



FINANCIAL REPORT

YEAR ENDED JUNE 30, 2016

TOWN OF CLIFTON FORGE, VIRGINIA

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2016

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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/Finance Director
David B. Davis Town Attorney

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FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2016

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ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Clifton Forge, Virginia, as of and for the year June 30, 2016, 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Clifton Forge, Virginia, as of June 30, 2016, 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 1 to the financial statements, in 2016, the Town adopted new accounting guidance, GASB Statement Nos. 72 Fair Value Measurement and Application, 79 Certain External Investment Pools and Pool Participants, and 82 Pension Issues – and amendment of GASB Statements No. 67, No. 68, and No. 73. 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 funding on pages 4-9, 62 and 63-65 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 the Town of Clifton Forge, Virginia's basic financial statements. The combining and individual fund financial statements, supporting schedules and other statistical information, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2017, on our consideration of Town of Clifton Forge, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Clifton Forge, Virginia's internal control over financial reporting and compliance.

Robinson, Farney Cox Associates

Charlottesville, Virginia
January 30, 2017

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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, 2016. 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 \$5.7 million (*net position*). Of this amount, \$1.9 million (*unrestricted net position*) may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Town's total net position decreased by \$2,070,805, of which the governmental activities accounted for a \$276,083 increase while business-type activities accounted for a \$2,346,888 decrease. Explanation of the decrease can be found under the analysis section of the Management's Discussion and Analysis.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$43,564, a decrease of \$69,553 in comparison with the prior year. 16% of this fund balance is *available for spending* at the Town's discretion (*unassigned fund balance*). The Town had \$36,715 in restricted fund balance at June 30, 2016.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$6,849 or less than 1% of governmental fund expenditures less any capital projects.
- The Town's total long-term obligations decreased by \$172,709 during the current fiscal year.

Overview of the Financial Statements

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

Government-wide financial statements

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

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

Government-wide financial statements: (Continued)

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Town include general government administration, public safety, and public works. The business-type activities are for public utilities. The government-wide financial statements can be found on pages 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 61 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 62 through 65 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 66 through 87 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 \$5.7 million at the close of the most recent fiscal year. A large portion of the Town's net position (\$3.8 million, 67% 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	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 1,002,083	\$ 1,072,106	\$ 3,755,343	\$ 4,120,524	\$ 4,757,426	\$ 5,192,630
Capital assets	2,724,305	2,447,988	7,981,530	9,565,161	10,705,835	12,013,149
Total assets	\$ 3,726,388	\$ 3,520,094	\$ 11,736,873	\$ 13,685,685	\$ 15,463,261	\$ 17,205,779
Deferred outflows of resources	\$ 194,631	\$ 195,935	\$ 57,761	\$ -	\$ 252,392	\$ 195,935.00
Long-term liabilities outstanding	\$ 1,984,898	\$ 1,942,462	\$ 6,607,093	\$ 7,085,586	\$ 8,591,991	\$ 9,028,048
Other liabilities	308,244	313,228	191,486	169,710	499,730	482,938
Total liabilities	\$ 2,293,142	\$ 2,255,690	\$ 6,798,579	\$ 7,255,296	\$ 9,091,721	\$ 9,510,986
Deferred inflows of resources	\$ 835,508	\$ 944,053	\$ 71,458	\$ -	\$ 906,966	\$ 944,053
Net position:						
Net investment in capital assets	\$ 2,028,730	\$ 1,856,261	\$ 1,785,662	\$ 3,704,397	\$ 3,814,392	\$ 5,560,658
Restricted	36,715	99,185	-	-	36,715	99,185
Unrestricted	(1,273,076)	(1,439,160)	3,138,935	2,725,992	1,865,859	1,286,832
Total net position	\$ 792,369	\$ 516,286	\$ 4,924,597	\$ 6,430,389	\$ 5,716,966	\$ 6,946,675

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 \$1,273,076 was reported in unrestricted net position.

Government-wide Financial Analysis: (Continued)

As noted previously, the Town's net position decreased by \$2,070,805 during the current fiscal year. Governmental activities increased the Town's net position by \$276,083. 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	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	\$ 72,687	\$ 91,718	\$ 2,563,202	\$ 2,549,285	\$ 2,635,889	\$ 2,641,003
Operating grants and contributions	1,167,187	820,984	33,063	73,290	1,200,250	894,274
Capital grants and contributions	380,571	350,191	213,532	936,468	594,103	1,286,659
General revenues:						
Property taxes	585,139	602,480	-	-	585,139	602,480
Other taxes	914,881	838,486	-	-	914,881	838,486
Unrestricted revenues from use of money and property	16,271	15,958	1	148	16,272	16,106
Miscellaneous	409,998	381,559	-	-	409,998	381,559
Grants and contributions not restricted to specific programs	415,280	418,442	-	-	415,280	418,442
Total revenues	\$ 3,962,014	\$ 3,519,818	\$ 2,809,798	\$ 3,559,191	\$ 6,771,812	\$ 7,079,009
Expenses:						
General government administration	\$ 405,327	\$ 475,226	\$ -	\$ -	\$ 405,327	\$ 475,226
Public safety	1,035,099	1,023,906	-	-	1,035,099	1,023,906
Public works	998,874	660,928	-	-	998,874	660,928
Health and welfare	8,164	7,339	-	-	8,164	7,339
Parks, recreation and cultural	833,947	594,200	-	-	833,947	594,200
Community development	393,010	138,854	-	-	393,010	138,854
Interest on long-term debt	21,510	26,842	-	-	21,510	26,842
Water fund	-	-	932,505	965,997	932,505	965,997
Sewer fund	-	-	4,224,181	1,389,447	4,224,181	1,389,447
Total expenses	\$ 3,695,931	\$ 2,927,295	\$ 5,156,686	\$ 2,355,444	\$ 8,852,617	\$ 5,282,739
Increase (decrease) in net position before transfers	\$ 266,083	\$ 592,523	\$ (2,346,888)	\$ 1,203,747	\$ (2,080,805)	\$ 1,796,270
Transfers	\$ 10,000	\$ -	\$ -	\$ -	\$ 10,000	\$ -
Change in net position	\$ 276,083	\$ 592,523	\$ (2,346,888)	\$ 1,203,747	\$ (2,070,805)	\$ 1,796,270
Net position - beginning of year	\$ 516,286	\$ (76,237)	\$ 7,271,485	\$ 6,067,738	\$ 7,787,771	\$ 5,991,501
Net position - end of year	\$ 792,369	\$ 516,286	\$ 4,924,597	\$ 7,271,485	\$ 5,716,966	\$ 7,787,771

Business-type activities decreased the Town's net position by \$2,346,888. Similar to how changes arise in the governmental activities, business-type activities also experience budgetary differences; however, as a public utility function comprises the Town's business-type activities there is more of a direct correlation to the revenues generated relative to the expenses incurred because of service demands.

The decrease in net position is attributed to the transfer of wastewater capital assets pursuant to an agreement with the County. The transfer of the capital assets and disposal of idle assets resulting from the agreement resulted in a \$2,892,739 charge to expense. This expense reported as a special item on Exhibit 8 is not considered an operating expense and is a one-time expense.

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 \$43,564, a decrease of \$69,553 in comparison with the prior year. Of this amount \$6,849 is reported as unassigned, which is available for spending at the Town's discretion. At June 30, 2016, The Town had \$36,715 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 \$4.9 million, of which \$3.1 million was unrestricted and available for use at the Town's discretion. The total decrease in net position was \$2,346,888. The decrease in net position is explained under the Government-wide Financial Analysis section. More details can be found in Notes 5 and 12 of the Notes to Financial Statements.

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, 2016, amounts to \$10.7 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, and machinery and equipment as well as construction in progress. Capital assets, net of accumulated depreciation, are illustrated in the following table:

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 764,994	\$ 759,994	\$ 73,412	\$ 77,412	\$ 838,406	\$ 837,406
Buildings	944,463	599,715	-	-	944,463	599,715
Infrastructure	134,291	140,378	6,266,377	8,280,917	6,400,668	8,421,295
Machinery & equipment	512,328	526,252	-	-	512,328	526,252
Contruction in progress	368,229	421,649	1,641,741	2,332,420	2,009,970	2,754,069
Total	\$ <u>2,724,305</u>	\$ <u>2,447,988</u>	\$ <u>7,981,530</u>	\$ <u>10,690,749</u>	\$ <u>10,705,835</u>	\$ <u>13,138,737</u>

Additional information on the Town's capital assets can be found in Note 5 on pages 33 through 35.

Long-term Obligations: At the end of the current fiscal year, the Town had total outstanding obligations of \$8.6 million and details are summarized in the following table:

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Capital leases	\$ 183,169	\$ 226,491	\$ -	\$ -	\$ 183,169	\$ 226,491
Notes payable	-	-	1,643,098	-	1,643,098	-
Revenue bonds	-	-	2,199,822	3,914,741	2,199,822	3,914,741
General obligation bonds	490,217	341,814	-	-	490,217	341,814
Premium on issuance	22,189	23,422	64,836	68,439	87,025	91,861
Revolving loan funds	-	-	2,355,785	2,476,762	2,355,785	2,476,762
Landfill closure and post-closure	112,500	120,000	-	-	112,500	120,000
Net pension liability	1,055,553	1,120,564	302,226	320,840	1,357,779	1,441,404
Compensated absences	121,270	110,171	41,324	41,454	162,594	151,625
Total	\$ <u>1,984,898</u>	\$ <u>1,942,462</u>	\$ <u>6,607,091</u>	\$ <u>6,822,236</u>	\$ <u>8,591,989</u>	\$ <u>8,764,698</u>

Capital Asset and Debt Administration: (Continued)

Obligations associated with governmental activities increased by \$42,436 and obligations associated with business-type activities decreased by \$215,145.

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, 2016.

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 reopening of the Masonic Theatre following extensive renovations and the opening of two new restaurants. Numerous events at the Masonic Amphitheatre and Clifton Forge School of the Arts bring many outside visitors to Town. Meals tax, business license and sales tax revenue continue to increase over previous years. The number of business licenses has increased over 20% from 2013 to present. The Town implemented a 5% transient occupancy tax in July 2015. The Town's real estate tax has remained at \$.21 for 8 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, 2016

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ -	\$ 3,313,704	\$ 3,313,704
Receivables (net of allowance for uncollectibles):			
Taxes receivable	653,398	-	653,398
Accounts receivable	113,832	225,948	339,780
Notes receivables	5,775	-	5,775
Due from other governmental units	192,363	81,014	273,377
Restricted assets:			
Cash and cash equivalents	36,715	134,677	171,392
Capital assets (net of accumulated depreciation):			
Land	764,994	73,412	838,406
Buildings and improvements	944,463	-	944,463
Machinery and equipment	512,328	-	512,328
Infrastructure	134,291	6,266,377	6,400,668
Construction in progress	368,229	1,641,741	2,009,970
Total assets	\$ 3,726,388	\$ 11,736,873	\$ 15,463,261
DEFERRED OUTFLOWS OF RESOURCES			
Pension contributions subsequent to measurement date	\$ 194,631	\$ 57,761	\$ 252,392
Total deferred outflows of resources	\$ 194,631	\$ 57,761	\$ 252,392
LIABILITIES			
Accounts payable	\$ 154,777	\$ 102,681	\$ 257,458
Reconciled overdraft payable	122,285	-	122,285
Deposits for utility customers	-	67,004	67,004
Accrued payroll	13,441	8,361	21,802
Accrued interest payable	-	13,442	13,442
Due to other funds	17,741	-	17,741
Long-term liabilities:			
Due within one year	127,992	500,633	628,625
Due in more than one year	1,856,906	6,106,458	7,963,364
Total liabilities	\$ 2,293,142	\$ 6,798,579	\$ 9,091,721
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue - property taxes	\$ 585,932	\$ -	\$ 585,932
Items related to measurement of net pension liability	249,576	71,458	321,034
Total deferred inflows of resources	\$ 835,508	\$ 71,458	\$ 906,966
NET POSITION			
Net investment in capital assets	\$ 2,028,730	\$ 1,785,662	\$ 3,814,392
Restricted for:			
Forfeited assets - law enforcement	1,751	-	1,751
Library improvements	34,964	-	34,964
Unrestricted (deficit)	(1,273,076)	3,138,935	1,865,859
Total net position	\$ 792,369	\$ 4,924,597	\$ 5,716,966

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

Statement of Activities
For the Year Ended June 30, 2016

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	\$ 405,327	\$ -	\$ -	\$ -	\$ (405,327)	\$ -	\$ (405,327)
Public safety	1,035,099	63,046	211,190	-	(760,863)	-	(760,863)
Public works	998,874	150	568,117	380,571	(50,036)	-	(50,036)
Health and welfare	8,164	-	-	-	(8,164)	-	(8,164)
Parks, recreation, and cultural	833,947	8,991	35,780	-	(789,176)	-	(789,176)
Community development	393,010	500	352,100	-	(40,410)	-	(40,410)
Interest on long-term debt	21,510	-	-	-	(21,510)	-	(21,510)
Total governmental activities	\$ 3,695,931	\$ 72,687	\$ 1,167,187	\$ 380,571	\$ (2,075,486)	\$ -	\$ (2,075,486)
Business-type activities:							
Water	\$ 932,505	\$ 960,848	\$ 33,063	\$ -	\$ -	\$ 61,406	\$ 61,406
Sewer	4,224,181	1,602,354	-	213,532	-	(2,408,295)	(2,408,295)
Total business-type activities	\$ 5,156,686	\$ 2,563,202	\$ 33,063	\$ 213,532	\$ -	\$ (2,346,889)	\$ (2,346,889)
Total primary government	\$ 8,852,617	\$ 2,635,889	\$ 1,200,250	\$ 594,103	\$ (2,075,486)	\$ (2,346,889)	\$ (4,422,375)
General revenues:							
General property taxes					\$ 585,139	\$ -	\$ 585,139
Other local taxes:							
Local sales and use tax					127,897	-	127,897
Consumers' utility tax					164,568	-	164,568
Business licenses tax					206,721	-	206,721
Restaurant food tax					276,637	-	276,637
Motor vehicle licenses					51,852	-	51,852
Bank stock taxes					68,805	-	68,805
Other local taxes					18,401	-	18,401
Unrestricted revenues from use of money and property					16,271	1	16,272
Miscellaneous					409,998	-	409,998
Grants and contributions not restricted to specific programs					415,280	-	415,280
Transfers					10,000	-	10,000
Total general revenues					\$ 2,351,569	\$ 1	\$ 2,351,570
Change in net position					\$ 276,083	\$ (2,346,888)	\$ (2,070,805)
Net position - beginning					516,286	7,271,485	7,787,771
Net position - ending					\$ 792,369	\$ 4,924,597	\$ 5,716,966

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, 2016

	<u>General</u>
ASSETS	
Cash and cash equivalents	\$ -
Receivables (net of allowance for uncollectibles):	
Taxes receivable	653,398
Accounts receivable	113,832
Notes receivables	5,775
Due from other governmental units	192,363
Restricted assets:	
Cash and cash equivalents	<u>36,715</u>
Total assets	<u>\$ 1,002,083</u>
LIABILITIES	
Accounts payable	\$ 154,777
Reconciled overdraft payable	122,285
Accrued payroll	13,441
Due to other funds	<u>17,741</u>
Total liabilities	<u>\$ 308,244</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue-property taxes	<u>\$ 650,275</u>
FUND BALANCE	
Restricted for:	
Forfeited assets - law enforcement	\$ 1,751
Library improvements	34,964
Unassigned	<u>6,849</u>
Total fund balance	<u>\$ 43,564</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 1,002,083</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, 2016

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

Total fund balance per Exhibit 3 - Balance Sheet - Governmental Fund	\$	43,564
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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	\$ 5,513,882	
Less: accumulated depreciation	<u>(2,789,577)</u>	2,724,305

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	64,343	
Items related to measurement of net pension liability	<u>(249,576)</u>	(185,233)

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.

194,631

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	\$ (121,270)	
Net pension liability	(1,055,553)	
Capital leases	(183,169)	
Bonds and notes payable	(490,217)	
Premium on bonds payable	(22,189)	
Landfill postclosure liability	<u>(112,500)</u>	<u>(1,984,898)</u>

Net position of governmental activities	\$	<u><u>792,369</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, 2016

	<u>General</u>
REVENUES	
General property taxes	\$ 584,409
Other local taxes	914,881
Permits, privilege fees, and regulatory licenses	4,210
Fines and forfeitures	9,336
Revenue from the use of money and property	16,271
Charges for services	59,141
Miscellaneous	409,998
Recovered costs	174,734
Intergovernmental:	
Commonwealth	1,283,641
Federal	<u>679,397</u>
Total revenues	<u>\$ 4,136,018</u>
EXPENDITURES	
Current:	
General government administration	\$ 296,571
Public safety	1,026,178
Public works	927,495
Health and welfare	8,164
Parks, recreation, and cultural	425,897
Community development	144,171
Nondepartmental	215,575
Capital outlay	1,253,858
Debt service:	
Principal retirement	83,919
Interest and other fiscal charges	<u>22,743</u>
Total expenditures	<u>\$ 4,404,571</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (268,553)</u>
OTHER FINANCING SOURCES (USES)	
Transfers in	\$ 10,000
Issuance of general obligation bond	<u>189,000</u>
Total other financing sources (uses)	<u>\$ 199,000</u>
Net change in fund balance	<u>\$ (69,553)</u>
Fund balance - beginning	<u>\$ 113,117</u>
Fund balance - ending	<u><u>\$ 43,564</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, 2016

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

Net change in fund balance - total governmental fund	\$	(69,553)
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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	\$	478,329	
Expense abandoned project costs		(28,197)	
Less: depreciation expense		<u>(173,816)</u>	276,316

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

Property taxes	\$	730	
Change in deferred inflows of resources related to the measurement of the net pension liability		<u>112,329</u>	113,059

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	\$	83,919	
Issuance of bond payable		(189,000)	
Amortization of premiums		1,233	
Decrease in landfill postclosure liability		<u>7,500</u>	(96,348)

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	65,012	
Increase/(decrease) in deferred outflows of resources related to pension payments subsequent to measurement date	(1,304)	
(Increase)/decrease in compensated absences	<u>(11,099)</u>	<u>52,609</u>

Change in net position of governmental activities	\$	<u><u>276,083</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, 2016

	Enterprise Fund	Enterprise Fund	
	Water	Sewer	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,696,563	\$ 1,617,141	\$ 3,313,704
Accounts receivables, net of allowance for uncollectibles	64,866	161,082	225,948
Due from other governmental units	40,709	40,305	81,014
Total current assets	\$ 1,802,138	\$ 1,818,528	\$ 3,620,666
Noncurrent assets:			
Restricted assets:			
Cash and cash equivalents	\$ 134,677	\$ -	\$ 134,677
Capital assets (net of accumulated depreciation):			
Land	\$ 27,362	\$ 46,050	\$ 73,412
Construction in progress	244,706	1,397,035	1,641,741
Infrastructure	3,717,913	2,548,464	6,266,377
Total capital assets	\$ 3,989,981	\$ 3,991,549	\$ 7,981,530
Total noncurrent assets	\$ 4,124,658	\$ 3,991,549	\$ 8,116,207
Total assets	\$ 5,926,796	\$ 5,810,077	\$ 11,736,873
DEFERRED OUTFLOWS OF RESOURCES			
Pension contributions subsequent to measurement date	\$ 45,978	\$ 11,783	\$ 57,761
Total deferred outflows of resources	\$ 45,978	\$ 11,783	\$ 57,761
LIABILITIES			
Current liabilities:			
Accounts payable and other accrued liabilities	\$ 24,278	\$ 78,403	\$ 102,681
Deposits for utility customers	67,004	-	67,004
Accrued payroll	7,061	1,300	8,361
Accrued interest payable	10,458	2,984	13,442
Bonds payable - current portion	145,211	351,290	496,501
Compensated absences - current portion	4,040	92	4,132
Total current liabilities	\$ 258,052	\$ 434,069	\$ 692,121
Noncurrent liabilities:			
Bonds payable - net of current portion	\$ 2,787,131	\$ 2,979,909	\$ 5,767,040
Net pension liability	254,837	47,389	302,226
Compensated absences - net of current portion	36,363	829	37,192
Total noncurrent liabilities	\$ 3,078,331	\$ 3,028,127	\$ 6,106,458
Total liabilities	\$ 3,336,383	\$ 3,462,196	\$ 6,798,579
DEFERRED INFLOWS OF RESOURCES			
Items related to measurement of net pension liability	\$ 60,254	\$ 11,204	\$ 71,458
Total deferred inflows of resources	\$ 60,254	\$ 11,204	\$ 71,458
NET POSITION			
Net investment in capital assets	\$ 1,125,312	\$ 660,350	\$ 1,785,662
Unrestricted	1,450,825	1,688,110	3,138,935
Total net position	\$ 2,576,137	\$ 2,348,460	\$ 4,924,597

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

Statement of Revenues, Expenses, and Changes in Net Position
 Proprietary Funds
 For the Year Ended June 30, 2016

	Enterprise Fund	Enterprise Fund	
	Water	Sewer	Total
OPERATING REVENUES			
Charges for services:			
Water revenues	\$ 957,935	\$ -	\$ 957,935
Sewer revenues	-	1,566,548	1,566,548
Connection Fees	1,313	-	1,313
Other revenues	1,600	1,525	3,125
Penalties	-	34,281	34,281
Total operating revenues	\$ 960,848	\$ 1,602,354	\$ 2,563,202
OPERATING EXPENSES			
Transmissional distribution	\$ 163,096	\$ -	\$ 163,096
Water filtration plant	394,196	-	394,196
Wastewater treatment plant	-	665,069	665,069
Sewage collection	-	90,768	90,768
Sewer inflow and infiltration	-	74,889	74,889
Sewer lateral lines	-	120	120
Depreciation	192,064	318,749	510,813
Other costs	120,906	107,241	228,147
Small tools and repairs	12,724	63,811	76,535
Total operating expenses	\$ 882,986	\$ 1,320,647	\$ 2,203,633
Operating income (loss)	\$ 77,862	\$ 281,707	\$ 359,569
NONOPERATING REVENUES (EXPENSES)			
Intergovernmental revenues:			
Federal	\$ 33,063	\$ -	\$ 33,063
Interest revenue	1	-	1
Interest expense	(49,519)	(10,795)	(60,314)
Total nonoperating revenues (expenses)	\$ (16,455)	\$ (10,795)	\$ (27,250)
Income before contributions and transfers	\$ 61,407	\$ 270,912	\$ 332,319
Capital contributions and grants - State	\$ -	\$ 213,532	\$ 213,532
Transfers in (out)	(99,540)	99,540	-
Total transfers and capital contributions/grants	\$ (99,540)	\$ 313,072	\$ 213,532
Special Items:			
Disposal of idle/decommissioned capital assets (Note 5)	\$ -	\$ (530,557)	\$ (530,557)
Transfer of capital assets to County of Alleghany (Notes 5 & 12)	-	(2,362,182)	(2,362,182)
Change in net position	\$ (38,133)	\$ (2,308,755)	\$ (2,346,888)
Total net position - beginning	\$ 2,614,270	\$ 4,657,215	\$ 7,271,485
Total net position - ending	\$ 2,576,137	\$ 2,348,460	\$ 4,924,597

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

Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2016

	Enterprise Fund	Enterprise Fund	
	Water	Sewer	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 1,055,310	\$ 1,547,752	\$ 2,603,062
Payments to suppliers	(330,797)	(938,580)	(1,269,377)
Payments to employees	(416,545)	(112,586)	(529,131)
Net cash provided by (used for) operating activities	\$ 307,968	\$ 496,586	\$ 804,554
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers to other funds	\$ (99,540)	\$ 99,540	\$ -
Federal grants	33,063	-	33,063
Net cash provided by (used for) noncapital financing activities	\$ (66,477)	\$ 99,540	\$ 33,063
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Additions to utility plant	\$ (105,910)	\$ (592,423)	\$ (698,333)
Intergovernmental capital grants	-	213,532	213,532
Net Settlement Agreement with County	-	(112,778)	(112,778)
Principal payments on bonds and notes	(140,977)	(335,053)	(476,030)
Proceeds from indebtedness	-	400,009	400,009
Interest payments	(52,335)	(12,057)	(64,392)
Net cash provided by (used for) capital and related financing activities	\$ (299,222)	\$ (438,770)	\$ (737,992)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	\$ 1	\$ -	\$ 1
Net increase (decrease) in cash and cash equivalents	\$ (57,730)	\$ 157,356	\$ 99,626
Cash and cash equivalents - beginning	1,888,970	1,459,785	3,348,755
Cash and cash equivalents - ending	\$ 1,831,240	\$ 1,617,141	\$ 3,448,381
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ 77,862	\$ 281,707	\$ 359,569
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation expense	\$ 192,064	\$ 318,749	\$ 510,813
(Increase) decrease in accounts receivable	28,131	(14,297)	13,834
(Increase) decrease in intergovernmental receivables	66,331	(40,305)	26,026
(Increase) decrease in deferred outflows - pension related	1,326	(2,987)	(1,661)
Increase (decrease) in deferred inflows - pension related	(27,122)	(5,044)	(32,166)
Increase (decrease) in net pension liability	(15,697)	(2,917)	(18,614)
Increase (decrease) in accounts payable	(16,276)	(32,144)	(48,420)
Increase (decrease) in deposits for utility customers	(3,771)	-	(3,771)
Increase (decrease) in accrued payroll	483	(1,409)	(926)
Increase (decrease) in compensated absences	4,637	(4,767)	(130)
Total adjustments	\$ 230,106	\$ 214,879	\$ 444,985
Net cash provided by (used for) operating activities	\$ 307,968	\$ 496,586	\$ 804,554
Noncash investing, capital, and financing activities:			
Disposal of idle/decommissioned capital assets	\$ -	\$ (530,557)	\$ (530,557)
Transfer of capital assets to County of Allegheny	-	(2,362,182)	(2,362,182)
Transfer of bond payable to County of Allegheny	-	1,759,875	1,759,875

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

Statement of Fiduciary Net Position
 Fiduciary Funds
 June 30, 2016

	Private-Purpose Trusts	Agency Funds
	<u> </u>	<u> </u>
ASSETS		
Cash and cash equivalents	\$ 261,352	\$ 32,054
Due from other funds	<u>17,741</u>	<u>-</u>
Total assets	<u><u>\$ 279,093</u></u>	<u><u>\$ 32,054</u></u>
LIABILITIES		
Amounts held for others	\$ <u>-</u>	\$ <u>32,054</u>
Total liabilities	<u><u>\$ -</u></u>	<u><u>\$ 32,054</u></u>
NET POSITION		
Held in trust for cemeteries	<u><u>\$ 279,093</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, 2016

	Private-Purpose Trust
ADDITIONS	
Investment earnings:	
Interest	\$ <u>8</u>
Total additions	\$ <u>8</u>
DEDUCTIONS	
Transfers to other funds	\$ <u>10,000</u>
Total deductions	\$ <u>10,000</u>
Change in net position	\$ <u>(9,992)</u>
Net position - beginning	\$ <u>289,085</u>
Net position - ending	\$ <u><u>279,093</u></u>

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

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TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements June 30, 2016

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, 2016.

Jointly Governed Organizations - The Town has no jointly governed organizations for the fiscal year ended June 30, 2016.

B. Government-wide and Fund Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Town reports the following major governmental fund:

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

The Town reports the following major proprietary funds:

Enterprise Funds

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

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

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 Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Cash and Cash Equivalents/Investments

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

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

2. Receivables and Payables

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

3. Restricted Assets

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, 2016 (Continued)

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

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

4. Property Taxes

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

5. Allowance for Uncollectible Accounts

The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$31,605 at June 30, 2016 for property taxes, and water and sewer allowances were \$79,171 and \$189,013, respectively.

6. Use of Estimates

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

7. Capital Assets

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

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

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

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

<u>Assets</u>	<u>Years</u>
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 Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance:
(continued)

8. Compensated Absences

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

9. Long-term Obligations

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

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

10. Fund Equity

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

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

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

D. Assets, Liabilities, and Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance: (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 this item, 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 is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, 2nd half installments levied during the fiscal year but due after June 30th are reported as deferred inflows of resources. 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 Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance: (continued)

12. Pensions

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

13. 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.

15. Adoption of Accounting Principles

Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application*

The Town implemented the provisions of the above Statement during the fiscal year ended June 30, 2016. The Statement generally requires investments to be measured at fair value. The Statement requires the Town to use valuation techniques which are appropriate under the circumstances and are either a market approach, a cost approach or an income approach. The Statement establishes a hierarchy of inputs used to measure fair value. There was no material impact on the Town's financial statement as a result of the implementation of Statement No. 72.

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

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

15. Adoption of Accounting Principles: (continued)

Governmental Accounting Standards Board Statement No. 79, *Certain External Investment Pools and Pool Participants*

The Town implemented the provisions of the above Statement during the fiscal year ended June 30, 2016. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. There was no material impact on the Town's financial statement as a result of the implementation of Statement No. 79. All required disclosures are located in Note 3.

Governmental Accounting Standards Board Statement No. 82, *Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73*

The Town early implemented provisions of the above Statement during the fiscal year ended June 30, 2016. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and 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*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. No restatement was required as a result of this implementation.

NOTE 2—STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

A. Budgetary Information

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

1. Prior to May 1, the Town Manager submits to the Town Council a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them. All funds have legally adopted budgets.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the fund level. The appropriation for each fund can be revised only by the Town Council. The Town Manager is authorized to transfer budgeted amounts within general government departments.

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2016 (Continued)

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

A. Budgetary Information: (continued)

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, 2016, there were no funds with deficit fund equity.

NOTE 3—DEPOSITS AND INVESTMENTS:

Deposits

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

Investments

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

Credit Risk of Debt Securities

The Town has no formal investment policy.

The Town's rated debt investments as of June 30, 2016 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 AAAm</u>
Money Market Mutual Funds - US Government Funds	\$ 291,344
Total	\$ 291,344

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2016 (Continued)

NOTE 3—DEPOSITS AND INVESTMENTS: (CONTINUED)

Interest Rate Risk

The Town reports the following investment maturities:

Investment Type	Investment Maturity*	
	Fair Value	Less than 1
Money Market Mutual Funds - US Government Funds	\$ 291,344	\$ 291,344
Total investments	\$ 291,344	\$ 291,344

* Weighted average maturity in years.

Fair Value Measurements

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

- Level 1 — Quoted prices in active markets for identical assets or liabilities.
- Level 2 — Significant observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3 — Significant unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

The Town reports the following investments:

	Fair Value Measurements at Reporting Date Using			
	Total June 30, 2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money Market Mutual Funds - US Government Funds	\$ 291,344	\$ 291,344	\$ -	\$ -
Total	\$ 291,344	\$ 291,344	\$ -	\$ -

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2016 (Continued)

NOTE 4—DUE FROM OTHER GOVERNMENTAL UNITS:

Amounts due from other governmental units at June 30, 2016, are as follows:

Governmental Activities:

Commonwealth of Virginia:

Rolling stock tax	\$ 5,736
Auto rental tax	360
Motor vehicle commission tax	-
VDOT revenue sharing	108
Communications tax	<u>14,852</u>
Total due from the Commonwealth	\$ <u>21,056</u>

Federal:

Highway Planning & Construction	\$ 33,956
CDBG	<u>137,351</u>
Total due from Federal Government	\$ <u>171,307</u>
Grand Total	\$ <u><u>192,363</u></u>

Business-type Activities:

Alleghany County:

Bulk water sales	\$ <u>32,646</u>
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Commonwealth of Virginia:

VRA - Waste Water Revolving Loan Fund	\$ <u>40,305</u>
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Federal Government:

DHHS - Preventive Health Block Grant	\$ <u>8,063</u>
Grand Total	\$ <u><u>81,014</u></u>

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2016 (Continued)

NOTE 5—CAPITAL ASSETS:

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2016.

Governmental Activities:

	Balance June 30, 2015	Increases	Decreases	Balance June 30, 2016
Capital assets not being depreciated:				
Land	\$ 759,994	\$ 5,000	\$ -	\$ 764,994
Construction in progress	421,649	368,191	421,611	368,229
Total capital assets not being depreciated	<u>\$ 1,181,643</u>	<u>\$ 373,191</u>	<u>\$ 421,611</u>	<u>\$ 1,133,223</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 1,627,534	\$ 393,415	\$ -	\$ 2,020,949
Infrastructure (1)	182,646	-	-	182,646
Machinery and equipment	2,071,926	105,138	-	2,177,064
Total capital assets being depreciated	<u>\$ 3,882,106</u>	<u>\$ 498,553</u>	<u>\$ -</u>	<u>\$ 4,380,659</u>
Accumulated depreciation:				
Buildings and improvements	\$ (1,027,819)	\$ (48,667)	\$ -	\$ (1,076,486)
Infrastructure	(42,267)	(6,088)	-	(48,355)
Machinery and equipment	<u>(1,545,675)</u>	<u>(119,061)</u>	<u>-</u>	<u>(1,664,736)</u>
Total accumulated depreciation	<u>\$ (2,615,761)</u>	<u>\$ (173,816)</u>	<u>\$ -</u>	<u>\$ (2,789,577)</u>
Total capital assets being depreciated, net	<u>\$ 1,266,345</u>	<u>\$ 324,737</u>	<u>\$ -</u>	<u>\$ 1,591,082</u>
Net capital assets	<u>\$ 2,447,988</u>	<u>\$ 697,928</u>	<u>\$ 421,611</u>	<u>\$ 2,724,305</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, 2016 (Continued)

NOTE 5—CAPITAL ASSETS: (CONTINUED)

Business-type Activities:

	Balance June 30, 2015	Increases	Decreases	Balance June 30, 2016
<i>Water Fund</i>				
Capital assets not being depreciated:				
Land	\$ 27,362	\$ -	\$ -	\$ 27,362
Construction in progress	141,796	102,910	-	244,706
Total capital assets not being depreciated	\$ 169,158	\$ 102,910	\$ -	\$ 272,068
Capital assets being depreciated:				
Infrastructure	\$ 6,604,050	\$ 3,000	\$ -	\$ 6,607,050
Accumulated depreciation	(2,697,073)	(192,064)	-	(2,889,137)
Total capital assets being depreciated, net	\$ 3,906,977	\$ (189,064)	\$ -	\$ 3,717,913
Net capital assets	\$ 4,076,135	\$ (86,154)	\$ -	\$ 3,989,981
<i>Sewer Fund</i>				
Capital assets not being depreciated:				
Land	\$ 50,050	\$ -	\$ 4,000	\$ 46,050
Construction in progress	2,190,624	589,423	1,383,012	1,397,035
Total capital assets not being depreciated	\$ 2,240,674	\$ 589,423	\$ 1,387,012	\$ 1,443,085
Capital assets being depreciated:				
Infrastructure	\$ 12,334,474	\$ 1,386,012	\$ (8,780,144)	\$ 4,940,342
Accumulated depreciation	(7,960,534)	(318,749)	5,887,405	(2,391,878)
Total capital assets being depreciated, net	\$ 4,373,940	\$ 1,067,263	\$ (2,892,739)	\$ 2,548,464
Net capital assets	\$ 6,614,614	\$ 1,656,686	\$ (1,505,727)	\$ 3,991,549

During fiscal year 2016 the Town entered into an agreement with the County of Allegheny to transfer certain wastewater capital assets to the County. Details of this agreement are summarized in Note 12 of the Notes to Financial Statements. The assets transferred to the County had a cost of \$4,250,424 and accumulated depreciation of \$1,888,242 as of the date of transfer. Similarly the Town elected to dispose of the old wastewater treatment plan in accordance with reporting for idle or decommissioned capital assets. The assets had a cost of \$4,522,233 and accumulated depreciation of \$3,991,676.

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2016 (Continued)

NOTE 5—CAPITAL ASSETS: (CONTINUED)

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

Governmental activities:	
General government administration	\$ 20,633
Public safety	54,768
Public works	78,503
Parks, recreation, and cultural	19,912
Total depreciation expense-governmental activities	<u>\$ 173,816</u>
Business-type activities:	
Water Fund	\$ 192,064
Sewer Fund	318,749
Total depreciation expense-business-type activities	<u>\$ 510,813</u>

NOTE 6—LONG-TERM OBLIGATIONS:

Governmental Activities Long-term Obligations:

The following is a summary of long-term obligation transactions of the Town for the year ended June 30, 2016.

	Balance June 30, 2015	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2016
Capital leases	\$ 226,491	\$ -	\$ 43,322	\$ 183,169
General obligation bonds	341,814	189,000	40,597	490,217
Premium on issuance	23,422	-	1,233	22,189
Accrued landfill and postclosure liability	120,000	-	7,500	112,500
Net pension liability	1,120,564	628,950	693,961	1,055,553
Compensated absences	110,171	11,099	-	121,270
Total	<u>\$ 1,942,462</u>	<u>\$ 829,049</u>	<u>\$ 786,613</u>	<u>\$ 1,984,898</u>

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

Year Ending June 30,	Principal	Interest
2017	\$ 107,132	\$ 24,377
2018	71,389	21,528
2019	73,288	19,314
2020	75,255	16,985
2021	77,290	14,512
2022-2026	119,032	46,731
2027-2031	90,000	24,431
2032-2034	60,000	4,172
Total	<u>\$ 673,386</u>	<u>\$ 172,050</u>

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2016 (Continued)

NOTE 6—LONG-TERM OBLIGATIONS: (CONTINUED)

Governmental Activities Long-term Obligations: (Continued)

Details of Long-term Obligations:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
Capital Leases:		
\$30,843 Capital lease dated January 10, 2014 with monthly payments of \$924, including interest at 5.00%. Final installment due January 10, 2017. \$	6,367	\$ 6,367
\$335,000 Capital lease dated December 15, 2008 with annual payments of \$31,799, including interest at 4.634%. Final installment due in 2023.	176,802	23,406
Total capital leases	\$ 183,169	\$ 29,773
General Obligation Bonds:		
\$150,000 General Obligation Bond 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%. \$	31,217	\$ 31,217
\$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.	270,000	10,000
\$189,000 General Obligation Bond dated June 17, 2016. Principal and interest at 2.2% paid monthly commencing July 2016. Final payment due June 17, 2021.	189,000	36,142
Premium on bond issuance	22,189	1,233
Total general obligation bonds	\$ 512,406	\$ 78,592
Accrued landfill and postclosure liability	\$ 112,500	\$ 7,500
Compensated absences	\$ 121,270	\$ 12,127
Net pension liability	\$ 1,055,553	\$ -
Total	\$ 1,984,898	\$ 127,992

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2016 (Continued)

NOTE 6—LONG-TERM OBLIGATIONS: (CONTINUED)

Governmental Activities Long-term Obligations: (Continued)

The assets acquired through capital leases are as follows:

Asset:		
Equipment	\$	590,521
Less: Accumulated depreciation		(352,021)
Total	\$	<u>238,500</u>

Business-type Activities Long-term Obligations:

The following is a summary of long-term obligations transactions of the Town for the year ended June 30, 2016:

	Balance June 30, 2015	Increases/ Issuances	Decreases/ Retirements	Transferred to County *	Balance June 30, 2016
Revenue bonds	\$ 3,914,741	\$ 400,009	\$ 355,053	\$ (1,759,875)	\$ 2,199,822
Premium on issuance	68,439	-	3,603	-	64,836
Virginia revolving loan fund	2,476,762	-	120,977	-	2,355,785
Notes payable - County of Alleghany	-	1,643,098	-	-	1,643,098
Net pension liability	320,840	180,080	198,694	-	302,226
Compensated absences	41,454	-	130	-	41,324
Total	<u>\$ 6,822,236</u>	<u>\$ 2,223,187</u>	<u>\$ 678,457</u>	<u>\$ (1,759,875)</u>	<u>\$ 6,607,091</u>

* Reference Note 12 of Note to Financial Statements

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

Year Ending June 30,	Principal	Interest
2017	\$ 496,501	\$ 61,981
2018	498,315	59,379
2019	500,185	56,622
2020	507,112	53,554
2021	509,099	50,049
2022-2026	1,625,440	189,863
2027-2031	1,185,541	83,258
2032-2036	743,446	13,181
2037-2040	197,902	-
Total	<u>\$ 6,263,541</u>	<u>\$ 567,887</u>

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2016 (Continued)

NOTE 6—LONG-TERM OBLIGATIONS: (CONTINUED)

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

Details of long-term obligations:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
Revenue Bonds:		
\$760,500 Water Revenue Bonds (VRA), maturing semi-annually in equal installments of \$12,675 through November 1, 2038, 0% interest.	\$ 570,375	\$ 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.	882,157	59,023
\$1,153,088 Water Revenue Bonds (VRA), maturing semi-annually in equal installments of \$19,218 through November 1, 2039, 0% interest.	903,253	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.	580,092	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	819,730	47,543
\$860,000 Double Barrel Revenue Bonds (VRA) dated November 20, 2013. Principal paid annually; interest paid semi-annually at 2.125% to 5.125%. Final payment due October 1, 2033.	800,000	30,000
Premium on bond issuance	64,836	3,603
Total revenue bonds	\$ 4,620,443	\$ 234,486
Notes Payable:		
\$200,000 note payable to the County of Alleghany dated April 19, 2016. Principal payments in the amount of \$40,000 payable annually commencing January 1, 2017 through January 2021. No interest is due.	\$ 200,000	\$ 40,000
\$1,443,098 note payable to the County of Alleghany dated April 19, 2016. Principal payments in the amount of \$222,015 commencing September 2016 through September 2021 with a final payment of \$111,008 payable September 2022. No interest is due.	1,443,098	222,015
Total notes payable	\$ 1,643,098	\$ 262,015
Net pension liability	\$ 302,226	\$ -
Compensated absences	\$ 41,324	\$ 4,132
Total	\$ 6,607,091	\$ 500,633

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2016 (Continued)

NOTE 7—UNAVAILABLE/DEFERRED REVENUE:

Unavailable/Deferred revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Under the accrual basis, assessments for future periods are deferred.

A. Unavailable/Deferred Property Tax Revenue

Unavailable Property Tax Revenue - Unavailable revenue representing uncollected tax billings not available for funding of current expenditures totaled \$650,275 (including 2nd half tax billings of \$585,932 not due until December 5) at June 30, 2016.

NOTE 8—COMPENSATED ABSENCES:

Town employees earn sick leave based upon length of service. Upon termination of 10 years of employment, employees are paid 25% sick leave. Maximum payout of sick leave at retirement is \$2,000. Vacation leave is earned at various rates depending on the date of employment and number of years of service. Vacation leave accrued above the maximum allowable must be taken by the end of the year or the excess balance will be forfeited. Upon separation or retirement, an employee shall be paid for all accrued annual leave. The Town has outstanding accrued compensated absences totaling \$121,270 in the Primary Government and \$41,324 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 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, 2016 (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, 2016 (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, 2016 (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, 2016 (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, 2016 (Continued)

NOTE 9—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2016 (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, 2016 (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, 2016 (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, 2016 (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, 2016 (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/2015-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, 2014 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	47
Inactive members:	
Vested inactive members	5
Non-vested inactive members	14
Inactive members active elsewhere in VRS	<u>45</u>
Total inactive members	64
Active members	<u>41</u>
Total covered employees	<u><u>152</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, 2016 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 \$252,392 and \$252,035 for the years ended June 30, 2016 and June 30, 2015, respectively.

Net Pension Liability

The Town's net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2014, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2016 (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, 2014, 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, 2015.

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, 2016 (Continued)

NOTE 9—PENSION PLAN: (CONTINUED)

Actuarial Assumptions - General Employees (Continued)

The actuarial assumptions used in the June 30, 2014 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, 2014, 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, 2015.

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, 2016 (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, 2014 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, 2016 (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, 2016 (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, 2014	\$ 9,021,052	\$ 7,579,648	\$ 1,441,404
Changes for the year:			
Service cost	\$ 185,703	\$ -	\$ 185,703
Interest	618,539	-	618,539
Differences between expected and actual experience	(222,902)	-	(222,902)
Contributions - employer	-	251,356	(251,356)
Contributions - employee	-	72,543	(72,543)
Net investment income	-	345,854	(345,854)
Benefit payments, including refunds of employee contributions	(369,558)	(369,558)	-
Administrative expenses	-	(4,715)	4,715
Other changes	-	(73)	73
Net changes	\$ 211,782	\$ 295,407	\$ (83,625)
Balances at June 30, 2015	\$ 9,232,834	\$ 7,875,055	\$ 1,357,779

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2016 (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	\$ 2,501,079	\$ 1,357,779	\$ 402,682

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

For the year ended June 30, 2016, the Town recognized pension expense of \$23,239. At June 30, 2016, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 118,253
Net difference between projected and actual earnings on pension plan investments	-	202,781
Employer contributions subsequent to the measurement date	252,392	-
Total	\$ 252,392	\$ 321,034

\$252,392 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, 2017. 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	
2017	\$ (184,439)
2018	(93,394)
2019	(79,792)
2020	36,591

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.

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2016 (Continued)

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—AGREEMENT WITH ALLEGHANY COUNTY FOR WASTEWATER TREATMENT:

As previously reported in the fiscal year 2015 audited financial report, the Town and County of Alleghany, Virginia ("County") commenced litigation proceedings resulting from disputes arising from water and sewer matters. The disputes were resolved and a settlement agreement signed on April 19, 2016. The following is a summary of the significant points of the settlement agreement:

- The Town will pay the County \$200,000 over a period of 5 years with no interest due. The annual payments of \$40,000 will commence on January 1, 2017.
- The County assumed and legally is named as the issuer and payee of the Series 2000 Wastewater System Revenue Bond with an outstanding balance of \$1,759,875 previously issued by the Town.
- The Town will pay the County, as part of the revised wastewater rate agreement, an amount equal to 82% of the annual debt service of the aforementioned Series 2000 Wastewater System Revenue Bond.
- The Town will transfer ownership of a parcel of land on which a County's pump station resides.
- The Town will receive credit for the outstanding balance owed by the County for previous water charges.
- The Town and County entered into a Wastewater Service Agreement effective July, 1, 2016.
- The Town transferred ownership of the wastewater equalization basins and related components to the County. The assets reported a book value of \$2,362,182 on the date of transfer.

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2016 (Continued)

NOTE 13—CLOSURE AND POSTCLOSURE CARE COST:

State and federal laws and regulations require the Town to place a final cover on its Peters Mountain landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the Town reports a portion of these closure and postclosure care liabilities in each period based on landfill capacity used as of each balance sheet date. The \$112,500 reported as landfill postclosure care liability at June 30, 2016, represents the Town's estimate of its share of the postclosure monitoring costs based on the use of 100 percent of the estimated capacity of the landfill. Closure of the landfill site has been completed in prior years. The City of Covington is primarily responsible for postclosure costs and the Town of Clifton Forge pays the City its share of the costs. The Town of Clifton Forge's expected portion of these contracts is 12%. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

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

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

NOTE 15—SEGMENT INFORMATION-ENTERPRISE FUNDS:

The Town maintains two enterprise funds. The Water Fund and Sewer Fund account for the provision of basic utility services to all citizens. Selected segment information for the year ended June 30, 2016, is as follows:

	Water	Sewer	Total
Operating revenues	\$ 960,848	\$ 1,602,354	\$ 2,563,202
Depreciation	192,064	318,749	510,813
Operating income (loss)	77,862	281,707	359,569
Change in net position	(38,133)	(2,308,755)	(2,346,888)
Capital assets additions	105,910	592,423	698,333
Total assets	5,926,796	5,810,077	11,736,873
Bonds payable	2,932,342	3,331,199	6,263,541
Total net position	2,576,137	2,348,460	4,924,597

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2016 (Continued)

NOTE 16—RESTRICTED CASH:

Cash is restricted for the following:

	Governmental Activities	Business-type Activities	Total Primary Government
Bond principal payments	\$ -	\$ 67,673	\$ 67,673
Utility deposits held	-	67,004	67,004
Library improvements	34,964	-	34,964
Forfeited assets	1,751	-	1,751
Total	\$ 36,715	\$ 134,677	\$ 171,392

NOTE 17—UPCOMING PRONOUNCEMENTS:

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. Earlier application is encouraged.

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. Earlier application is encouraged.

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. Earlier application is encouraged.

NOTE 17—UPCOMING PRONOUNCEMENTS: (CONTINUED)

Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, addresses a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged.

Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14*, improves financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. Earlier application is encouraged.

Statement No. 81, *Irrevocable Split-Interest Agreements*, improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively. Earlier application is encouraged.

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

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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, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES				
General property taxes	\$ 612,700	\$ 612,700	\$ 584,409	\$ (28,291)
Other local taxes	995,000	995,000	914,881	(80,119)
Permits, privilege fees, and regulatory licenses	10,700	10,700	4,210	(6,490)
Fines and forfeitures	11,050	11,050	9,336	(1,714)
Revenue from the use of money and property	14,750	14,750	16,271	1,521
Charges for services	58,300	58,300	59,141	841
Miscellaneous	32,000	191,750	409,998	218,248
Recovered costs	21,725	21,725	174,734	153,009
Intergovernmental:				
Commonwealth	1,097,274	1,097,274	1,283,641	186,367
Federal	-	-	679,397	679,397
Total revenues	<u>\$ 2,853,499</u>	<u>\$ 3,013,249</u>	<u>\$ 4,136,018</u>	<u>\$ 1,122,769</u>
EXPENDITURES				
Current:				
General government administration	\$ 293,715	\$ 301,375	\$ 296,571	\$ 4,804
Public safety	1,049,338	1,036,405	1,026,178	10,227
Public works	726,464	726,026	927,495	(201,469)
Health and welfare	-	-	8,164	(8,164)
Parks, recreation, and cultural	327,803	455,135	425,897	29,238
Community development	154,973	151,168	144,171	6,997
Nondepartmental	231,318	211,830	215,575	(3,745)
Capital projects	-	61,000	1,253,858	(1,192,858)
Debt service:				
Principal retirement	80,388	80,310	83,919	(3,609)
Interest and other fiscal charges	-	-	22,743	(22,743)
Total expenditures	<u>\$ 2,863,999</u>	<u>\$ 3,023,249</u>	<u>\$ 4,404,571</u>	<u>\$ (1,381,322)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (10,500)</u>	<u>\$ (10,000)</u>	<u>\$ (268,553)</u>	<u>\$ (258,553)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 10,000	\$ 10,000	\$ 10,000	\$ -
Issuance of general obligation bond	-	-	189,000	189,000
Total other financing sources (uses)	<u>\$ 10,000</u>	<u>\$ 10,000</u>	<u>\$ 199,000</u>	<u>\$ 189,000</u>
Net change in fund balances	\$ (500)	\$ -	\$ (69,553)	\$ (69,553)
Fund balances - beginning	<u>500</u>	<u>-</u>	<u>113,117</u>	<u>113,117</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 43,564</u>	<u>\$ 43,564</u>

Schedule of Components of and Changes in Net Pension Liability and Related Ratios
For the Year Ended June 30, 2016

	2015	2014
Total pension liability		
Service cost	\$ 185,703	\$ 193,371
Interest	618,539	589,737
Differences between expected and actual experience	(222,902)	-
Benefit payments, including refunds of employee contributions	(369,558)	(373,742)
Net change in total pension liability	\$ 211,782	\$ 409,366
Total pension liability - beginning	9,021,052	8,611,686
Total pension liability - ending (a)	\$ 9,232,834	\$ 9,021,052
Plan fiduciary net position		
Contributions - employer	\$ 251,356	\$ 152,529
Contributions - employee	72,543	72,619
Net investment income	345,854	1,044,749
Benefit payments, including refunds of employee contributions	(369,558)	(373,742)
Administrative expense	(4,715)	(5,703)
Other	(73)	55
Net change in plan fiduciary net position	\$ 295,407	\$ 890,507
Plan fiduciary net position - beginning	7,579,648	6,689,141
Plan fiduciary net position - ending (b)	\$ 7,875,055	\$ 7,579,648
Town's net pension liability - ending (a) - (b)	\$ 1,357,779	\$ 1,441,404
Plan fiduciary net position as a percentage of the total pension liability	85.29%	84.02%
Covered payroll	\$ 1,464,471	\$ 1,452,945
Town's net pension liability as a percentage of covered payroll	92.71%	99.21%

This schedule is intended to show information for 10 years. 2014 valuation is the first year for this presentation, no other data is available. Additional years will be included as they become available.

Schedule of Employer Contributions
For the Year Ended June 30, 2016

Date	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2016	\$ 252,392	\$ 252,392	\$ -	\$ 1,477,823	17.08%
2015	252,035	252,035	-	1,464,471	17.21%
2014	152,559	217,942	(65,383)	1,452,945	15.00%
2013	145,724	208,177	(62,453)	1,387,844	15.00%
2012	117,929	117,929	-	1,328,027	8.88%
2011	116,235	116,235	-	1,308,952	8.88%
2010	113,063	113,063	-	1,409,766	8.02%
2009	114,094	114,094	-	1,422,615	8.02%
2008	126,215	126,215	-	1,269,768	9.94%
2007	133,569	133,569	-	1,343,756	9.94%

Notes to Required Supplementary Information
For the Year Ended June 30, 2016

In 2015, Covered Employee Payroll (as defined by GASB 68) included the total payroll for employees covered under the pension plan whether that payroll is subject to pension coverage or not. This definition was modified in GASB Statement No. 82 and now is the payroll on which contributions to a pension plan are based. The ratios presented use the same measure.

Changes of benefit terms - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this was a new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2015 are not material.

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, 2016

	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	\$ 208,494	\$ 52,858	\$ 261,352	\$ 32,054
Due from other funds	17,741	-	17,741	-
Total assets	<u>\$ 226,235</u>	<u>\$ 52,858</u>	<u>\$ 279,093</u>	<u>\$ 32,054</u>
LIABILITIES				
Amounts held for others	\$ -	\$ -	\$ -	\$ 32,054
Total liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,054</u>
NET POSITION				
Held in trust for cemeteries	<u>\$ 226,235</u>	<u>\$ 52,858</u>	<u>\$ 279,093</u>	

Combining Statement of Changes in Fiduciary Net Position
 Fiduciary Funds
 For the Year Ended June 30, 2016

	Mountain View Cemetery Private-Purpose Trust	Crown Hill Cemetery Private-Purpose Trust	Total Private-Purpose Trust
ADDITIONS			
Investment earnings:			
Interest	\$ 8	\$ -	\$ 8
Total investment earnings	\$ 8	\$ -	\$ 8
Total additions	\$ 8	\$ -	\$ 8
DEDUCTIONS			
Benefits			
Transfers to other funds	\$ 10,000	\$ -	\$ 10,000
Total deductions	\$ 10,000	\$ -	\$ 10,000
Change in net position	\$ (9,992)	\$ -	\$ (9,992)
Net position - beginning	\$ 236,227	\$ 52,858	\$ 289,085
Net position - ending	\$ 226,235	\$ 52,858	\$ 279,093

Statement of Changes in Assets and Liabilities

Agency Funds

For the Year Ended June 30, 2016

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Joint Development Investment Fund:				
ASSETS				
Cash and cash equivalents	\$ 31,958	\$ 96	\$ -	\$ 32,054
Total assets	<u>\$ 31,958</u>	<u>\$ 96</u>	<u>\$ -</u>	<u>\$ 32,054</u>
LIABILITIES				
Amounts held for others	\$ 31,958	\$ 96	\$ -	\$ 32,054
Total liabilities	<u>\$ 31,958</u>	<u>\$ 96</u>	<u>\$ -</u>	<u>\$ 32,054</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, 2016

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 304,000	\$ 304,000	\$ 299,240	\$ (4,760)
Real and personal public service corporation taxes	35,000	35,000	30,660	(4,340)
Personal property taxes	258,500	258,500	239,331	(19,169)
Machinery and tools taxes	2,200	2,200	2,418	218
Penalties	7,000	7,000	6,678	(322)
Interest	6,000	6,000	6,082	82
Total general property taxes	\$ 612,700	\$ 612,700	\$ 584,409	\$ (28,291)
Other local taxes:				
Local sales and use taxes	\$ 116,000	\$ 116,000	\$ 127,897	\$ 11,897
Consumers' utility taxes	260,000	260,000	164,568	(95,432)
Business license taxes	200,000	200,000	206,721	6,721
Motor vehicle licenses	57,000	57,000	51,852	(5,148)
Bank stock taxes	80,000	80,000	68,805	(11,195)
Transient occupancy taxes	7,000	7,000	4,564	(2,436)
Restaurant food taxes	260,000	260,000	276,637	16,637
Tobacco tax	15,000	15,000	13,837	(1,163)
Total other local taxes	\$ 995,000	\$ 995,000	\$ 914,881	\$ (80,119)
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 1,200	\$ 1,200	\$ 940	\$ (260)
Zoning Fees	1,000	1,000	500	(500)
Building permits	8,500	8,500	2,770	(5,730)
Total permits, privilege fees, and regulatory licenses	\$ 10,700	\$ 10,700	\$ 4,210	\$ (6,490)
Fines and forfeitures:				
Court fines and forfeitures	\$ 11,050	\$ 11,050	\$ 9,336	\$ (1,714)
Revenue from use of money and property:				
Revenue from use of money	\$ 2,750	\$ 2,750	\$ 3,671	\$ 921
Revenue from use of property	12,000	12,000	12,600	600
Total revenue from use of money and property	\$ 14,750	\$ 14,750	\$ 16,271	\$ 1,521
Charges for services:				
Charges for fire protection	\$ 50,000	\$ 50,000	\$ 50,000	\$ -
Charges for sanitation and waste removal	300	300	150	(150)
Charges for library	8,000	8,000	8,991	991
Total charges for services	\$ 58,300	\$ 58,300	\$ 59,141	\$ 841
Miscellaneous:				
Sale of cemetery lots	\$ 3,000	\$ 3,000	\$ 1,200	\$ (1,800)
Friends of Library	4,000	4,000	5,755	1,755
Sale of Salvage/Surplus	5,000	12,230	16,934	4,704
Miscellaneous grants	-	64,500	369,796	305,296
Miscellaneous	20,000	108,020	16,313	(91,707)
Total miscellaneous	\$ 32,000	\$ 191,750	\$ 409,998	\$ 218,248

Schedule of Revenues - Budget and Actual
Governmental Fund
For the Year Ended June 30, 2016 (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	\$ 22,225	\$ 500
C&O Heritage Center - C&H Heritage Society share	-	-	89,507	89,507
Other costs	-	-	63,002	63,002
Total recovered costs	\$ 21,725	\$ 21,725	\$ 174,734	\$ 153,009
Total revenue from local sources	\$ 1,756,225	\$ 1,915,975	\$ 2,172,980	\$ 257,005
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicle rental tax	\$ -	\$ -	\$ 1,973	\$ 1,973
Rolling stock tax	7,500	7,500	5,736	(1,764)
Communications taxes	-	-	90,927	90,927
PPTRA Reimbursement	316,644	316,644	316,644	-
Total noncategorical aid	\$ 324,144	\$ 324,144	\$ 415,280	\$ 91,136
Categorical aid:				
Virginia Commission for the Arts grant	\$ 5,000	\$ 5,000	\$ 5,000	\$ -
DJC Grants	188,380	188,380	188,380	-
VDOT revenue sharing	-	-	7,570	7,570
Department of fire programs funds	11,000	11,000	12,310	1,310
Litter control grant	2,750	2,750	2,930	180
Street and highway maintenance funds	535,000	535,000	568,117	33,117
Library	31,000	31,000	30,780	(220)
Other state grants	-	-	53,274	53,274
Total categorical aid	\$ 773,130	\$ 773,130	\$ 868,361	\$ 95,231
Total revenue from the Commonwealth	\$ 1,097,274	\$ 1,097,274	\$ 1,283,641	\$ 186,367
Revenue from the Federal Government:				
Categorical aid:				
TEA - Highway planning and construction	\$ -	\$ -	\$ 380,571	\$ 380,571
Community development block grant	-	-	298,826	298,826
Total categorical aid	\$ -	\$ -	\$ 679,397	\$ 679,397
Total revenue from the Federal Government	\$ -	\$ -	\$ 679,397	\$ 679,397
Total General Fund	\$ 2,853,499	\$ 3,013,249	\$ 4,136,018	\$ 1,122,769

Schedule of Expenditures - Budget and Actual
 Governmental Fund
 For the Year Ended June 30, 2016

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
General government administration:				
Legislative:				
Town Council	\$ 14,500	\$ 10,104	\$ 10,141	\$ (37)
General and financial administration:				
Town manager	\$ 118,212	\$ 124,124	\$ 119,590	\$ 4,534
Legal services	8,562	6,387	9,033	(2,646)
Independent auditor	13,750	16,942	15,745	1,197
Finance	138,691	143,818	142,062	1,756
Total general and financial administration	\$ 279,215	\$ 291,271	\$ 286,430	\$ 4,841
Total general government administration	\$ 293,715	\$ 301,375	\$ 296,571	\$ 4,804
Public safety:				
Law enforcement and traffic control:				
Police department	\$ 846,018	\$ 830,995	\$ 808,721	\$ 22,274
Fire and rescue services:				
Fire department	\$ 203,320	\$ 205,410	\$ 217,457	\$ (12,047)
Total public safety	\$ 1,049,338	\$ 1,036,405	\$ 1,026,178	\$ 10,227
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Highways, streets, bridges and sidewalks	\$ 561,292	\$ 590,092	\$ 64,503	\$ 525,589
Administration	51,946	37,778	37,790	(12)
Eligible Streets	-	-	719,026	(719,026)
Total maintenance of highways, streets, bridges and sidewalks	\$ 613,238	\$ 627,870	\$ 821,319	\$ (193,449)
Maintenance of general buildings and grounds:				
General properties	\$ 27,900	\$ 27,323	\$ 30,626	\$ (3,303)
Cemeteries	85,326	70,833	75,550	(4,717)
Total maintenance of general buildings and grounds	\$ 113,226	\$ 98,156	\$ 106,176	\$ (8,020)
Total public works	\$ 726,464	\$ 726,026	\$ 927,495	\$ (201,469)
Health and welfare:				
Welfare:				
Tax relief for the elderly	\$ -	\$ -	\$ 8,164	\$ (8,164)

Schedule of Expenditures - Budget and Actual
 Governmental Fund
 For the Year Ended June 30, 2016 (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	\$ 103,923	\$ 175,902	\$ 173,727	\$ 2,175
Cultural enrichment:				
Cultural enrichment	\$ 10,000	\$ 10,000	\$ 10,000	\$ -
Masonic Theatre preservation	15,000	15,000	15,000	-
Total cultural enrichment	25,000	25,000	25,000	-
Library:				
Library	\$ 198,880	\$ 254,233	\$ 227,170	\$ 27,063
Total parks, recreation, and cultural	\$ 327,803	\$ 455,135	\$ 425,897	\$ 29,238
Community development:				
Planning and community development:				
Planning Commission	\$ 3,200	\$ 3,301	\$ -	\$ 3,301
Community development	112,773	108,537	109,235	(698)
Contributions local civic organizations	25,500	25,830	27,080	(1,250)
Tourism and marketing	7,000	7,000	1,356	5,644
Other Planning Community Dev.	6,500	6,500	6,500	-
Total planning and community development	\$ 154,973	\$ 151,168	\$ 144,171	\$ 6,997
Total community development	\$ 154,973	\$ 151,168	\$ 144,171	\$ 6,997
Nondepartmental:				
Nondepartmental	\$ 163,813	\$ 171,006	\$ 161,251	\$ 9,755
Contingencies	67,505	40,824	54,324	(13,500)
Total nondepartmental	\$ 231,318	\$ 211,830	\$ 215,575	\$ (3,745)
Capital projects:				
Capital projects - grants	\$ -	\$ 61,000	\$ 1,253,858	\$ (1,192,858)
Total capital projects	\$ -	\$ 61,000	\$ 1,253,858	\$ (1,192,858)
Debt service:				
Principal retirement	\$ 80,388	\$ 80,310	\$ 83,919	\$ (3,609)
Interest and other fiscal charges	-	-	22,743	(22,743)
Total debt service	\$ 80,388	\$ 80,310	\$ 106,662	\$ (26,352)
Total General Fund	\$ 2,863,999	\$ 3,023,249	\$ 4,404,571	\$ (1,381,322)

Schedule of Revenues, Expenses, and Changes in Net Position - Budget and Actual
 Water Enterprise Fund
 For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Operating Revenues:				
Sale of services, commodities and properties:				
Sale of water	\$ 620,000	\$ 620,000	\$ 589,255	\$ (30,745)
Connection fees	2,000	2,000	1,313	(687)
Administration fees	2,000	2,000	1,600	(400)
County water	410,000	410,000	358,284	(51,716)
Penalties	11,000	11,000	10,396	(604)
Miscellaneous	9,200	9,200	-	(9,200)
Total operating revenue	<u>\$ 1,054,200</u>	<u>\$ 1,054,200</u>	<u>\$ 960,848</u>	<u>\$ (93,352)</u>
Operating Expenses:				
Water filtration plant	\$ 454,716	\$ 454,716	\$ 394,196	\$ 60,520
Transmissional distribution	169,296	169,296	163,096	6,200
Other costs	130,902	130,902	120,906	9,996
Depreciation	-	-	192,064	(192,064)
Capital outlay	105,408	130,408	12,724	117,684
Total operating expenses	<u>\$ 860,322</u>	<u>\$ 885,322</u>	<u>\$ 882,986</u>	<u>\$ 2,336</u>
Net operating income	<u>\$ 193,878</u>	<u>\$ 168,878</u>	<u>\$ 77,862</u>	<u>\$ (91,016)</u>
Nonoperating revenues (expenses):				
Intergovernmental revenue:				
Federal	\$ -	\$ 25,000	\$ 33,063	\$ 8,063
Interest revenue	-	-	1	1
Interest expense	(193,878)	(193,878)	(49,519)	144,359
Net nonoperating revenues (expenses)	<u>\$ (193,878)</u>	<u>\$ (168,878)</u>	<u>\$ (16,455)</u>	<u>\$ 152,423</u>
Income (loss) before contributions and operating transfers	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 61,407</u>	<u>\$ 61,407</u>
Fund transfers	<u>-</u>	<u>-</u>	<u>(99,540)</u>	<u>(99,540)</u>
Change in net position	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (38,133)</u></u>	<u><u>\$ (38,133)</u></u>

Schedule of Revenues, Expenses, and Changes in Net Position - Budget and Actual
 Sewer Enterprise Fund
 For the Year Ended June 30, 2016

	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	\$ 1,512,745	\$ (2,255)
Sewer lateral line fee	54,000	54,000	53,803	(197)
Administration fees	2,000	2,000	1,525	(475)
Miscellaneous	-	35,580	13,488	(22,092)
Penalties	22,000	22,000	20,793	(1,207)
Total operating revenue	<u>\$ 1,593,000</u>	<u>\$ 1,628,580</u>	<u>\$ 1,602,354</u>	<u>\$ (26,226)</u>
Operating Expenses:				
Wastewater treatment plant	\$ 739,500	\$ 689,365	\$ 665,069	\$ 24,296
Sewage collection	162,273	181,914	90,768	91,146
Sewer I and I	71,477	87,416	74,889	12,527
Sewer lateral line	54,000	54,000	120	53,880
Other costs	121,527	121,527	107,241	14,286
Depreciation	-	-	318,749	(318,749)
Capital outlay	151,186	151,186	63,811	87,375
Total operating expenses	<u>\$ 1,299,963</u>	<u>\$ 1,285,408</u>	<u>\$ 1,320,647</u>	<u>\$ (35,239)</u>
Net operating income	<u>\$ 293,037</u>	<u>\$ 343,172</u>	<u>\$ 281,707</u>	<u>\$ (61,465)</u>
Nonoperating Revenues (Expenses):				
Interest expense	<u>\$ (293,037)</u>	<u>\$ (343,172)</u>	<u>\$ (10,795)</u>	<u>\$ 332,377</u>
Net nonoperating revenues (expenses)	<u>\$ (293,037)</u>	<u>\$ (343,172)</u>	<u>\$ (10,795)</u>	<u>\$ 332,377</u>
Income (loss) before contributions and operating transfers	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 270,912</u>	<u>\$ 270,912</u>
Capital contributions and grants - State	\$ -	\$ -	\$ 213,532	\$ 213,532
Fund transfers	<u>-</u>	<u>-</u>	<u>99,540</u>	<u>99,540</u>
Total transfers and capital contributions/grants	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 313,072</u>	<u>\$ 313,072</u>
Special Items:				
Disposal of idle/decommissioned capital assets (Note 5)	\$ -	\$ -	\$ (530,557)	\$ (530,557)
Transfer of capital assets to County of Alleghany (Notes 5 & 12)	<u>-</u>	<u>-</u>	<u>(2,362,182)</u>	<u>(2,362,182)</u>
Change in net position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,308,755)</u>	<u>\$ (2,308,755)</u>

Other Statistical Information

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Government-wide Information

TOWN OF CLIFTON FORGE, VIRGINIA

Government-wide Expenses by Function
Last Ten Fiscal Years

Fiscal Year	General Government Administration	Public Safety	Public Works	Parks, Recreation, and Cultural
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
2015-16	405,327	1,035,099	998,874	833,947

Table 1

Community Development	Interest on Long- term Debt	Other	Water Fund	Sewer Fund	Total
\$ 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
393,010	21,510	8,164	932,505	4,224,181	8,852,617

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
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
2015-16	2,635,889	1,200,250	594,103

GENERAL REVENUES

General Property Taxes	Other Local Taxes	Unrestricted Investment Earnings	Miscellaneous	Grants and Contributions Not Restricted to Specific Programs	Transfers	Total
\$ 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
585,139	914,881	16,271	409,998	415,280	10,000	6,781,811

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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
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
2015-16		296,571		1,026,178		927,495		425,897

(1) Includes General Fund of Primary Government.

Table 3

	Community Development		Capital Projects		Non- departmental		Debt Service		Other		Total
\$	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
	144,171		1,253,858		215,575		106,662		8,164		4,404,571

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
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
2015-16	584,409	914,881	4,210	9,336	16,271

(1) Includes General Fund of the Primary Government.

Table 4

Charges for Services		Miscellaneous	Recovered Costs		Inter- governmental	Total
\$	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
	59,141	409,998		174,734	1,963,038	4,136,018

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
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%
2015-16	599,401	551,035	91.93%	28,778	579,813	96.73%	99,070	16.53%

(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
2015-16	143,019,900	8,730,534	44,700	14,338,130	8,175	166,141,439

(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
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
2015-16	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			
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
2015-16	3,876	166,141,439	6,688,922	-	6,198,705	490,217	0.30%	126

(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, 2016

Total Assessed Value of Real Estate	\$ <u>157,361,372</u>
Legal Debt Margin - 10% of assessed value of real estate	\$ 15,736,137
Less: Applicable gross indebtedness	<u>5,888,923</u>
Legal margin for creation of additional debt	\$ <u>9,847,214</u>

Compliance

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ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Clifton Forge, Virginia, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town of Clifton Forge, Virginia's basic financial statements, and have issued our report thereon dated January 30, 2017.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Robinson, Farmer, Cox Associates

Charlottesville, Virginia

January 30, 2017