenses tax					204,321	-	204,321
Restaurant food tax					209,931	-	209,931
Motor vehicle licenses					52,140	-	52,140
Bank stock taxes					75,556	-	75,556
Tobacco tax					12,604	-	12,604
Unrestricted revenues from use of money and property					15,958	148	16,106
Miscellaneous					381,559	-	381,559
Grants and contributions not restricted to specific programs					418,442	-	418,442
Total general revenues					\$ 2,256,925	\$ 148	\$ 2,257,073
Change in net position, as restated					\$ 592,523	\$ 1,203,747	\$ 1,796,270
Net position - beginning					(76,237)	6,067,738	5,991,501
Net position - ending					\$ 516,286	\$ 7,271,485	\$ 7,787,771

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, 2015

	<u>General</u>
ASSETS	
Cash and cash equivalents	\$ -
Receivables (net of allowance for uncollectibles):	
Taxes receivable	652,022
Accounts receivable	211,879
Due from other governmental units	109,020
Restricted assets:	
Cash and cash equivalents	<u>99,185</u>
Total assets	<u>\$ 1,072,106</u>
LIABILITIES	
Accounts payable	\$ 73,407
Reconciled overdraft payable	209,116
Accrued payroll	12,964
Due to other funds	<u>17,741</u>
Total liabilities	<u>\$ 313,228</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue-property taxes	<u>\$ 645,761</u>
FUND BALANCE	
Restricted for:	
Forfeited assets - law enforcement	\$ 1,738
Highway maintenance	43,864
Library improvements	53,583
Unassigned, reported in:	
General fund	<u>13,932</u>
Total fund balance	<u>\$ 113,117</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 1,072,106</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, 2015

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

Total fund balance per Exhibit 3 - Balance Sheet - Governmental Fund	\$	113,117
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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	\$	5,063,749	
Less: accumulated depreciation		<u>(2,615,761)</u>	2,447,988

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	63,613	
Items related to measurement of net pension liability	<u>(361,905)</u>	(298,292)

Pension contributions subsequent to the measurement date will be a reduction in the net pension liability in the next fiscal year and, therefore, are not reported in the funds.

195,935

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	\$	(110,171)	
Net pension liability		(1,120,564)	
Capital leases		(226,491)	
Bonds and notes payable		(341,814)	
Premium on bonds payable		(23,422)	
Landfill postclosure liability		<u>(120,000)</u>	(1,942,462)

Net position of governmental activities	\$	<u><u>516,286</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, 2015

	<u>General</u>
REVENUES	
General property taxes	\$ 610,843
Other local taxes	838,486
Permits, privilege fees, and regulatory licenses	9,824
Fines and forfeitures	14,377
Revenue from the use of money and property	15,958
Charges for services	67,517
Miscellaneous	381,559
Recovered costs	78,110
Intergovernmental revenues:	
Commonwealth	1,476,634
Federal	112,983
	<u> </u>
Total revenues	\$ <u>3,606,291</u>
EXPENDITURES	
Current:	
General government administration	\$ 289,287
Public safety	1,009,379
Public works	631,237
Health and welfare	7,339
Parks, recreation, and cultural	606,841
Community development	148,878
Nondepartmental	184,872
Capital outlay	737,495
Debt service:	
Principal retirement	97,048
Interest and other fiscal charges	28,075
	<u> </u>
Total expenditures	\$ <u>3,740,451</u>
Excess (deficiency) of revenues over (under) expenditures	\$ <u>(134,160)</u>
Net change in fund balance	\$ <u>(134,160)</u>
Fund balance - beginning	\$ <u>247,277</u>
Fund balance - ending	\$ <u><u>113,117</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, 2015

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

Net change in fund balance - total governmental fund	\$	(134,160)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital asset additions exceeded depreciation expense in the current period.

Capital asset additions	\$	723,590	
Less: depreciation expense		<u>(177,600)</u>	545,990

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

Property taxes	\$	(8,363)	
Change in deferred inflows of resources related to the measurement of the net pension liability		<u>(361,905)</u>	(370,268)

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	\$	97,048	
Amortization of premiums		1,233	
Decrease in landfill postclosure liability		<u>7,500</u>	105,781

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 liability	374,045	
Increase/(decrease) in deferred outflows of resources related to pension payments subsequent to measurement date	77,357	
(Increase)/decrease in compensated absences	<u>(6,222)</u>	<u>445,180</u>

Change in net position of governmental activities	\$	<u><u>592,523</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, 2015

	Enterprise Fund	Enterprise Fund	
	Water	Sewer	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,750,523	\$ 1,459,785	\$ 3,210,308
Accounts receivables, net of allowance for uncollectibles	92,997	146,785	239,782
Due from other governmental units	107,040	-	107,040
Total current assets	\$ 1,950,560	\$ 1,606,570	\$ 3,557,130
Noncurrent assets:			
Restricted assets:			
Cash and cash equivalents	\$ 138,447	\$ -	\$ 138,447
Capital assets (net of accumulated depreciation):			
Land	\$ 27,362	\$ 50,050	\$ 77,412
Construction in progress	141,796	2,190,624	2,332,420
Infrastructure	3,906,977	4,373,940	8,280,917
Total capital assets	\$ 4,076,135	\$ 6,614,614	\$ 10,690,749
Total noncurrent assets	\$ 4,214,582	\$ 6,614,614	\$ 10,829,196
Total assets	\$ 6,165,142	\$ 8,221,184	\$ 14,386,326
DEFERRED OUTFLOWS OF RESOURCES			
Pension contributions subsequent to measurement date	\$ 47,304	\$ 8,796	\$ 56,100
Total deferred outflows of resources	\$ 47,304	\$ 8,796	\$ 56,100
LIABILITIES			
Current liabilities:			
Accounts payable and other accrued liabilities	\$ 40,554	\$ 110,546	\$ 151,100
Deposits for utility customers	70,775	-	70,775
Accrued payroll	6,578	2,709	9,287
Accrued interest payable	10,872	3,047	13,919
Bonds payable - current portion	143,451	323,570	467,021
Compensated absences - current portion	3,577	569	4,146
Total current liabilities	\$ 275,807	\$ 440,441	\$ 716,248
Noncurrent liabilities:			
Bonds payable - net of current portion	\$ 2,932,270	\$ 3,060,651	\$ 5,992,921
Net pension liability	270,534	50,306	320,840
Compensated absences - net of current portion	32,189	5,119	37,308
Total noncurrent liabilities	\$ 3,234,993	\$ 3,116,076	\$ 6,351,069
Total liabilities	\$ 3,510,800	\$ 3,556,517	\$ 7,067,317
DEFERRED INFLOWS OF RESOURCES			
Items related to measurement of net pension liability	\$ 87,376	\$ 16,248	\$ 103,624
Total deferred inflows of resources	\$ 87,376	\$ 16,248	\$ 103,624
NET POSITION			
Net investment in capital assets	\$ 1,068,086	\$ 3,230,393	\$ 4,298,479
Unrestricted	1,546,184	1,426,822	2,973,006
Total net position	\$ 2,614,270	\$ 4,657,215	\$ 7,271,485

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, 2015

	Enterprise Fund	Enterprise Fund	
	Water	Sewer	Total
OPERATING REVENUES			
Charges for services:			
Water revenues	\$ 1,030,756	\$ -	\$ 1,030,756
Sewer revenues	-	1,508,923	1,508,923
Other revenues	1,470	1,390	2,860
Penalties	-	6,746	6,746
Total operating revenues	\$ 1,032,226	\$ 1,517,059	\$ 2,549,285
OPERATING EXPENSES			
Transmissional distribution	\$ 149,999	\$ -	\$ 149,999
Water filtration plant	415,814	-	415,814
Wastewater treatment plant	-	641,251	641,251
Sewage collection	-	138,461	138,461
Sewer inflow and infiltration	-	58,615	58,615
Sewer lateral lines	-	6,781	6,781
Depreciation	192,874	344,831	537,705
Small tools and repairs	28,868	18,193	47,061
Total operating expenses	\$ 787,555	\$ 1,208,132	\$ 1,995,687
Operating income (loss)	\$ 244,671	\$ 308,927	\$ 553,598
NONOPERATING REVENUES (EXPENSES)			
Contingencies	\$ (122,591)	\$ (163,990)	\$ (286,581)
State grants - Virginia Department of Health	73,290	-	73,290
Interest revenue	-	148	148
Interest expense	(55,851)	(17,325)	(73,176)
Total nonoperating revenues (expenses)	\$ (105,152)	\$ (181,167)	\$ (286,319)
Income before contributions and transfers	\$ 139,519	\$ 127,760	\$ 267,279
Capital contributions and grants - State	-	427,615	427,615
Capital contributions and grants - Federal	-	508,853	508,853
Change in net position	\$ 139,519	\$ 1,064,228	\$ 1,203,747
Total net position - beginning, as restated	\$ 2,474,751	\$ 3,592,987	\$ 6,067,738
Total net position - ending	\$ 2,614,270	\$ 4,657,215	\$ 7,271,485

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

Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2015

	Enterprise Fund	Enterprise Fund	
	Water	Sewer	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 1,081,806	\$ 1,558,657	\$ 2,640,463
Payments to suppliers	(103,261)	(738,171)	(841,432)
Payments to employees	(472,512)	(89,577)	(562,089)
Net cash provided by (used for) operating activities	\$ 506,033	\$ 730,909	\$ 1,236,942
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Additions to utility plant	\$ (95,051)	\$ (1,568,242)	\$ (1,663,293)
Intergovernmental capital grants	-	936,468	936,468
Contingencies	(122,591)	(163,990)	(286,581)
Principal payments on bonds	(139,272)	(280,750)	(420,022)
Principal payments on notes	-	(1,187,000)	(1,187,000)
Proceeds from indebtedness	-	1,054,116	1,054,116
Interest payments	(58,643)	(19,194)	(77,837)
Net cash provided by (used for) capital and related financing activities	\$ (415,557)	\$ (1,228,592)	\$ (1,644,149)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	\$ -	\$ 148	\$ 148
Net increase (decrease) in cash and cash equivalents	\$ 90,476	\$ (497,535)	\$ (407,059)
Cash and cash equivalents - beginning	1,798,494	1,957,320	3,755,814
Cash and cash equivalents - ending	\$ 1,888,970	\$ 1,459,785	\$ 3,348,755
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ 244,671	\$ 308,927	\$ 553,598
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation expense	\$ 192,874	\$ 344,831	\$ 537,705
State grants	73,290	-	73,290
(Increase) decrease in accounts receivable	6,277	41,598	47,875
(Increase) decrease in intergovernmental receivables	(29,987)	-	(29,987)
(Increase) decrease in deferred outflows - pension related	(18,676)	(3,473)	(22,149)
Increase (decrease) in deferred inflows - pension related	87,376	16,248	103,624
Increase (decrease) in net pension liability	(90,306)	(16,791)	(107,097)
Increase (decrease) in accounts payable	38,032	35,511	73,543
Increase (decrease) in deposits for utility customers	5,514	-	5,514
Increase (decrease) in accrued payroll	(4,018)	1,388	(2,630)
Increase (decrease) in compensated absences	986	2,670	3,656
Total adjustments	\$ 261,362	\$ 421,982	\$ 683,344
Net cash provided by (used for) operating activities	\$ 506,033	\$ 730,909	\$ 1,236,942

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

Statement of Fiduciary Net Position
 Fiduciary Funds
 June 30, 2015

	Private-Purpose Trusts	Agency Funds
	<u> </u>	<u> </u>
ASSETS		
Cash and cash equivalents	\$ 271,344	\$ 31,958
Due from other funds	<u>17,741</u>	<u>-</u>
Total assets	<u><u>\$ 289,085</u></u>	<u><u>\$ 31,958</u></u>
LIABILITIES		
Amounts held for others	\$ <u>-</u>	\$ <u>31,958</u>
Total liabilities	<u><u>\$ -</u></u>	<u><u>\$ 31,958</u></u>
NET POSITION		
Held in trust for cemeteries	<u><u>\$ 289,085</u></u>	

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, 2015

	Private-Purpose Trust
ADDITIONS	
Total additions	\$ -
DEDUCTIONS	
Total deductions	\$ -
Change in net position	\$ -
Net position - beginning	\$ 289,085
Net position - ending	\$ 289,085

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, 2015

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, 2015.

Jointly Governed Organizations - The Town has no jointly governed organizations for the fiscal year ended June 30, 2015.

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, are recorded only when payment is due.

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

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

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

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

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

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

The Town reports the following major governmental fund:

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

The Town reports the following major proprietary funds:

Enterprise Funds

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

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

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 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, 2015 (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 \$29,150 at June 30, 2015 for property taxes, and water and sewer allowances were \$3,565 and \$8,597, 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. The Town has one item that qualifies for reporting in this category. It is comprised of certain items related to the measurement of the net pension liability. It is comprised of contributions to the pension plan made during the current year and subsequent to the net pension liability measurement date, which will be recognized as a reduction of the net pension liability next fiscal year. For more detailed information on these items, reference the pension note.

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

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

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

12. Pensions

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

13. 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.

14. 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.

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2015 (Continued)

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

A. Budgetary Information: (continued)

3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the fund level. The appropriation for each fund can be revised only by the Town Council. The Town Manager is authorized to transfer budgeted amounts within general government departments.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30, for all Town units.

B. Deficit Fund Equity

At June 30, 2015, 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).

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2015 (Continued)

NOTE 3—DEPOSITS AND INVESTMENTS: (CONTINUED)

Credit Risk of Debt Securities

The Town has no formal investment policy.

The Town's rated debt investments as of June 30, 2015 were rated by Standard & Poor's and the ratings are presented below using Standard & Poor's rating scale.

Town's Rated Debt Investments' Values	
<u>Rated Debt Investments</u>	<u>Fair Quality Ratings</u>
	<u>AAA</u>
Money Market Mutual Funds	\$ 291,055
Total	\$ 291,055

NOTE 4—DUE FROM OTHER GOVERNMENTAL UNITS:

Amounts due from other governmental units at June 30, 2015, are as follows:

Governmental Activities:

Commonwealth of Virginia:

Rolling stock tax	\$ 6,313
Auto rental tax	294
Motor vehicle commission tax	29
VDOT revenue sharing	17,780
Communications tax	15,081
Total due from the Commonwealth	\$ 39,497

Federal:

Highway Planning & Construction	\$ 69,523
Grand Total	\$ 109,020

Business-type Activities:

Alleghany County:

Bulk water sales	\$ 99,540
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Commonwealth of Virginia:

VRA - DCRS, Virginia Dam Safety & Flood Protection grant	\$ 7,500
Grand Total	\$ 107,040

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2015 (Continued)

NOTE 5—CAPITAL ASSETS:

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2015.

Governmental Activities:

	Balance June 30, 2014	Increases	Decreases	Balance June 30, 2015
Capital assets not being depreciated:				
Land	\$ 759,994	\$ -	\$ -	\$ 759,994
Construction in progress	-	723,590	301,941	421,649
Total capital assets not being depreciated	<u>\$ 759,994</u>	<u>\$ 723,590</u>	<u>\$ 301,941</u>	<u>\$ 1,181,643</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 1,325,593	\$ 301,941	\$ -	\$ 1,627,534
Infrastructure (1)	182,646	-	-	182,646
Machinery and equipment	<u>2,071,926</u>	<u>-</u>	<u>-</u>	<u>2,071,926</u>
Total capital assets being depreciated	<u>\$ 3,580,165</u>	<u>\$ 301,941</u>	<u>\$ -</u>	<u>\$ 3,882,106</u>
Less: accumulated depreciation for:				
Buildings and improvements	\$ (988,987)	\$ (38,832)	\$ -	\$ (1,027,819)
Infrastructure	(36,179)	(6,088)	-	(42,267)
Machinery and equipment	<u>(1,412,995)</u>	<u>(132,680)</u>	<u>-</u>	<u>(1,545,675)</u>
Total accumulated depreciation	<u>\$ (2,438,161)</u>	<u>\$ (177,600)</u>	<u>\$ -</u>	<u>\$ (2,615,761)</u>
Total capital assets being depreciated, net	<u>\$ 1,142,004</u>	<u>\$ 124,341</u>	<u>\$ -</u>	<u>\$ 1,266,345</u>
Net capital assets	<u>\$ 1,901,998</u>	<u>\$ 847,931</u>	<u>\$ 301,941</u>	<u>\$ 2,447,988</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, 2015 (Continued)

NOTE 5—CAPITAL ASSETS: (CONTINUED)

Business-type Activities:

	<u>Balance</u> <u>June 30, 2014</u>		<u>Increases</u>		<u>Decreases</u>		<u>Balance</u> <u>June 30, 2015</u>
<i>Water Fund</i>							
Capital assets not being depreciated:							
Land	\$ 27,362	\$ -	\$ -	\$ -	\$ -	\$ -	27,362
Construction in progress	46,745	95,051	-	-	-	-	141,796
Total capital assets not being depreciated	<u>\$ 74,107</u>	<u>\$ 95,051</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	169,158
Capital assets being depreciated:							
Infrastructure	\$ 6,604,050	\$ -	\$ -	\$ -	\$ -	\$ -	6,604,050
Less: accumulated depreciation	(2,504,199)	(192,874)	-	-	-	-	(2,697,073)
Total capital assets being depreciated, net	<u>\$ 4,099,851</u>	<u>\$ (192,874)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	3,906,977
Net capital assets	<u><u>\$ 4,173,958</u></u>	<u><u>\$ (97,823)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>4,076,135</u></u>
<i>Sewer Fund</i>							
Capital assets not being depreciated:							
Land	\$ 50,050	\$ -	\$ -	\$ -	\$ -	\$ -	50,050
Construction in progress	622,382	1,568,242	-	-	-	-	2,190,624
Total capital assets not being depreciated	<u>\$ 672,432</u>	<u>\$ 1,568,242</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	2,240,674
Capital assets being depreciated:							
Infrastructure	\$ 12,334,474	\$ -	\$ -	\$ -	\$ -	\$ -	12,334,474
Less: accumulated depreciation	(7,615,703)	(344,831)	-	-	-	-	(7,960,534)
Total capital assets being depreciated, net	<u>\$ 4,718,771</u>	<u>\$ (344,831)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	4,373,940
Net capital assets	<u><u>\$ 5,391,203</u></u>	<u><u>\$ 1,223,411</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>6,614,614</u></u>

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2015 (Continued)

NOTE 5—CAPITAL ASSETS: (CONTINUED)

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

Governmental activities:	
General government administration	\$ 20,375
Public safety	60,154
Public works	86,994
Parks, recreation, and cultural	10,077
Total depreciation expense-governmental activities	\$ 177,600
Business-type activities:	
Water Fund	\$ 192,874
Sewer Fund	344,831
Total depreciation expense-business-type activities	\$ 537,705

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, 2015.

	Balance June 30, 2014	Issuances	Retirements	Balance June 30, 2015
Capital leases	\$ 283,550	\$ -	\$ 57,059	\$ 226,491
Notes payable	91,803	-	29,989	61,814
General obligation bonds payable	290,000	-	10,000	280,000
Premium on issuance	24,655	-	1,233	23,422
Accrued landfill and postclosure liability	127,500	-	7,500	120,000
Net pension liability	1,494,609	613,188	987,233	1,120,564
Compensated absences	103,949	6,222	-	110,171
Total	\$ 2,416,066	\$ 619,410	\$ 1,093,014	\$ 1,942,462

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

Year Ending June 30,	Principal	Interest
2016	\$ 83,919	\$ 23,058
2017	70,992	20,548
2018	34,434	18,509
2019	35,507	17,124
2020	36,626	15,642
2021-2025	141,827	53,538
2026-2030	85,000	28,491
2031-2034	80,000	7,341
Total	\$ 568,305	\$ 184,251

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2015 (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.	\$ 10,414	\$ 10,413
\$30,843 Capital lease dated January 10, 2014 with monthly payments of \$924, including interest at 5.00%. Final installment due January 10, 2017.	16,854	10,487
\$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>199,223</u>	<u>22,422</u>
Total capital leases	\$ 226,491	\$ 43,322
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%.	\$ 61,814	\$ 30,597
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.	\$ 280,000	\$ 10,000
Premium on bond issuance	<u>23,422</u>	<u>1,233</u>
Total bonds payable	\$ 303,422	\$ 11,233
Accrued landfill and postclosure liability	\$ 120,000	\$ -
Compensated absences	\$ 110,171	\$ 11,017
Net pension liability	\$ 1,120,564	\$ -
Total	<u>\$ 1,942,462</u>	<u>\$ 96,169</u>

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2015 (Continued)

NOTE 6—LONG-TERM OBLIGATIONS: (CONTINUED)

Governmental Activity Long-term Obligations: (Continued)

The assets acquired through capital leases are as follows:

Asset:		
Equipment	\$	590,521
Less: Accumulated depreciation		<u>(313,603)</u>
Total	\$	<u><u>276,918</u></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, 2015:

	Balance June 30, 2014	Issuances	Retirements	Balance June 30, 2015
Revenue bonds	\$ 3,161,375	\$ 1,054,116	\$ 300,750	\$ 3,914,741
Premium on issuance	72,042	-	3,603	68,439
Virginia revolving loan fund	2,596,034	-	119,272	2,476,762
Note payable	1,187,000	-	1,187,000	-
Net pension liability	427,937	175,569	282,666	320,840
Compensated absences	<u>37,798</u>	<u>3,656</u>	<u>-</u>	<u>41,454</u>
Total	\$ <u><u>7,482,186</u></u>	\$ <u><u>1,233,341</u></u>	\$ <u><u>1,893,291</u></u>	\$ <u><u>6,822,236</u></u>

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

Year Ending June 30,	Principal	Interest
2016	\$ 463,418	\$ 64,428
2017	476,266	61,981
2018	478,080	59,379
2019	479,949	56,622
2020	486,877	53,554
2021-2025	1,803,554	210,492
2026-2030	1,108,122	103,015
2031-2035	822,460	22,916
2036-2040	<u>272,777</u>	<u>-</u>
Total	\$ <u><u>6,391,503</u></u>	\$ <u><u>632,387</u></u>

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2015 (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.	\$ 2,030,625	\$ 270,750
\$760,500 Water Revenue Bonds (VRA), maturing semi-annually in equal installments of \$12,675 through November 1, 2038, 0% interest.	595,725	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.	939,348	57,264
\$1,153,088 Water Revenue Bonds (VRA), maturing semi-annually in equal installments of \$19,218 through November 1, 2039, 0% interest.	941,689	38,436
\$610,624 Taxable General Obligation Sewer System Revenue Bonds (VRA), Series 2014, maturing semi-annually in equal installments of \$15,265 through February 1, 2035, 0% interest.	610,624	30,531
\$950,862 Taxable General Obligation Sewer System Revenue Bonds (VRA), Series 2014B, maturing semi-annually in equal installments of \$23,771 through September 1, 2035, 0% interest. As of June 30, 2015, the Town has drawn-down \$443,492	443,492	11,087
\$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.	830,000	30,000
Premium on bond issuance	68,439	3,603
Total bonds payable	\$ 6,459,942	\$ 467,021
Net pension liability	\$ 320,840	\$ -
Compensated absences	\$ 41,454	\$ 4,146
Total	<u>\$ 6,822,236</u>	<u>\$ 471,167</u>

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2015 (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 \$645,761 (including 2nd half tax billings of \$582,147 not due until December 5) at June 30, 2015.

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 \$110,171 in the Primary Government and \$41,454 in the Enterprise Funds.

NOTE 9—PENSION PLAN:

Plan Description

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

All full-time, salaried permanent employees of the Town are automatically covered by VRS Retirement Plan upon employment. This is an agent multiple-employer plan that is administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the Code of Virginia, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

NOTE 9—PENSION PLAN: (CONTINUED)*Plan Description (Continued)*

The System administers three different benefit structures for covered employees – Plan 1, Plan 2, and Hybrid. Each of these benefit structures has a different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p>	<p>About Plan 2 Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p>	<p>About the Hybrid Retirement Plan 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 Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (see "Eligible Members")</p> <ul style="list-style-type: none"> • The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.

NOTE 9—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2015 (Continued)

NOTE 9—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Hybrid Opt-In Election (Cont.) Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.</p>	<p>Hybrid Opt-In Election (Cont.) Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.</p>	<p>*Non-Eligible Members (Cont.) Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>
<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but 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.</p>	<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016.</p>	<p>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.</p>

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2015 (Continued)

NOTE 9—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2015 (Continued)

NOTE 9—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2015 (Continued)

NOTE 9—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2015 (Continued)

NOTE 9—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2015 (Continued)

NOTE 9—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2015 (Continued)

NOTE 9—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2015 (Continued)

NOTE 9—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2015 (Continued)

NOTE 9—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>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.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>	<p>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.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>	<p>Disability Coverage Employees of political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.</p> <p>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>
<p>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.</p>	<p>Purchase of Prior Service Same as Plan 1.</p>	<p>Purchase of Prior Service <u>Defined Benefit Component:</u> Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> • Hybrid Retirement Plan members are ineligible for ported service. • The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation. • Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost. <p><u>Defined Contribution Component:</u> Not applicable.</p>

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2015 (Continued)

NOTE 9—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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/2014-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Employees Covered by Benefit Terms

As of the June 30, 2013 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	45
Inactive members:	
Vested inactive members	7
Non-vested inactive members	12
Inactive members active elsewhere in VRS	<u>45</u>
Total inactive members	64
Active members	<u>41</u>
Total covered employees	<u><u>150</u></u>

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

The Town's contractually required contribution rate for the year ended June 30, 2015 was 17.21% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Town were \$252,035 and \$152,559 for the years ended June 30, 2015 and June 30, 2014, respectively.

Net Pension Liability

The Town's net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2013, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2015 (Continued)

NOTE 9—PENSION PLAN: (CONTINUED)

Actuarial Assumptions - General Employees

The total pension liability for General Employees in the Town's Retirement Plan was based on an actuarial valuation as of June 30, 2013, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

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

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

Mortality rates: 14% of deaths are assumed to be service related

Largest 10 - Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

All Others (Non 10 Largest) - Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2015 (Continued)

NOTE 9—PENSION PLAN: (CONTINUED)

Actuarial Assumptions - General Employees (Continued)

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Actuarial Assumptions - Public Safety Employees

The total pension liability for Public Safety employees in the Town's Retirement Plan was based on an actuarial valuation as of June 30, 2013, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

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

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

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2015 (Continued)

NOTE 9—PENSION PLAN: (CONTINUED)

Actuarial Assumptions - Public Safety Employees (Continued)

Mortality rates: 60% of deaths are assumed to be service related

Largest 10 - Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

All Others (Non 10 Largest) - Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) - LEOS:

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2015 (Continued)

NOTE 9—PENSION PLAN: (CONTINUED)

Long-term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return
U.S. Equity	19.50%	6.46%	1.26%
Developed Non U.S. Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
Total	100.00%		5.83%
		Inflation	2.50%
		*Expected arithmetic nominal return	8.33%

* Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2015 (Continued)

NOTE 9—PENSION PLAN: (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the employer for the Town Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2013	\$ 8,611,686	\$ 6,689,141	\$ 1,922,545
Changes for the year:			
Service cost	\$ 193,371	\$ -	\$ 193,371
Interest	589,737	-	589,737
Contributions - employer	-	152,529	(152,529)
Contributions - employee	-	72,619	(72,619)
Net investment income	-	1,044,749	(1,044,749)
Benefit payments, including refunds of employee contributions	(373,742)	(373,742)	-
Administrative expenses	-	(5,703)	5,703
Other changes	-	55	(55)
Net changes	\$ 409,366	\$ 890,507	\$ (481,141)
Balances at June 30, 2014	\$ 9,021,052	\$ 7,579,648	\$ 1,441,404

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2015 (Continued)

NOTE 9—PENSION PLAN: (CONTINUED)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Town using the discount rate of 7.00%, as well as what the Town's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

		Rate		
		(6.00%)	(7.00%)	(8.00%)
Net Pension Liability	\$	2,582,872	\$ 1,441,404	\$ 490,463

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2015, the Town recognized pension expense of \$136,914. At June 30, 2015, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

		Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$	-	\$ 465,526
Employer contributions subsequent to the measurement date		252,035	-
Total	\$	252,035	\$ 465,526

\$252,035 reported as deferred outflows of resources related to pensions resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30

2016	\$	(116,381)
2017		(116,381)
2018		(116,381)
2019		(116,383)

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2015 (Continued)

NOTE 10—CONTINGENT LIABILITIES (INCLUDING FEDERALLY ASSISTED PROGRAMS-COMPLIANCE AUDITS):

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

NOTE 11—RISK MANAGEMENT:

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

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

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

NOTE 12—LITIGATION:

The Town has retained legal counsel to represent the Town in a pending matter(s) with the County of Alleghany, Virginia. The Town and County are in disagreement over water and sewer contracts, rates and similar matters. As of the date of the fiscal year 2015 audited financial report, formal litigation has not commenced and no amounts or agreements have been settled. Litigation and court hearings are expected to commence in February 2016. The Town will vigorously defend all litigation, claims and assessments.

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 \$120,000 reported as landfill postclosure care liability at June 30, 2015, represents the Town's estimate of its share of the postclosure monitoring costs based on the use of 100 percent of the estimated capacity of the landfill. Closure of the landfill site has been completed in prior years. The City of Covington is primarily responsible for postclosure costs and the Town of Clifton Forge pays the City its share of the costs. The Town of Clifton Forge's expected portion of these contracts is 12%. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2015 (Continued)

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

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

NOTE 15—SEGMENT INFORMATION-ENTERPRISE FUNDS:

The Town maintains two enterprise funds. The Water Fund and Sewer Fund account for the provision of basic utility services to all citizens. Selected segment information for the year ended June 30, 2015, is as follows:

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Operating revenues	\$ 1,032,226	\$ 1,517,059	\$ 2,549,285
Depreciation	192,874	344,831	537,705
Operating income (loss)	244,671	308,927	553,598
Change in net position	139,519	1,064,228	1,203,747
Capital assets additions	95,051	1,568,242	1,663,293
Net working capital	1,674,753	1,166,129	2,840,882
Total assets	6,165,142	8,221,184	14,386,326
Bonds payable	3,075,721	3,384,221	6,459,942
Total net position	2,614,270	4,657,215	7,271,485

NOTE 16—RESTRICTED CASH:

Cash is restricted for the following:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Primary Government</u>
Bond principal payments	\$ -	\$ 67,672	\$ 67,672
Utility deposits held	-	70,775	70,775
Highway maintenance funds	43,864	-	43,864
Library improvements	53,583	-	53,583
Forfeited assets	1,738	-	1,738
Total	\$ <u>99,185</u>	\$ <u>138,447</u>	\$ <u>237,632</u>

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2015 (Continued)

NOTE 17—ADOPTION OF ACCOUNTING PRINCIPLES:

Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*:

The Town implemented the financial reporting provisions of the above Statements for the fiscal year ended June 30, 2015. These Statements establish standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures related to pensions. Note disclosure and required supplementary information requirements about pensions are also addressed. The requirements of these Statements will improve financial reporting by improving accounting and financial reporting by state and local governments for pensions. The implementation of these Statements resulted in the following restatement of net position:

	General Fund	Water Fund	Sewer Fund
Net position at June 30, 2014, as reported	\$ 1,203,294	\$ 2,780,330	\$ 3,650,059
Implementation of GASB Statement No. 68	(1,279,531)	(305,579)	(57,072)
Net position at June 30, 2014, as restated	\$ (76,237)	\$ 2,474,751	\$ 3,592,987

NOTE 18—UPCOMING PRONOUNCEMENTS:

Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, amends certain provisions of Statement 68 for pension plans and pensions that are within its scope. The requirements of this Statement that address accounting and financial reporting by employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68 are effective for financial statements for fiscal years beginning after June 15, 2016, and the requirements of this Statement that address financial reporting for assets accumulated for purposes of providing those pensions are effective for fiscal years beginning after June 15, 2015. The requirements of this Statement for pensions that are within the scope of Statement 68 are effective for fiscal years beginning after June 15, 2015. No formal study or estimate of the impact of this standard has been performed.

Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, improves the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016. No formal study or estimate of the impact of this standard has been performed.

NOTE 18—UPCOMING PRONOUNCEMENTS: (CONTINUED)

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*, improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. This Statement is effective for fiscal years beginning after June 15, 2017. No formal study or estimate of the impact of this standard has been performed.

Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, is meant to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. No formal study or estimate of the impact of this standard has been performed.

Statement No. 77, *Tax Abatement Disclosures*, will increase the disclosure of tax abatement agreements to disclose information about the agreements. The requirements of this Statement improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015. 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, 2015

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
General property taxes	\$ 615,200	\$ 615,200	\$ 610,843	\$ (4,357)
Other local taxes	902,000	902,000	838,486	(63,514)
Permits, privilege fees, and regulatory licenses	8,700	8,700	9,824	1,124
Fines and forfeitures	11,300	11,300	14,377	3,077
Revenue from the use of money and property	14,250	14,250	15,958	1,708
Charges for services	58,800	67,180	67,517	337
Miscellaneous	17,000	2,931,299	381,559	(2,549,740)
Recovered costs	41,725	44,515	78,110	33,595
Intergovernmental revenues:				
Commonwealth	1,097,144	1,347,144	1,476,634	129,490
Federal	-	432,384	112,983	(319,401)
Total revenues	\$ 2,766,119	\$ 6,373,972	\$ 3,606,291	\$ (2,767,681)
EXPENDITURES				
Current:				
General government administration	\$ 286,577	\$ 289,531	\$ 289,287	\$ 244
Public safety	1,036,933	1,032,592	1,009,379	23,213
Public works	705,593	722,408	631,237	91,171
Health and welfare	-	-	7,339	(7,339)
Parks, recreation, and cultural	322,001	578,654	606,841	(28,187)
Community development	150,002	146,686	148,878	(2,192)
Nondepartmental	183,625	198,717	184,872	13,845
Capital projects	-	3,326,658	737,495	2,589,163
Debt service:				
Principal retirement	81,388	78,226	97,048	(18,822)
Interest and other fiscal charges	-	-	28,075	(28,075)
Total expenditures	\$ 2,766,119	\$ 6,373,472	\$ 3,740,451	\$ 2,633,021
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ 500	\$ (134,160)	\$ (134,660)
Net change in fund balances	\$ -	\$ 500	\$ (134,160)	\$ (134,660)
Fund balances - beginning	-	(500)	247,277	247,777
Fund balances - ending	\$ -	\$ -	\$ 113,117	\$ 113,117

Schedule of Components of and Changes in Net Pension Liability and Related Ratios
For the Year Ended June 30, 2015

	<u>2014</u>
Total pension liability	
Service cost	\$ 193,371
Interest	589,737
Benefit payments, including refunds of employee contributions	(373,742)
Net change in total pension liability	<u>\$ 409,366</u>
Total pension liability - beginning	<u>8,611,686</u>
Total pension liability - ending (a)	<u><u>\$ 9,021,052</u></u>
 Plan fiduciary net position	
Contributions - employer	\$ 152,529
Contributions - employee	72,619
Net investment income	1,044,749
Benefit payments, including refunds of employee contributions	(373,742)
Administrative expense	(5,703)
Other	55
Net change in plan fiduciary net position	<u>\$ 890,507</u>
Plan fiduciary net position - beginning	<u>6,689,141</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 7,579,648</u></u>
 Town's net pension liability - ending (a) - (b)	 \$ 1,441,404
 Plan fiduciary net position as a percentage of the total pension liability	 84.02%
 Covered-employee payroll	 \$ 1,452,945
 Town's net pension liability as a percentage of covered-employee payroll	 99.21%

This schedule is intended to show information for 10 years. 2015 is the first year for this presentation, no other data is available. Additional years will be included as they become available.

Schedule of Employer Contributions
For the Year Ended June 30, 2015

Date	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Employee Payroll	Contributions as a % of Covered Employee Payroll
2015	\$ 252,035	\$ 252,035	\$ -	\$ 1,464,471	17.21%

This schedule is intended to show information for 10 years. 2015 is the first year for this presentation, no other data is available. Additional years will be included as they become available.

Notes to Required Supplementary Information
For the Year Ended June 30, 2015

Changes of benefit terms - There have been no significant changes to the System benefit provisions since the prior actuarial valuation. A hybrid plan with changes to the defined benefit plan structure and a new defined contribution component were adopted in 2012. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. The liabilities presented do not reflect the hybrid plan since it covers new members joining the System after the valuation date of June 30, 2013 and the impact on the liabilities as of the measurement date of June 30, 2014 are minimal.

Changes of assumptions - The following changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the System for the four-year period ending June 30, 2012:

Largest 10 - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) - LEOS:

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

Other Supplementary Information

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Combining and Individual Fund Financial Statements

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Combining Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2015

	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	\$ 218,486	\$ 52,858	\$ 271,344	\$ 31,958
Due from other funds	17,741	-	17,741	-
Total assets	<u>\$ 236,227</u>	<u>\$ 52,858</u>	<u>\$ 289,085</u>	<u>\$ 31,958</u>
LIABILITIES				
Amounts held for others	\$ -	\$ -	\$ -	\$ 31,958
Total liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 31,958</u>
NET POSITION				
Held in trust for cemeteries	<u>\$ 236,227</u>	<u>\$ 52,858</u>	<u>\$ 289,085</u>	

Combining Statement of Changes in Fiduciary Net Position
 Fiduciary Funds
 For the Year Ended June 30, 2015

	Mountain View Cemetery Private-Purpose Trust	Crown Hill Cemetery Private-Purpose Trust	Total Private-Purpose Trust
ADDITIONS			
Total additions	\$ -	\$ -	\$ -
DEDUCTIONS			
Total deductions	\$ -	\$ -	\$ -
Change in net position	\$ -	\$ -	\$ -
Net position - beginning	\$ 236,227	\$ 52,858	\$ 289,085
Net position - ending	\$ 236,227	\$ 52,858	\$ 289,085

Statement of Changes in Assets and Liabilities

Agency Funds

For the Year Ended June 30, 2015

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Joint Development Investment Fund:				
ASSETS				
Cash and cash equivalents	\$ 31,862	\$ 96	\$ -	\$ 31,958
Total assets	<u>\$ 31,862</u>	<u>\$ 96</u>	<u>\$ -</u>	<u>\$ 31,958</u>
LIABILITIES				
Amounts held for others	\$ 31,862	\$ 96	\$ -	\$ 31,958
Total liabilities	<u>\$ 31,862</u>	<u>\$ 96</u>	<u>\$ -</u>	<u>\$ 31,958</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, 2015

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	\$ 313,000	\$ 313,000	\$ 298,766	\$ (14,234)
Real and personal public service corporation taxes	39,500	39,500	30,641	(8,859)
Personal property taxes	247,700	247,700	263,627	15,927
Machinery and tools taxes	2,500	2,500	2,340	(160)
Penalties	6,000	6,000	8,825	2,825
Interest	6,500	6,500	6,644	144
Total general property taxes	\$ 615,200	\$ 615,200	\$ 610,843	\$ (4,357)
Other local taxes:				
Local sales and use taxes	\$ 115,000	\$ 115,000	\$ 115,491	\$ 491
Consumers' utility taxes	260,000	260,000	168,443	(91,557)
Business license taxes	193,000	193,000	204,321	11,321
Motor vehicle licenses	57,000	57,000	52,140	(4,860)
Bank stock taxes	80,000	80,000	75,556	(4,444)
Restaurant food taxes	182,000	182,000	209,931	27,931
Tobacco tax	15,000	15,000	12,604	(2,396)
Total other local taxes	\$ 902,000	\$ 902,000	\$ 838,486	\$ (63,514)
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 1,200	\$ 1,200	\$ 1,001	\$ (199)
Zoning Fees	1,000	1,000	774	(226)
Building permits	6,500	6,500	8,049	1,549
Total permits, privilege fees, and regulatory licenses	\$ 8,700	\$ 8,700	\$ 9,824	\$ 1,124
Fines and forfeitures:				
Court fines and forfeitures	\$ 11,300	\$ 11,300	\$ 14,377	\$ 3,077
Revenue from use of money and property:				
Revenue from use of money	\$ 2,250	\$ 2,250	\$ 2,669	\$ 419
Revenue from use of property	12,000	12,000	13,289	1,289
Total revenue from use of money and property	\$ 14,250	\$ 14,250	\$ 15,958	\$ 1,708
Charges for services:				
Charges for fire protection	\$ 50,000	\$ 50,000	\$ 50,000	\$ -
Charges for sanitation and waste removal	300	300	450	150
Charges for library	8,500	16,880	17,067	187
Total charges for services	\$ 58,800	\$ 67,180	\$ 67,517	\$ 337
Miscellaneous revenue:				
Sale of cemetery lots	\$ 5,000	\$ 5,000	\$ 1,800	\$ (3,200)
Friends of Library	4,000	4,000	4,942	942
Sale of Salvage/Surplus	8,000	23,918	16,782	(7,136)
Miscellaneous grants	-	2,898,381	316,071	(2,582,310)
Miscellaneous	-	-	41,964	41,964
Total miscellaneous revenue	\$ 17,000	\$ 2,931,299	\$ 381,559	\$ (2,549,740)

Schedule of Revenues - Budget and Actual
Governmental Fund
For the Year Ended June 30, 2015 (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	\$ 21,725	\$ 21,725	\$ 21,755	\$ 30
Other costs	20,000	22,790	56,355	33,565
Total recovered costs	\$ 41,725	\$ 44,515	\$ 78,110	\$ 33,595
Total revenue from local sources	\$ 1,668,975	\$ 4,594,444	\$ 2,016,674	\$ (2,577,770)
Intergovernmental Revenue:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicle rental tax	\$ -	\$ -	\$ 1,755	\$ 1,755
Rolling stock tax	10,000	10,000	6,342	(3,658)
Communications taxes	-	-	93,701	93,701
PPTRA Reimbursement	316,644	316,644	316,644	-
Total noncategorical aid	\$ 326,644	\$ 326,644	\$ 418,442	\$ 91,798
Categorical aid:				
Virginia Commission for the Arts grant	\$ 5,000	\$ 5,000	\$ 5,000	\$ -
DJC Grants	190,000	190,000	188,380	(1,620)
VDOT revenue sharing	-	-	19,776	19,776
Department of fire programs funds	12,000	12,000	13,305	1,305
Litter control grant	2,500	2,500	2,898	398
Street and highway maintenance funds	530,000	530,000	546,261	16,261
Library	31,000	31,000	32,572	1,572
Other state grants	-	250,000	250,000	-
Total categorical aid	\$ 770,500	\$ 1,020,500	\$ 1,058,192	\$ 37,692
Total revenue from the Commonwealth	\$ 1,097,144	\$ 1,347,144	\$ 1,476,634	\$ 129,490
Revenue from the Federal Government:				
Categorical aid:				
TEA - Highway planning and construction	\$ -	\$ 420,000	\$ 80,991	\$ (339,009)
Edward Byrne memorial justice assistance grant	-	2,581	2,581	-
Water and waste disposal systems for rural communities	-	9,803	9,803	-
Disaster grants - public assistance	-	-	408	408
Community development block grant	-	-	19,200	19,200
Total categorical aid	\$ -	\$ 432,384	\$ 112,983	\$ (319,401)
Total revenue from the Federal Government	\$ -	\$ 432,384	\$ 112,983	\$ (319,401)
Total General Fund	\$ 2,766,119	\$ 6,373,972	\$ 3,606,291	\$ (2,767,681)

Schedule of Expenditures - Budget and Actual
 Governmental Fund
 For the Year Ended June 30, 2015

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
General government administration:				
Legislative:				
Town Council	\$ 15,750	\$ 12,520	\$ 12,313	\$ 207
General and financial administration:				
Town manager	\$ 117,362	\$ 121,562	\$ 118,279	\$ 3,283
Legal services	8,562	5,767	5,976	(209)
Independent auditor	13,750	15,451	14,523	928
Finance	131,153	134,231	138,196	(3,965)
Total general and financial administration	\$ 270,827	\$ 277,011	\$ 276,974	\$ 37
Total general government administration	\$ 286,577	\$ 289,531	\$ 289,287	\$ 244
Public safety:				
Law enforcement and traffic control:				
Police department	\$ 835,531	\$ 831,897	\$ 807,934	\$ 23,963
Fire and rescue services:				
Fire department	\$ 201,402	\$ 200,695	\$ 201,445	\$ (750)
Total public safety	\$ 1,036,933	\$ 1,032,592	\$ 1,009,379	\$ 23,213
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Highways, streets, bridges and sidewalks	\$ 559,655	\$ 558,255	\$ 106,938	\$ 451,317
Administration	34,185	50,367	49,149	1,218
Eligible Streets	-	-	353,571	(353,571)
Total maintenance of highways, streets, bridges and sidewalks	\$ 593,840	\$ 608,622	\$ 509,658	\$ 98,964
Maintenance of general buildings and grounds:				
General properties	\$ 27,680	\$ 29,346	\$ 28,835	\$ 511
Cemeteries	84,073	84,440	92,744	(8,304)
Total maintenance of general buildings and grounds	\$ 111,753	\$ 113,786	\$ 121,579	\$ (7,793)
Total public works	\$ 705,593	\$ 722,408	\$ 631,237	\$ 91,171
Health and welfare:				
Welfare:				
Tax relief for the elderly	\$ -	\$ -	\$ 7,339	\$ (7,339)

Schedule of Expenditures - Budget and Actual
Governmental Fund
For the Year Ended June 30, 2015 (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	\$ 99,518	\$ 100,606	\$ 128,186	\$ (27,580)
Cultural enrichment:				
Cultural enrichment	\$ 10,500	\$ 10,500	\$ 10,500	\$ -
Masonic Theatre preservation	15,000	265,417	265,000	417
Total cultural enrichment	25,500	275,917	275,500	417
Library:				
Library	\$ 190,983	\$ 202,131	\$ 203,155	\$ (1,024)
Friends of library	6,000	-	-	-
Total library	196,983	202,131	203,155	(1,024)
Total parks, recreation, and cultural	\$ 322,001	\$ 578,654	\$ 606,841	\$ (28,187)
Community development:				
Planning and community development:				
Planning Commission	\$ 3,107	\$ 3,107	\$ 6,408	\$ (3,301)
Community development	111,381	108,943	109,087	(144)
Contributions local civi organizations	29,014	28,136	26,883	1,253
Other Planning Community Dev.	6,500	6,500	6,500	-
Total planning and community development	\$ 150,002	\$ 146,686	\$ 148,878	\$ (2,192)
Total community development	\$ 150,002	\$ 146,686	\$ 148,878	\$ (2,192)
Nondepartmental:				
Nondepartmental	\$ 163,750	\$ 161,523	\$ 147,998	\$ 13,525
Contingencies	19,875	37,194	36,874	320
Total nondepartmental	\$ 183,625	\$ 198,717	\$ 184,872	\$ 13,845
Capital projects:				
Other capital projects	\$ -	\$ 420,168	\$ 296,610	\$ 123,558
Capital projects - grants	-	2,906,490	440,885	2,465,605
Total capital projects	\$ -	\$ 3,326,658	\$ 737,495	\$ 2,589,163
Debt service:				
Principal retirement	\$ 81,388	\$ 78,226	\$ 97,048	\$ (18,822)
Interest and other fiscal charges	-	-	28,075	(28,075)
Total debt service	\$ 81,388	\$ 78,226	\$ 125,123	\$ (46,897)
Total General Fund	\$ 2,766,119	\$ 6,373,472	\$ 3,740,451	\$ 2,633,021

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

Water Enterprise Fund

For the Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Operating Revenues:				
Sale of services, commodities and properties:				
Sale of water	\$ 650,000	\$ 650,000	\$ 621,944	\$ (28,056)
Connection fees	2,000	2,000	-	(2,000)
Administration fees	2,000	2,000	1,470	(530)
County water	435,000	435,000	384,480	(50,520)
Penalties	8,000	8,000	24,332	16,332
Miscellaneous	9,200	9,200	-	(9,200)
Total operating revenue	<u>\$ 1,106,200</u>	<u>\$ 1,106,200</u>	<u>\$ 1,032,226</u>	<u>\$ (73,974)</u>
Operating Expenses:				
Water filtration plant	\$ 473,389	\$ 473,389	\$ 415,814	\$ 57,575
Transmissional distribution	178,999	185,361	149,999	35,362
Depreciation	-	-	192,874	(192,874)
Capital outlay	130,714	130,714	28,868	101,846
Total operating expenses	<u>\$ 783,102</u>	<u>\$ 789,464</u>	<u>\$ 787,555</u>	<u>\$ 1,909</u>
Net operating income	<u>\$ 323,098</u>	<u>\$ 316,736</u>	<u>\$ 244,671</u>	<u>\$ (72,065)</u>
Nonoperating revenues (expenses):				
State grants - Virginia Department of Health	\$ -	\$ -	\$ 73,290	\$ 73,290
Interest expense	(193,878)	(193,878)	(55,851)	138,027
Contingencies	(129,220)	(122,858)	(122,591)	267
Net nonoperating revenues (expenses)	<u>\$ (323,098)</u>	<u>\$ (316,736)</u>	<u>\$ (105,152)</u>	<u>\$ 211,584</u>
Change in net position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 139,519</u>	<u>\$ 139,519</u>

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

Sewer Enterprise Fund

For the Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Operating Revenues:				
Sale of services, commodities and properties:				
Sewage treatment charges	\$ 1,515,000	\$ 1,515,000	\$ 1,458,474	\$ (56,526)
Sewer lateral line fee	54,000	54,000	50,449	(3,551)
Administration fees	2,000	2,000	1,390	(610)
Miscellaneous	-	3,978	-	(3,978)
Penalties	20,000	20,000	6,746	(13,254)
Total operating revenue	\$ 1,591,000	\$ 1,594,978	\$ 1,517,059	\$ (77,919)
Operating Expenses:				
Wastewater treatment plant	\$ 729,500	\$ 718,415	\$ 641,251	\$ 77,164
Sewage collection	84,493	144,599	138,461	6,138
Sewer I and I	83,137	58,873	58,615	258
Sewer lateral line	54,000	54,000	6,781	47,219
Depreciation	-	-	344,831	(344,831)
Capital outlay	226,890	226,891	18,193	208,698
Total operating expenses	\$ 1,178,020	\$ 1,202,778	\$ 1,208,132	\$ (5,354)
Net operating income	\$ 412,980	\$ 392,200	\$ 308,927	\$ (83,273)
Nonoperating Revenues (Expenses):				
Contingencies	\$ (119,943)	\$ (103,181)	\$ (163,990)	\$ (60,809)
Interest revenue	-	-	148	148
Interest expense	(293,037)	(289,019)	(17,325)	271,694
Net nonoperating revenues (expenses)	\$ (412,980)	\$ (392,200)	\$ (181,167)	\$ 211,033
Income (loss) before contributions and operating transfers	\$ -	\$ -	\$ 127,760	\$ 127,760
Capital contributions and grants - State	-	-	427,615	427,615
Capital contributions and grants - Federal	-	-	508,853	508,853
Change in net position	\$ -	\$ -	\$ 1,064,228	\$ 1,064,228

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
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
2014-15	475,226	1,023,906	660,928	594,200

Table 1

Community Development	Interest on Long- term Debt	Other	Water Fund	Sewer Fund	Total
\$ 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
138,854	26,842	7,339	965,997	1,389,447	5,282,739

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
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
2014-15		2,641,003	894,274	1,286,659

Table 2

GENERAL REVENUES						
General Property Taxes	Other Local Taxes	Unrestricted Investment Earnings	Miscellaneous	Grants and Contributions Not Restricted to Specific Programs	Total	
\$ 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	
602,480	838,486	16,106	381,559	418,442	7,079,009	

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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
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
2014-15		289,287		1,009,379		631,237		606,841

(1) Includes General Fund of Primary Government.

Table 3

	Community Development	Capital Projects	Non- departmental	Debt Service	Other	Total
\$	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
	148,878	737,495	184,872	125,123	7,339	3,740,451

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
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
2014-15	610,843	838,486	9,824	14,377	15,958

(1) Includes General Fund of the Primary Government.

Table 4

Charges for		Recovered		Inter-		Total
Services	Miscellaneous	Costs		governmental		
\$ 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
67,517	381,559	78,110		1,589,617		3,606,291

Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy (1,3)	Current Tax (1,3) Collections	Percent of Levy Collected	Delinquent Tax (1,2) Collections	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (1,2)	Percent of Delinquent Taxes to Tax Levy
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%
2014-15	616,253	559,856	90.85%	35,518	595,374	96.61%	99,024	16.07%

(1) Exclusive of penalties and interest.

(2) Does not include land redemptions.

(3) Exclusive of PPTRA levy and collections.

Assessed Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year	Real Estate (1)	Personal Property	Mobile Homes	Public Utility (2)		Total
				Real Estate	Personal Property	
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
2014-15	142,925,700	8,649,145	44,700	14,435,672	4,990	166,060,207

(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
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
2014-15	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			
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	3,876	167,205,987	7,422,908	-	7,016,451	406,457	0.24%	105
2014-15	3,876	166,060,207	6,733,317	-	6,391,503	341,814	0.21%	88

(1) US Census Bureau

(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, 2015

Total Assessed Value of Real Estate	\$ 157,361,372
Legal Debt Margin - 10% of assessed value of real estate	\$ 15,736,137
Less: Applicable gross indebtedness	<u>3,872,491</u>
Legal margin for creation of additional debt	<u>\$ 11,863,646</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, 2015, 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 15, 2015.

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 15, 2015

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133

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

Report on Compliance for Each Major Federal Program

We have audited Town of Clifton Forge, Virginia's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Town of Clifton Forge, Virginia's major federal programs for the year ended June 30, 2015. Town of Clifton Forge, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Town of Clifton Forge, Virginia's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Town of Clifton Forge, Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Town of Clifton Forge, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Robinson, Farmer Cox Associates
Charlottesville, Virginia
December 15, 2015

TOWN OF CLIFTON FORGE, VIRGINIA

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

Federal Grantor/State Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
United States Department of Agriculture: Direct Payments:			
Water and Waste Disposal Systems for Rural Communities	10.760		\$ 9,803
Total United States Department of Agriculture			\$ 9,803
Department of Housing and Urban Development: Pass-through Payments:			
Department of Housing and Community Development: Community Development Block Grant/States' Program and Non-Entitlement Grants in Hawaii	14.228	N/A	\$ 19,200
Total Department of Housing and Urban Development			\$ 19,200
Department of Justice: Pass-through Payments:			
Virginia Department of Criminal Justice: Edward Byrne Memorial Justice Assistance Grant Program	16.738	13DJBX0050	\$ 2,581
Total Department of Justice			\$ 2,581
Department of Transportation: Pass-through Payments:			
Virginia Department of Transportation: Highway Planning and Construction	20.205	0000091229/0000105099	\$ 80,991
Total Department of Transportation			\$ 80,991
Department of Homeland Security Pass-through Payments:			
Department of Emergency Management Disaster Grants - Public Assistance - (Presidentially Declared)	97.036	N/A	\$ 408
Total Department of Homeland Security			\$ 408
Environmental Protection Agency Pass-through Payments:			
Virginia Department of Environmental Quality Capitalization Grants for Clean Water State Revolving Fund	66.458	C-515521-01	\$ 1,133,853
Total Environmental Protection Agency			\$ 1,133,853
Total Expenditures of Federal Awards			\$ 1,246,836

See accompanying notes to schedule of expenditures of federal awards.

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2015

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards ("Schedule") includes the federal grant activity of Town of Clifton Forge, Virginia under programs of the federal government for the year ended June 30, 2015. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of Town of Clifton Forge, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of Town of Clifton Forge, Virginia.

Note 2 - Summary of Significant Accounting Policies

(1) Expenditures on the Schedule are reported on the accrual basis of accounting. Expenditures are recognized following the cost principles provided in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(2) Pass-through entity identifying numbers are presented where available.

Note 3 - Food Donation

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and distributed.

Note 4 - Relationship to Financial Statements

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

Intergovernmental federal revenues per the basic financial statements:

General Fund	\$ 112,983
Sewer Fund:	
Grant revenue	508,853
Loan proceeds	<u>625,000</u>

Total federal expenditures per basic financial statements	\$ <u>1,246,836</u>
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Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$ <u><u>1,246,836</u></u>
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TOWN OF CLIFTON FORGE, VIRGINIA

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2015

Section I - Summary of Auditors' Results

Financial Statements

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

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant Deficiency(ies) identified?	None reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510 (a)?	No

Identification of major programs:

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

Dollar threshold used to distinguish between Type A and Type B programs	\$ 300,000
Auditee qualified as low-risk auditee?	No

Section II - Financial Statement Findings

There are no financial statement findings to report.

Section III - Federal Award Findings and Questioned Costs

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

Section IV - Prior Year Findings

There are no prior year findings

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