



FINANCIAL REPORT
YEAR ENDED JUNE 30, 2017

TOWN OF CLIFTON FORGE, VIRGINIA

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2017

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COUNCIL

Carl Brinkley, Mayor

Gayle Hillert, Vice-Mayor

David Oeltjen

Robert Umstead

Jeff Irvine

OFFICIALS

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

TOWN OF CLIFTON FORGE, VIRGINIA
FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2017

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1-2
Management's Discussion and Analysis	3-8
<u>Basic Financial Statements:</u>	
Government-wide Financial Statements:	
Exhibit 1 Statement of Net Position	9
Exhibit 2 Statement of Activities	10
Fund Financial Statements:	
Exhibit 3 Balance Sheet—Governmental Fund	11
Exhibit 4 Reconciliation of the Balance Sheet of Governmental Fund to the Statement of Net Position	12
Exhibit 5 Statement of Revenues, Expenditures, and Change in Fund Balance—Governmental Fund	13
Exhibit 6 Reconciliation of Statement of Revenues, Expenditures, and Change in Fund Balance of Governmental Fund to the Statement of Activities	14
Exhibit 7 Statement of Net Position—Proprietary Funds	15
Exhibit 8 Statement of Revenues, Expenses, and Changes in Net Position—Proprietary Funds	16
Exhibit 9 Statement of Cash Flows—Proprietary Funds	17
Exhibit 10 Statement of Fiduciary Net Position—Fiduciary Funds	18
Exhibit 11 Statement of Change in Fiduciary Net Position—Fiduciary Funds	19
Notes to Financial Statements	20-58

TOWN OF CLIFTON FORGE, VIRGINIA
FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2017

TABLE OF CONTENTS (CONTINUED)

		<u>Page</u>
<u>Required Supplementary Information:</u>		
Exhibit 12	Schedule of Revenues, Expenditures, and Change in Fund Balance—Budget and Actual—General Fund	59
Exhibit 13	Schedule of Changes in Net Pension Liability and Related Ratios	60
Exhibit 14	Schedule of Employer Contributions	61
Exhibit 15	Notes to Required Supplementary Information	62
<u>Other Supplementary Information:</u>		
Combining and Individual Fund Financial Statements:		
Exhibit 16	Combining Statement of Fiduciary Net Position—Fiduciary Funds	63
Exhibit 17	Combining Statement of Changes in Fiduciary Net Position—Fiduciary Funds	64
Exhibit 18	Statement of Changes in Assets and Liabilities—Agency Funds	65
Supporting Schedules:		
Schedule 1	Schedule of Revenues—Budget and Actual—Governmental Fund	66-67
Schedule 2	Schedule of Expenditures—Budget and Actual—Governmental Fund	68-69
Schedule 3	Schedule of Revenues, Expenses, and Change in Net Position—Budget and Actual—Water Enterprise Fund	70
Schedule 4	Schedule of Revenues, Expenses, and Change in Net Position—Budget and Actual—Sewer Enterprise Fund	71

TOWN OF CLIFTON FORGE, VIRGINIA
FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2017

TABLE OF CONTENTS (CONTINUED)

	<u>Page</u>
Other Statistical Information:	
Government-wide Information:	
Table 1 Government-wide Expenses by Function	72-73
Table 2 Government-wide Revenues	74-75
Fund Information:	
Table 3 General Governmental Expenditures by Function	76-77
Table 4 General Governmental Revenues by Source	78-79
Table 5 Property Tax Levies and Collections	80
Table 6 Assessed Value of Taxable Property	81
Table 7 Property Tax Rates	82
Table 8 Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita	83
Table 9 Computation of Legal Debt Margin	84
<u>Compliance:</u>	
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 <i>Government Auditing Standards</i>	85-86

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, 2017, 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, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and schedules related to pension funding on pages 3-8, 59 and 60-62 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 November 24, 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, Farmer, Cox Associates

Charlottesville, Virginia
November 24, 2017

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, 2017. Please read it in conjunction with the Town's basic financial statements, which follow this section.

Financial Highlights

- The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$7.6 million (*net position*). Of this amount, \$2.6 million (*unrestricted net position*) may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Town's total net position increased by \$1,880,365, of which the governmental activities accounted for a \$1,060,303 increase and business-type activities accounted for the remaining \$820,062 increase. Explanation of the increase can be found under the analysis section of the Management's Discussion and Analysis.
- As of the close of the current fiscal year, the Town's governmental fund reported an ending fund balance of \$390,925, an increase of \$347,361 over the prior year. 37% of this fund balance is *available for spending* at the Town's discretion (*unassigned fund balance*). The Town had \$247,327 in restricted fund balance at June 30, 2017.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$143,598, 5.21% of governmental fund expenditures less capital outlay.
- The Town's total long-term obligations decreased by \$731,778 during the current fiscal year.

Overview of the Financial Statements

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

Government-wide financial statements

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

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

Government-wide financial statements: (Continued)

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

Fund financial statements

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

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

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

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

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

Notes to financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements can be found on pages 20 through 58 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 59 through 62 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 63 through 84 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$7.6 million at the close of the most recent fiscal year. A large portion of the Town's net position (\$2.6 million, 62% 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	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 1,497,628	\$ 1,002,083	\$ 4,082,869	\$ 3,755,343	\$ 5,580,497	\$ 4,757,426
Capital assets	3,174,987	2,724,305	7,949,954	7,981,530	11,124,941	10,705,835
Total assets	\$ 4,672,615	\$ 3,726,388	\$ 12,032,823	\$ 11,736,873	\$ 16,705,438	\$ 15,463,261
Deferred outflows of resources	\$ 271,619	\$ 194,631	\$ 90,221	\$ 57,761	\$ 361,840	\$ 252,392.00
Long-term liabilities outstanding	\$ 1,801,195	\$ 1,984,898	\$ 6,059,017	\$ 6,607,093	\$ 7,860,212	\$ 8,591,991
Other liabilities	442,906	308,244	237,926	191,486	680,832	499,730
Total liabilities	\$ 2,244,101	\$ 2,293,142	\$ 6,296,943	\$ 6,798,579	\$ 8,541,044	\$ 9,091,721
Deferred inflows of resources	\$ 847,461	\$ 835,508	\$ 81,442	\$ 71,458	\$ 928,903	\$ 906,966
Net position:						
Net investment in capital assets	\$ 2,455,778	\$ 2,028,730	\$ 2,250,536	\$ 1,785,662	\$ 4,706,314	\$ 3,814,392
Restricted	247,327	36,715	67,697	-	315,024	36,715
Unrestricted	(850,433)	(1,273,076)	3,426,426	3,138,935	2,575,993	1,865,859
Total net position	\$ 1,852,672	\$ 792,369	\$ 5,744,659	\$ 4,924,597	\$ 7,597,331	\$ 5,716,966

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 \$850,433 was reported in unrestricted net position. Similar to many local governments participating in the Virginia Retirement System, the Town reports a net pension obligation related to its participation in the pension plan. This obligation reduces the Town's unrestricted net position. As displayed in the table above, the unrestricted net position increased during fiscal year 2017.

Government-wide Financial Analysis: (Continued)

As noted previously, the Town's net position increased by \$1,880,365 during the current fiscal year. Governmental activities increased the Town's net position by \$1,060,303. 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	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	\$ 101,356	\$ 72,687	\$ 3,072,621	\$ 2,563,202	\$ 3,173,977	\$ 2,635,889
Operating grants and contributions	1,189,138	1,167,187	0	33,063	1,189,138	1,200,250
Capital grants and contributions	482,088	380,571	24,162	213,532	506,250	594,103
General revenues:						
Property taxes	597,153	585,139	-	-	597,153	585,139
Other taxes	901,126	914,881	-	-	901,126	914,881
Unrestricted revenues from use of money and property	18,139	16,271	24	1	18,163	16,272
Miscellaneous	306,253	409,998	-	-	306,253	409,998
Grants and contributions not restricted to specific programs	412,783	415,280	-	-	412,783	415,280
Total revenues	\$ 4,008,036	\$ 3,962,014	\$ 3,096,807	\$ 2,809,798	\$ 7,104,843	\$ 6,771,812
Expenses:						
General government administration	\$ 382,151	\$ 405,327	\$ -	\$ -	\$ 382,151	\$ 405,327
Public safety	978,824	1,035,099	-	-	978,824	1,035,099
Public works	555,605	998,874	-	-	555,605	998,874
Health and welfare	8,898	8,164	-	-	8,898	8,164
Parks, recreation and cultural	409,685	833,947	-	-	409,685	833,947
Community development	589,430	393,010	-	-	589,430	393,010
Interest on long-term debt	23,140	21,510	-	-	23,140	21,510
Water fund	-	-	840,885	932,505	840,885	932,505
Sewer fund	-	-	1,435,860	4,224,181	1,435,860	4,224,181
Total expenses	\$ 2,947,733	\$ 3,695,931	\$ 2,276,745	\$ 5,156,686	\$ 5,224,478	\$ 8,852,617
Increase (decrease) in net position before transfers	\$ 1,060,303	\$ 266,083	\$ 820,062	\$ (2,346,888)	\$ 1,880,365	\$ (2,080,805)
Transfers	\$ -	\$ 10,000	\$ -	\$ -	\$ -	\$ -
Change in net position	\$ 1,060,303	\$ 276,083	\$ 820,062	\$ (2,346,888)	\$ 1,880,365	\$ (2,070,805)
Net position - beginning of year	\$ 792,369	\$ 516,286	\$ 4,924,597	\$ 7,271,485	\$ 5,716,966	\$ 7,787,771
Net position - end of year	\$ 1,852,672	\$ 792,369	\$ 5,744,659	\$ 4,924,597	\$ 7,597,331	\$ 5,716,966

Business-type activities increased the Town's net position by \$820,062. Similar to how changes arise in the governmental activities, business-type activities also experience budgetary differences; however, as a public utility function comprises the Town's business-type activities there is more of a direct correlation to the revenues generated relative to the expenses incurred because of service demands.

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

Financial Analysis of the Town's Funds

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

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

As of the end of the current fiscal year, the Town's governmental fund reported an ending fund balance of \$390,925, an increase of \$347,361 in comparison with the prior year. Approximately \$206,000 of the increase in fund balance is restricted for street maintenance projects to be performed in fiscal year 2018. Of the total fund balance, \$143,598 is reported as unassigned, which is available for spending at the Town's discretion. At June 30, 2017, The Town had \$247,327 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 \$5.7 million, of which \$3.4 million is unrestricted. The increase in net position is explained under Government-wide Financial Analysis.

Capital Asset and Debt Administration

Capital assets: The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2017, amounts to \$11.1 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, and machinery and equipment as well as construction in progress. Capital assets, net of accumulated depreciation, are illustrated in the following table:

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 784,994	\$ 764,994	\$ 73,412	\$ 73,412	\$ 858,406	\$ 838,406
Buildings	1,020,353	944,463	-	-	1,020,353	944,463
Infrastructure	141,011	134,291	7,616,843	6,266,377	7,757,854	6,400,668
Machinery & equipment	468,652	512,328	-	-	468,652	512,328
Contruction in progress	759,977	368,229	259,699	1,641,741	1,019,676	2,009,970
Total	<u>\$ 3,174,987</u>	<u>\$ 2,724,305</u>	<u>\$ 7,949,954</u>	<u>\$ 7,981,530</u>	<u>\$ 11,124,941</u>	<u>\$ 10,705,835</u>

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

Long-term Obligations: At the end of the current fiscal year, the Town had total outstanding obligations of \$7.9 million and details are summarized in the following table:

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Capital leases	\$ 153,394	\$ 183,169	\$ -	\$ -	\$ 153,394	\$ 183,169
Notes payable	-	-	1,381,083	1,643,098	1,381,083	1,643,098
Revenue bonds	-	-	2,091,748	2,199,822	2,091,748	2,199,822
General obligation bonds	544,858	490,217	-	-	544,858	490,217
Premium on issuance	20,957	22,189	61,234	64,836	82,191	87,025
Revolving loan funds	-	-	2,233,050	2,355,785	2,233,050	2,355,785
Landfill closure and post-closure	105,000	112,500	-	-	105,000	112,500
Net pension liability	871,050	1,055,553	258,506	302,226	1,129,556	1,357,779
Compensated absences	105,936	121,270	33,396	41,324	139,332	162,594
Total	<u>\$ 1,801,195</u>	<u>\$ 1,984,898</u>	<u>\$ 6,059,017</u>	<u>\$ 6,607,091</u>	<u>\$ 7,860,212</u>	<u>\$ 8,591,989</u>

Capital Asset and Debt Administration: (Continued)

Obligations associated with governmental activities decreased by \$183,703 and obligations associated with business-type activities decreased by \$548,074. In fiscal year 2017 the Town issued a general obligation bond in the amount of \$132,000. The decrease in debt is attributable to routine principal payments on outstanding obligations and the actuarial decrease in the net pension liability.

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, 2017.

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

Economic Factors and Next Year's Budgets and Rates

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

The revitalization of the downtown area continues with new businesses. Meals tax, business license and sales tax revenue continue to increase over previous years. Construction is underway on an access road that will open up 13 acres in a business park owned by the Town. The construction was funded through VDOT and Appalachian Regional Commission funds. The Town has begun demolition of old CSX railroad structures on property now owned by the Town to make way for a new commercial salt distribution facility. The 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 is \$105.00 per month.

Requests for Information

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

Basic Financial Statements

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Government-wide Financial Statements

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Statement of Net Position
June 30, 2017

	Primary Government		
	Governmental	Business-type	Total
	Activities	Activities	
ASSETS			
Cash and cash equivalents	\$ 108,026	\$ 3,668,053	\$ 3,776,079
Receivables (net of allowance for uncollectibles):			
Taxes receivable	666,907	-	666,907
Accounts receivable	66,353	210,375	276,728
Notes receivables	54,551	-	54,551
Due from other governmental units	354,464	67,158	421,622
Restricted assets:			
Cash and cash equivalents	247,327	137,283	384,610
Capital assets (net of accumulated depreciation):			
Land	784,994	73,412	858,406
Buildings and improvements	1,020,353	-	1,020,353
Machinery and equipment	468,652	-	468,652
Infrastructure	141,011	7,616,843	7,757,854
Construction in progress	759,977	259,699	1,019,676
 Total assets	 \$ 4,672,615	 \$ 12,032,823	 \$ 16,705,438
DEFERRED OUTFLOWS OF RESOURCES			
Pension contributions subsequent to measurement date	\$ 113,001	\$ 29,343	\$ 142,344
Items related to measurement of net pension liability	158,618	60,878	219,496
 Total deferred outflows of resources	 \$ 271,619	 \$ 90,221	 \$ 361,840
LIABILITIES			
Accounts payable	\$ 369,656	\$ 143,287	\$ 512,943
Retainage payable	19,518	-	19,518
Deposits for utility customers	-	69,586	69,586
Accrued payroll	35,541	12,071	47,612
Accrued interest payable	-	12,982	12,982
Due to other funds	18,191	-	18,191
Long-term liabilities:			
Due within one year	115,715	501,654	617,369
Due in more than one year	1,685,480	5,557,363	7,242,843
 Total liabilities	 \$ 2,244,101	 \$ 6,296,943	 \$ 8,541,044
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue - property taxes	\$ 586,069	\$ -	\$ 586,069
Items related to measurement of net pension liability	261,392	81,442	342,834
 Total deferred inflows of resources	 \$ 847,461	 \$ 81,442	 \$ 928,903
NET POSITION			
Net investment in capital assets	\$ 2,455,778	\$ 2,250,536	\$ 4,706,314
Restricted for:			
Forfeited assets - law enforcement	1,764	-	1,764
Highway maintenance	206,598	-	206,598
Library improvements	34,964	-	34,964
CDBG programs	4,001	-	4,001
Debt service reserve	-	67,697	67,697
Unrestricted (deficit)	(850,433)	3,426,426	2,575,993
 Total net position	 \$ 1,852,672	 \$ 5,744,659	 \$ 7,597,331

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

Statement of Activities
For the Year Ended June 30, 2017

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	\$ 382,151	\$ -	\$ -	\$ -	\$ (382,151)	\$ -	\$ (382,151)
Public safety	978,824	95,160	212,087	-	(671,577)	-	(671,577)
Public works	555,605	-	592,259	482,088	518,742	-	518,742
Health and welfare	8,898	-	-	-	(8,898)	-	(8,898)
Parks, recreation, and cultural	409,685	5,651	42,787	-	(361,247)	-	(361,247)
Community development	589,430	545	342,005	-	(246,880)	-	(246,880)
Interest on long-term debt	23,140	-	-	-	(23,140)	-	(23,140)
Total governmental activities	\$ 2,947,733	\$ 101,356	\$ 1,189,138	\$ 482,088	\$ (1,175,151)	\$ -	\$ (1,175,151)
Business-type activities:							
Water	\$ 840,885	\$ 1,284,982	\$ -	\$ -	\$ -	\$ 444,097	\$ 444,097
Sewer	1,435,860	1,787,639	-	24,162	-	375,941	375,941
Total business-type activities	\$ 2,276,745	\$ 3,072,621	\$ -	\$ 24,162	\$ -	\$ 820,038	\$ 820,038
Total primary government	\$ 5,224,478	\$ 3,173,977	\$ 1,189,138	\$ 506,250	\$ (1,175,151)	\$ 820,038	\$ (355,113)
General revenues:							
General property taxes					\$ 597,153	\$ -	\$ 597,153
Other local taxes:							
Local sales and use tax					119,194	-	119,194
Consumers' utility tax					156,202	-	156,202
Business licenses tax					191,641	-	191,641
Restaurant food tax					292,344	-	292,344
Motor vehicle licenses					52,035	-	52,035
Bank stock taxes					68,794	-	68,794
Other local taxes					20,916	-	20,916
Unrestricted revenues from use of money and property					18,139	24	18,163
Miscellaneous					306,253	-	306,253
Grants and contributions not restricted to specific programs					412,783	-	412,783
Total general revenues					\$ 2,235,454	\$ 24	\$ 2,235,478
Change in net position					\$ 1,060,303	\$ 820,062	\$ 1,880,365
Net position - beginning					792,369	4,924,597	5,716,966
Net position - ending					\$ 1,852,672	\$ 5,744,659	\$ 7,597,331

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, 2017

	<u>General</u>
ASSETS	
Cash and cash equivalents	\$ 108,026
Receivables (net of allowance for uncollectibles):	
Taxes receivable	666,907
Accounts receivable	66,353
Notes receivables	54,551
Due from other governmental units	354,464
Restricted assets:	
Cash and cash equivalents	<u>247,327</u>
Total assets	<u>\$ 1,497,628</u>
LIABILITIES	
Accounts payable	\$ 369,656
Retainage payable	19,518
Accrued payroll	35,541
Due to other funds	<u>18,191</u>
Total liabilities	<u>\$ 442,906</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue-property taxes	<u>\$ 663,797</u>
FUND BALANCE	
Restricted for:	
Forfeited assets - law enforcement	\$ 1,764
Highway maintenance	206,598
Library improvements	34,964
CDBG programs	4,001
Unassigned	<u>143,598</u>
Total fund balance	<u>\$ 390,925</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 1,497,628</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, 2017

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

Total fund balance per Exhibit 3 - Balance Sheet - Governmental Fund	\$	390,925
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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	\$	5,852,423	
Less: accumulated depreciation		<u>(2,677,436)</u>	3,174,987

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	77,728	
Items related to measurement of net pension liability - deferred inflows	<u>(261,392)</u>	(183,664)

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.

113,001

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	\$	(105,936)	
Net pension liability		(871,052)	
Items related to measurement of net pension liability - deferred outflows		158,618	
Capital leases		(153,395)	
Bonds and notes payable		(544,857)	
Premium on bonds payable		(20,955)	
Landfill postclosure liability		<u>(105,000)</u>	<u>(1,642,577)</u>

Net position of governmental activities	\$	<u><u>1,852,672</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, 2017

	<u>General</u>
REVENUES	
General property taxes	\$ 583,768
Other local taxes	901,126
Permits, privilege fees, and regulatory licenses	21,355
Fines and forfeitures	9,032
Revenue from the use of money and property	18,139
Charges for services	70,969
Miscellaneous	306,253
Recovered costs	52,813
Intergovernmental:	
Commonwealth	1,373,076
Federal	<u>710,933</u>
Total revenues	<u>\$ 4,047,464</u>
EXPENDITURES	
Current:	
General government administration	\$ 311,771
Public safety	1,011,462
Public works	584,096
Health and welfare	8,898
Parks, recreation, and cultural	431,323
Community development	104,721
Nondepartmental	142,481
Capital outlay	1,105,844
Debt service:	
Principal retirement	107,134
Interest and other fiscal charges	<u>24,373</u>
Total expenditures	<u>\$ 3,832,103</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 215,361</u>
OTHER FINANCING SOURCES (USES)	
Issuance of general obligation bond	<u>\$ 132,000</u>
Total other financing sources (uses)	<u>\$ 132,000</u>
Net change in fund balance	<u>\$ 347,361</u>
Fund balance - beginning	<u>\$ 43,564</u>
Fund balance - ending	<u><u>\$ 390,925</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, 2017

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

Net change in fund balance - total governmental fund	\$	347,361
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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	\$	654,294	
Less: depreciation expense		<u>(203,611)</u>	450,683

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

Property taxes	\$	13,385	
Change in items related to the measurement of the net pension liability - deferred inflows		<u>(11,816)</u>	1,569

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	\$	107,134	
Issuance of bond payable		(132,000)	
Amortization of premiums		1,233	
Decrease in landfill postclosure liability		<u>7,500</u>	(16,133)

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	184,503	
Increase/(decrease) in deferred outflows of resources related to pension payments subsequent to measurement date	(81,632)	
Increase/(decrease) in items related to the measurement of the net pension liability	158,618	
(Increase)/decrease in compensated absences	<u>15,334</u>	<u>276,823</u>

Change in net position of governmental activities	\$	<u><u>1,060,303</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, 2017

	Enterprise Fund	Enterprise Fund	
	Water	Sewer	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,850,463	\$ 1,817,590	\$ 3,668,053
Accounts receivables, net of allowance for uncollectibles	63,095	147,280	210,375
Due from other governmental units	42,996	24,162	67,158
Total current assets	\$ 1,956,554	\$ 1,989,032	\$ 3,945,586
Noncurrent assets:			
Restricted assets:			
Cash and cash equivalents	\$ 137,283	\$ -	\$ 137,283
Capital assets (net of accumulated depreciation):			
Land	\$ 27,362	\$ 46,050	\$ 73,412
Construction in progress	233,025	26,674	259,699
Infrastructure	3,852,430	3,764,413	7,616,843
Total capital assets	\$ 4,112,817	\$ 3,837,137	\$ 7,949,954
Total noncurrent assets	\$ 4,250,100	\$ 3,837,137	\$ 8,087,237
Total assets	\$ 6,206,654	\$ 5,826,169	\$ 12,032,823
DEFERRED OUTFLOWS OF RESOURCES			
Pension contributions subsequent to measurement date	\$ 25,093	\$ 4,250	\$ 29,343
Items related to measurement of net pension liability	36,973	23,905	60,878
Total deferred outflows of resources	\$ 62,066	\$ 28,155	\$ 90,221
LIABILITIES			
Current liabilities:			
Accounts payable and other accrued liabilities	\$ 66,416	\$ 76,871	\$ 143,287
Deposits for utility customers	69,586	-	69,586
Accrued payroll	10,491	1,580	12,071
Accrued interest payable	10,051	2,931	12,982
Bonds and notes payable - current portion	147,025	351,290	498,315
Compensated absences - current portion	3,275	64	3,339
Total current liabilities	\$ 306,844	\$ 432,736	\$ 739,580
Noncurrent liabilities:			
Bonds and notes payable - net of current portion	\$ 2,640,181	\$ 2,628,619	\$ 5,268,800
Net pension liability	205,766	52,740	258,506
Compensated absences - net of current portion	29,477	580	30,057
Total noncurrent liabilities	\$ 2,875,424	\$ 2,681,939	\$ 5,557,363
Total liabilities	\$ 3,182,268	\$ 3,114,675	\$ 6,296,943
DEFERRED INFLOWS OF RESOURCES			
Items related to measurement of net pension liability	\$ 66,194	\$ 15,248	\$ 81,442
Total deferred inflows of resources	\$ 66,194	\$ 15,248	\$ 81,442
NET POSITION			
Net investment in capital assets	\$ 1,393,308	\$ 857,228	\$ 2,250,536
Restricted for debt service reserve	67,697	-	67,697
Unrestricted	1,559,253	1,867,173	3,426,426
Total net position	\$ 3,020,258	\$ 2,724,401	\$ 5,744,659

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, 2017

	Enterprise Fund	Enterprise Fund	
	Water	Sewer	Total
OPERATING REVENUES			
Charges for services:			
Water revenues	\$ 1,282,769	\$ -	\$ 1,282,769
Sewer revenues	-	1,772,126	1,772,126
Connection Fees	600	1,800	2,400
Other revenues	1,613	1,538	3,151
Penalties	-	12,175	12,175
Total operating revenues	\$ 1,284,982	\$ 1,787,639	\$ 3,072,621
OPERATING EXPENSES			
Transmissional distribution	\$ 124,767	\$ -	\$ 124,767
Water filtration plant	350,098	-	350,098
Wastewater treatment plant	-	960,681	960,681
Sewage collection	-	99,180	99,180
Sewer inflow and infiltration	-	5,878	5,878
Depreciation	191,841	197,846	389,687
Other costs	108,887	99,369	208,256
Small tools and repairs	17,982	62,331	80,313
Total operating expenses	\$ 793,575	\$ 1,425,285	\$ 2,218,860
Operating income (loss)	\$ 491,407	\$ 362,354	\$ 853,761
NONOPERATING REVENUES (EXPENSES)			
Interest revenue	\$ 24	\$ -	\$ 24
Interest expense	(47,310)	(10,575)	(57,885)
Total nonoperating revenues (expenses)	\$ (47,286)	\$ (10,575)	\$ (57,861)
Income before contributions and transfers	\$ 444,121	\$ 351,779	\$ 795,900
Capital contributions and grants - State	\$ -	\$ 24,162	\$ 24,162
Total transfers and capital contributions/grants	\$ -	\$ 24,162	\$ 24,162
Change in net position	\$ 444,121	\$ 375,941	\$ 820,062
Total net position - beginning	\$ 2,576,137	\$ 2,348,460	\$ 4,924,597
Total net position - ending	\$ 3,020,258	\$ 2,724,401	\$ 5,744,659

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

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2017

	Enterprise Fund	Enterprise Fund	
	Water	Sewer	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 1,284,466	\$ 1,817,584	\$ 3,102,050
Payments to suppliers	(176,842)	(1,133,510)	(1,310,352)
Payments to employees	(443,612)	(102,436)	(546,048)
Net cash provided by (used for) operating activities	\$ 664,012	\$ 581,638	\$ 1,245,650
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Additions to utility plant	\$ (314,677)	\$ (43,434)	\$ (358,111)
Intergovernmental capital grants	-	24,162	24,162
Principal payments on bonds and notes	(142,735)	(350,089)	(492,824)
Interest payments	(50,118)	(11,828)	(61,946)
Net cash provided by (used for) capital and related financing activities	\$ (507,530)	\$ (381,189)	\$ (888,719)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	\$ 24	\$ -	\$ 24
Net increase (decrease) in cash and cash equivalents	\$ 156,506	\$ 200,449	\$ 356,955
Cash and cash equivalents - beginning	1,831,240	1,617,141	3,448,381
Cash and cash equivalents - ending	\$ 1,987,746	\$ 1,817,590	\$ 3,805,336
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ 491,407	\$ 362,354	\$ 853,761
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation expense	\$ 191,841	\$ 197,846	\$ 389,687
(Increase) decrease in accounts receivable	1,771	13,802	15,573
(Increase) decrease in intergovernmental receivables	(2,287)	16,143	13,856
(Increase) decrease in deferred outflows - pension related	(16,088)	(16,372)	(32,460)
Increase (decrease) in deferred inflows - pension related	5,940	4,044	9,984
Increase (decrease) in net pension liability	(49,071)	5,351	(43,720)
Increase (decrease) in accounts payable	42,138	(1,533)	40,605
Increase (decrease) in deposits for utility customers	2,582	-	2,582
Increase (decrease) in accrued payroll	3,430	280	3,710
Increase (decrease) in compensated absences	(7,651)	(277)	(7,928)
Total adjustments	\$ 172,605	\$ 219,284	\$ 391,889
Net cash provided by (used for) operating activities	\$ 664,012	\$ 581,638	\$ 1,245,650

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

Statement of Fiduciary Net Position
 Fiduciary Funds
 June 30, 2017

	Private-Purpose Trusts
	<hr/>
ASSETS	
Cash and cash equivalents	\$ 261,352
Due from other funds	<hr/> 18,191
	<hr/>
Total assets	\$ 279,543
	<hr/> <hr/>
LIABILITIES	
Amounts held for others	\$ <hr/> -
	<hr/>
Total liabilities	\$ <hr/> -
	<hr/>
NET POSITION	
Held in trust for cemeteries	\$ 279,543
	<hr/> <hr/>

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

Statement of Change in Fiduciary Net Position
 Fiduciary Funds
 For the Year Ended June 30, 2017

	Private-Purpose Trust
ADDITIONS	
Contributions:	
Sale of cemetery lots	\$ 450
Total contributions	\$ 450
Total additions	\$ 450
DEDUCTIONS	
Total deductions	\$ -
Change in net position	\$ 450
Net position - beginning	\$ 279,093
Net position - ending	\$ 279,543

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, 2017

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, 2017.

Jointly Governed Organizations - The Town has no jointly governed organizations for the fiscal year ended June 30, 2017.

B. Government-wide and Fund Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Town reports the following major governmental fund:

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

The Town reports the following major proprietary funds:

Enterprise Funds

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

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

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

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

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

Enterprise Funds: (continued)

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

Fiduciary Funds (Trust Funds)

Fiduciary Funds (Trust Funds) account for assets held by the Town in a trustee capacity or as an agent or custodian for individuals, private organizations or other governmental units. Private purpose trust funds utilize the accrual basis of accounting. The Town reports the following funds as private purpose trust funds:

- Mountain View Cemetery Fund
- Crown Hill Cemetery Fund

D. Assets, Liabilities, 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

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

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2017 (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 \$31,364 at June 30, 2017 for property taxes, and water and sewer allowances were \$85,561 and \$189,936, respectively.

6. Use of Estimates

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

7. Capital Assets

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

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

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

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

<u>Assets</u>	<u>Years</u>
Buildings and improvements	15-40
Machinery and equipment, vehicles	5-15
Infrastructure	30

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

D. Assets, Liabilities, 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;
- 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;

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)

- 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 category of items that qualify for reporting in this category. It is comprised of certain items related to the measurement of the net pension liability. These items are 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 and differences between projected and actual earnings on plan investments. 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. The second category of items are related to the measurement of the net pension liability. These items are the differences between expected and actual experience and the net difference between projected and actual earnings on pension plan investments. For more detailed information on the pension item, 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.

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.

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2017 (Continued)

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

A. Budgetary Information: (continued)

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

B. Deficit Fund Equity

At June 30, 2017, there were no funds with deficit fund equity.

C. Expenditures in Excess of Appropriations

The General Fund reported expenditures in excess of appropriations.

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.

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2017 (Continued)

NOTE 3—DEPOSITS AND INVESTMENTS: (CONTINUED)

Credit Risk of Debt Securities: (continued)

The Town's rated debt investments as of June 30, 2017 were rated by Standard & Poor's and the ratings are presented below using Standard & Poor's rating scale.

Town's Rated Debt Investments' Values	
Rated Debt Investments	Fair Quality Ratings
	AAAm
Money Market Mutual Funds - US Government Funds	\$ 67,697
Total	\$ 67,697

Interest Rate Risk

The Town reports the following investment maturities:

Investment Type	Investment Maturity*	
	Fair Value	Less than 1
Money Market Mutual Funds - US Government Funds	\$ 67,697	\$ 67,697
Total investments	\$ 67,697	\$ 67,697

* 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.

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2017 (Continued)

NOTE 3—DEPOSITS AND INVESTMENTS: (CONTINUED)

Fair Value Measurements: (continued)

The Town reports the following investments:

	Total June 30, 2017	Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money Market Mutual Funds - US Government Funds	\$ 67,697	\$ 67,697	\$ -	\$ -
Total	\$ 67,697	\$ 67,697	\$ -	\$ -

NOTE 4—DUE FROM OTHER GOVERNMENTAL UNITS:

Amounts due from other governmental units at June 30, 2017, are as follows:

Governmental Activities:

Commonwealth of Virginia:

Rolling stock tax	\$ 5,728
Auto rental tax	318
Motor vehicle commission tax	-
VDOT construction - state share	52,917
Communications tax	14,581
Total due from the Commonwealth	\$ 73,544

Federal:

Highway Planning & Construction	\$ 277,816
DCJS Bulletproof vest partnership	3,104
Total due from Federal Government	\$ 280,920
Grand Total	\$ 354,464

Business-type Activities:

Alleghany County:

Bulk water sales	\$ 42,996
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Commonwealth of Virginia:

VRA - Waste Water Revolving Loan Fund	\$ 24,162
Grand Total	\$ 67,158

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2017 (Continued)

NOTE 5—CAPITAL ASSETS:

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2017.

Governmental Activities:

	Balance June 30, 2016	Increases	Decreases	Balance June 30, 2017
Capital assets not being depreciated:				
Land	\$ 764,994	\$ 20,000	\$ -	\$ 784,994
Construction in progress	368,229	540,161	148,413	759,977
Total capital assets not being depreciated	<u>\$ 1,133,223</u>	<u>\$ 560,161</u>	<u>\$ 148,413</u>	<u>\$ 1,544,971</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 2,003,482	\$ 148,413	\$ -	\$ 2,151,895
Infrastructure (1)	200,112	-	-	200,112
Machinery and equipment	2,177,065	94,132	315,752	1,955,445
Total capital assets being depreciated	<u>\$ 4,380,659</u>	<u>\$ 242,545</u>	<u>\$ 315,752</u>	<u>\$ 4,307,452</u>
Accumulated depreciation:				
Buildings and improvements	\$ (1,072,993)	\$ (58,549)	\$ -	\$ (1,131,542)
Infrastructure	(51,848)	(7,253)	-	(59,101)
Machinery and equipment	(1,664,736)	(137,809)	(315,752)	(1,486,793)
Total accumulated depreciation	<u>\$ (2,789,577)</u>	<u>\$ (203,611)</u>	<u>\$ (315,752)</u>	<u>\$ (2,677,436)</u>
Total capital assets being depreciated, net	<u>\$ 1,591,082</u>	<u>\$ 38,934</u>	<u>\$ -</u>	<u>\$ 1,630,016</u>
Net capital assets	<u>\$ 2,724,305</u>	<u>\$ 599,095</u>	<u>\$ 148,413</u>	<u>\$ 3,174,987</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, 2017 (Continued)

NOTE 5—CAPITAL ASSETS: (CONTINUED)

Business-type Activities:

	Balance June 30, 2016	Increases	Decreases	Balance June 30, 2017
<i>Water Fund</i>				
Capital assets not being depreciated:				
Land	\$ 27,362	\$ -	\$ -	\$ 27,362
Construction in progress	244,706	287,277	298,958	233,025
Total capital assets not being depreciated	\$ 272,068	\$ 287,277	\$ 298,958	\$ 260,387
Capital assets being depreciated:				
Infrastructure	\$ 6,607,050	\$ 326,358	\$ -	\$ 6,933,408
Accumulated depreciation	(2,889,137)	(191,841)	-	(3,080,978)
Total capital assets being depreciated, net	\$ 3,717,913	\$ 134,517	\$ -	\$ 3,852,430
Net capital assets	\$ 3,989,981	\$ 421,794	\$ 298,958	\$ 4,112,817
<i>Sewer Fund</i>				
Capital assets not being depreciated:				
Land	\$ 46,050	\$ -	\$ -	\$ 46,050
Construction in progress	1,397,035	19,674	1,390,035	26,674
Total capital assets not being depreciated	\$ 1,443,085	\$ 19,674	\$ 1,390,035	\$ 72,724
Capital assets being depreciated:				
Infrastructure	\$ 4,940,342	\$ 1,413,795	\$ -	\$ 6,354,137
Accumulated depreciation	(2,391,878)	(197,846)	-	(2,589,724)
Total capital assets being depreciated, net	\$ 2,548,464	\$ 1,215,949	\$ -	\$ 3,764,413
Net capital assets	\$ 3,991,549	\$ 1,235,623	\$ 1,390,035	\$ 3,837,137

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2017 (Continued)

NOTE 5—CAPITAL ASSETS: (CONTINUED)

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

Governmental activities:	
General government administration	\$ 23,723
Public safety	57,112
Public works	83,320
Parks, recreation, and cultural	39,456
Total depreciation expense-governmental activities	\$ 203,611
Business-type activities:	
Water Fund	\$ 191,841
Sewer Fund	197,846
Total depreciation expense-business-type activities	\$ 389,687

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, 2017.

	Balance June 30, 2016	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2017
Capital leases	\$ 183,169	\$ -	\$ 29,774	\$ 153,395
General obligation bonds	490,217	132,000	77,360	544,857
Premium on issuance	22,190	-	1,233	20,957
Accrued landfill and postclosure liability	112,500	-	7,500	105,000
Net pension liability	1,055,553	172,614	357,117	871,050
Compensated absences	121,270	-	15,334	105,936
Total	\$ 1,984,899	\$ 304,614	\$ 488,318	\$ 1,801,195

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

Year Ending June 30,	Principal	Interest
2018	\$ 96,389	\$ 25,118
2019	98,970	22,224
2020	101,636	19,196
2021	104,389	16,006
2022	66,851	13,085
2023-2027	95,017	40,863
2028-2032	95,000	20,266
2033-2034	40,000	1,878
Total	\$ 698,252	\$ 158,636

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2017 (Continued)

NOTE 6—LONG-TERM OBLIGATIONS: (CONTINUED)

Governmental Activities Long-term Obligations: (Continued)

Details of Long-term Obligations:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
Capital Leases:		
\$335,000 Capital lease dated December 15, 2008 with annual payments of \$31,799, including interest at 4.634%. Final installment due in 2023.	\$ 153,395	\$ 24,434
Total capital leases	\$ 153,395	\$ 24,434
General Obligation Bonds:		
\$132,000 General Obligation Bond dated June 23, 2017 to finance various capital purchases. Payments of \$28,593 due annually with the final installment due June 23, 2022, bearing interest at 2.72%.	\$ 132,000	\$ 25,002
\$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.	260,000	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.	152,857	36,953
Premium on bond issuance	20,957	1,233
Total general obligation bonds	\$ 565,814	\$ 73,188
Accrued landfill and postclosure liability	\$ 105,000	\$ 7,500
Compensated absences	\$ 105,936	\$ 10,593
Net pension liability	\$ 871,050	\$ -
Total	\$ 1,801,195	\$ 115,715

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2017 (Continued)

NOTE 6—LONG-TERM OBLIGATIONS: (CONTINUED)

Governmental Activities Long-term Obligations: (Continued)

The assets acquired through capital leases are as follows:

Asset:		
Equipment	\$	485,000
Less: Accumulated depreciation		(291,000)
Total	\$	<u>194,000</u>

Business-type Activities Long-term Obligations:

The following is a summary of long-term obligation transactions of the Town for the year ended June 30, 2017:

	Balance June 30, 2016	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2017
Revenue bonds	\$ 2,199,822	\$ -	\$ 108,074	\$ 2,091,748
Premium on issuance	64,836	-	3,602	61,234
Virginia revolving loan fund	2,355,785	-	122,735	2,233,050
Notes payable - County of Alleghany	1,643,098	-	262,015	1,381,083
Net pension liability	302,226	62,074	105,794	258,506
Compensated absences	41,324	-	7,928	33,396
Total	\$ <u>6,607,091</u>	\$ <u>62,074</u>	\$ <u>610,148</u>	\$ <u>6,059,017</u>

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

Year Ending June 30,	Principal	Interest
2018	\$ 494,713	\$ 59,379
2019	496,583	56,622
2020	503,510	53,554
2021	505,497	50,049
2022	467,544	46,308
2023-2027	1,406,636	168,336
2028-2032	1,102,717	65,564
2033-2037	594,565	6,019
2038-2040	134,116	-
Total	\$ <u>5,705,881</u>	\$ <u>505,831</u>

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2017 (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.	\$ 545,025	\$ 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.	823,208	60,837
\$1,153,088 Water Revenue Bonds (VRA), maturing semi-annually in equal installments of \$19,218 through November 1, 2039, 0% interest.	864,816	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.	549,562	30,531
\$843,502 Taxable General Obligation Sewer System Revenue Bonds (VRA), Series 2014B, maturing semi-annually in equal installments of \$23,771 through September 1, 2035, 0% interest.	772,187	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.	770,000	30,000
Premium on bond issuance	61,234	3,603
Total revenue bonds	\$ 4,386,032	\$ 236,300
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.	\$ 160,000	\$ 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.	1,221,083	222,015
Total notes payable	\$ 1,381,083	\$ 262,015
Net pension liability	\$ 258,506	\$ -
Compensated absences	\$ 33,396	\$ 3,339
Total	\$ 6,059,017	\$ 501,654

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2017 (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 \$663,797 (including 2nd half tax billings of \$586,069 not due until December 5) at June 30, 2017.

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 \$105,936 in the Primary Government and \$33,396 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 a VRS Retirement Plan upon employment. This is an agent multiple-employer plan that is administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the Code of Virginia, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

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

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

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. 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, 2017 (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 are paying the full 5% as of 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 are paying the full 5% as of 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, 2017 (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, 2017 (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, 2017 (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, 2017 (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, 2017 (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, 2017 (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, 2017 (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, 2017 (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, 2017 (Continued)

NOTE 9—PENSION PLAN: (CONTINUED)

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2016 Comprehensive Annual Financial Report (CAFR). A copy of the 2016 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2016-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, 2015 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	46
Inactive members:	
Vested inactive members	4
Non-vested inactive members	16
Inactive members active elsewhere in VRS	<u>42</u>
Total inactive members	62
Active members	<u>42</u>
Total covered employees	<u><u>150</u></u>

Contributions

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

The Town's contractually required contribution rate for the year ended June 30, 2017 was 10.47% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Town were \$142,344 and \$252,392 for the years ended June 30, 2017 and June 30, 2016, respectively.

Net Pension Liability

The Town's net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2015, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2017 (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, 2015, 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, 2016.

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, 2017 (Continued)

NOTE 9—PENSION PLAN: (CONTINUED)

Actuarial Assumptions - General Employees (Continued)

The actuarial assumptions used in the June 30, 2015 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, 2015, 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, 2016.

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, 2017 (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, 2015 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, 2017 (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, 2017 (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, 2015	\$ 9,232,834	\$ 7,875,055	\$ 1,357,779
Changes for the year:			
Service cost	\$ 187,275	\$ -	\$ 187,275
Interest	634,081	-	634,081
Differences between expected and actual experience	(591,579)	-	(591,579)
Contributions - employer	-	252,404	(252,404)
Contributions - employee	-	72,377	(72,377)
Net investment income	-	138,130	(138,130)
Benefit payments, including refunds of employee contributions	(349,066)	(349,066)	-
Administrative expenses	-	(4,853)	4,853
Other changes	-	(58)	58
Net changes	\$ (119,289)	\$ 108,934	\$ (228,223)
Balances at June 30, 2016	\$ 9,113,545	\$ 7,983,989	\$ 1,129,556

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2017 (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				
		1% Decrease	Current Discount	1% Increase		
		(6.00%)	(7.00%)	(8.00%)		
Net Pension Liability	\$	2,254,288	\$	1,129,556	\$	188,839

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

For the year ended June 30, 2017, the Town recognized pension expense of \$(173,517). At June 30, 2017, 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	\$ -	\$ 342,834
Net difference between projected and actual earnings on pension plan investments	219,496	-
Employer contributions subsequent to the measurement date	142,344	-
Total	\$ 361,840	\$ 342,834

\$142,344 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, 2018. 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	
2018	\$ (286,127)
2019	(38,645)
2020	119,011
2021	82,423
2022	-
Thereafter	-

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2017 (Continued)

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

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

NOTE 11—RISK MANAGEMENT:

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

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

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

NOTE 12—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 \$105,000 reported as landfill postclosure care liability at June 30, 2017, represents the Town's estimate of its share of the postclosure monitoring costs based on the use of 100 percent of the estimated capacity of the landfill. Closure of the landfill site has been completed in prior years. The City of Covington is primarily responsible for postclosure costs and the Town of Clifton Forge pays the City its share of the costs. The Town of Clifton Forge's expected portion of these contracts is 12%. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2017 (Continued)

NOTE 13—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, 2017, is as follows:

	<u>Water</u>		<u>Sewer</u>		<u>Total</u>
Operating revenues	\$ 1,284,982	\$	1,787,639	\$	3,072,621
Depreciation	191,841		197,846		389,687
Operating income (loss)	491,407		362,354		853,761
Change in net position	444,121		375,941		820,062
Capital assets additions	314,677		43,434		358,111
Total assets	6,206,654		5,826,169		12,032,823
Bonds payable	2,787,206		2,979,909		5,767,115
Total net position	3,020,258		2,724,401		5,744,659

NOTE 14—RESTRICTED CASH:

Cash is restricted for the following:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>
Bond principal payments	\$ -	\$	67,697	\$	67,697
Utility deposits held	-		69,586		69,586
Highway maintenance funds	206,598		-		206,598
Library improvements	34,964		-		34,964
CDBG programs	4,001		-		4,001
Forfeited assets	1,764		-		1,764
Total	\$ 247,327	\$	137,283	\$	384,610

NOTE 15—COMMITMENTS AND CONTINGENCIES:

The Town had the following significant contract commitments as of June 30, 2017:

<u>Project</u>	<u>Outstanding Commitment</u>
Hickory Avenue Extension	\$ 1,014,844

NOTE 16—UPCOMING PRONOUNCEMENTS:

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.

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.

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

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

Statement No. 86, *Certain Debt Extinguishment Issues*, improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017.

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

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, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES				
General property taxes	\$ 606,900	\$ 606,900	\$ 583,768	\$ (23,132)
Other local taxes	996,000	996,000	901,126	(94,874)
Permits, privilege fees, and regulatory licenses	7,200	7,200	21,355	14,155
Fines and forfeitures	9,500	9,500	9,032	(468)
Revenue from the use of money and property	17,325	17,325	18,139	814
Charges for services	66,800	69,800	70,969	1,169
Miscellaneous	34,000	225,295	306,253	80,958
Recovered costs	21,725	43,869	52,813	8,944
Intergovernmental:				
Commonwealth	1,117,649	1,170,336	1,373,076	202,740
Federal	-	3,449	710,933	707,484
Total revenues	<u>\$ 2,877,099</u>	<u>\$ 3,149,674</u>	<u>\$ 4,047,464</u>	<u>\$ 897,790</u>
EXPENDITURES				
Current:				
General government administration	\$ 292,882	\$ 297,905	\$ 311,771	\$ (13,866)
Public safety	1,055,898	1,065,847	1,011,462	54,385
Public works	752,529	778,468	584,096	194,372
Health and welfare	-	-	8,898	(8,898)
Parks, recreation, and cultural	344,699	425,832	431,323	(5,491)
Community development	154,146	149,616	104,721	44,895
Nondepartmental	205,408	191,395	142,481	48,914
Capital projects	-	169,074	1,105,844	(936,770)
Debt service:				
Principal retirement	79,537	79,537	107,134	(27,597)
Interest and other fiscal charges	-	-	24,373	(24,373)
Total expenditures	<u>\$ 2,885,099</u>	<u>\$ 3,157,674</u>	<u>\$ 3,832,103</u>	<u>\$ (674,429)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (8,000)</u>	<u>\$ (8,000)</u>	<u>\$ 215,361</u>	<u>\$ 223,361</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 8,000	\$ 8,000	\$ -	\$ (8,000)
Issuance of general obligation bond	-	-	132,000	132,000
Total other financing sources (uses)	<u>\$ 8,000</u>	<u>\$ 8,000</u>	<u>\$ 132,000</u>	<u>\$ 124,000</u>
Net change in fund balances	\$ -	\$ -	\$ 347,361	\$ 347,361
Fund balances - beginning	-	-	43,564	43,564
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 390,925</u>	<u>\$ 390,925</u>

Schedule of Changes in Net Pension Liability and Related Ratios
For the Years Ended June 30, 2015 through June 30, 2017

	2016	2015	2014
Total pension liability			
Service cost	\$ 187,272	\$ 185,703	\$ 193,371
Interest	634,081	618,539	589,737
Differences between expected and actual experience	(591,579)	(222,902)	-
Benefit payments, including refunds of employee contributions	(349,066)	(369,558)	(373,742)
Net change in total pension liability	\$ (119,292)	\$ 211,782	\$ 409,366
Total pension liability - beginning	9,232,834	9,021,052	8,611,686
Total pension liability - ending (a)	\$ 9,113,542	\$ 9,232,834	\$ 9,021,052
Plan fiduciary net position			
Contributions - employer	\$ 252,404	\$ 251,356	\$ 152,529
Contributions - employee	72,377	72,543	72,619
Net investment income	138,130	345,854	1,044,749
Benefit payments, including refunds of employee contributions	(349,066)	(369,558)	(373,742)
Administrative expense	(4,853)	(4,715)	(5,703)
Other	(58)	(73)	55
Net change in plan fiduciary net position	\$ 108,934	\$ 295,407	\$ 890,507
Plan fiduciary net position - beginning	7,875,055	7,579,648	6,689,141
Plan fiduciary net position - ending (b)	\$ 7,983,989	\$ 7,875,055	\$ 7,579,648
Town's net pension liability - ending (a) - (b)	\$ 1,129,553	\$ 1,357,779	\$ 1,441,404
Plan fiduciary net position as a percentage of the total pension liability	87.61%	85.29%	84.02%
Covered payroll	\$ 1,477,823	\$ 1,464,471	\$ 1,452,945
Town's net pension liability as a percentage of covered payroll	76.43%	92.71%	99.21%

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

Schedule of Employer Contributions

For the Years Ended June 30, 2008 through June 30, 2017

Date	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2017	\$ 142,344	\$ 142,344	\$ -	\$ 1,383,756	10.29%
2016	252,392	252,392	-	1,477,823	17.08%
2015	252,035	252,035	-	1,464,471	17.21%
2014	152,559	217,942	(65,383)	1,452,945	15.00%
2013	145,724	208,177	(62,453)	1,387,844	15.00%
2012	117,929	117,929	-	1,328,027	8.88%
2011	116,235	116,235	-	1,308,952	8.88%
2010	113,063	113,063	-	1,409,766	8.02%
2009	114,094	114,094	-	1,422,615	8.02%
2008	126,215	126,215	-	1,269,768	9.94%

Notes to Required Supplementary Information
For the Year Ended June 30, 2017

Changes of benefit terms - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this is a fairly new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2016 is 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, 2017

	Private-Purpose Trust Funds		
	Mountain View Cemetery	Crown Hill Cemetery	Total Private-Purpose Trust Funds
ASSETS			
Cash and cash equivalents	\$ 208,494	\$ 52,858	\$ 261,352
Due from other funds	18,191	-	18,191
Total assets	<u>\$ 226,685</u>	<u>\$ 52,858</u>	<u>\$ 279,543</u>
LIABILITIES			
Amounts held for others	\$ -	\$ -	\$ -
Total liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
NET POSITION			
Held in trust for cemeteries	<u>\$ 226,685</u>	<u>\$ 52,858</u>	<u>\$ 279,543</u>

Combining Statement of Changes in Fiduciary Net Position
 Fiduciary Funds
 For the Year Ended June 30, 2017

	Mountain View Cemetery Private-Purpose Trust	Crown Hill Cemetery Private-Purpose Trust	Total Private-Purpose Trust
ADDITIONS			
Contributions:			
Sale of cemetery lots	\$ 450	\$ -	\$ 450
Total contributions	\$ 450	\$ -	\$ 450
Total additions	\$ 450	\$ -	\$ 450
DEDUCTIONS			
Benefits			
Transfers to other funds	\$ -	\$ -	\$ -
Total deductions	\$ -	\$ -	\$ -
Change in net position	\$ 450	\$ -	\$ 450
Net position - beginning	\$ 226,235	\$ 52,858	\$ 279,093
Net position - ending	\$ 226,685	\$ 52,858	\$ 279,543

Statement of Changes in Assets and Liabilities
 Agency Funds
 For the Year Ended June 30, 2017

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Joint Development Investment Fund:				
ASSETS				
Cash and cash equivalents	\$ 32,054	\$ 131	\$ 32,185	\$ -
Total assets	<u>\$ 32,054</u>	<u>\$ 131</u>	<u>\$ 32,185</u>	<u>\$ -</u>
LIABILITIES				
Amounts held for others	\$ 32,054	\$ 131	\$ 32,185	\$ -
Total liabilities	<u>\$ 32,054</u>	<u>\$ 131</u>	<u>\$ 32,185</u>	<u>\$ -</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, 2017

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	\$ 301,500	\$ 301,500	\$ 298,616	\$ (2,884)
Real and personal public service corporation taxes	32,000	32,000	31,088	(912)
Personal property taxes	258,000	258,000	241,573	(16,427)
Machinery and tools taxes	2,400	2,400	696	(1,704)
Penalties	7,000	7,000	6,719	(281)
Interest	6,000	6,000	5,076	(924)
Total general property taxes	\$ 606,900	\$ 606,900	\$ 583,768	\$ (23,132)
Other local taxes:				
Local sales and use taxes	\$ 120,000	\$ 120,000	\$ 119,194	\$ (806)
Consumers' utility taxes	260,000	260,000	156,202	(103,798)
Business license taxes	205,000	205,000	191,641	(13,359)
Motor vehicle licenses	55,500	55,500	52,035	(3,465)
Bank stock taxes	75,000	75,000	68,794	(6,206)
Transient occupancy taxes	7,000	7,000	9,177	2,177
Restaurant food taxes	260,000	260,000	292,344	32,344
Tobacco tax	13,500	13,500	11,739	(1,761)
Total other local taxes	\$ 996,000	\$ 996,000	\$ 901,126	\$ (94,874)
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 1,200	\$ 1,200	\$ 892	\$ (308)
Zoning Fees	1,000	1,000	545	(455)
Building permits	5,000	5,000	19,918	14,918
Total permits, privilege fees, and regulatory licenses	\$ 7,200	\$ 7,200	\$ 21,355	\$ 14,155
Fines and forfeitures:				
Court fines and forfeitures	\$ 9,500	\$ 9,500	\$ 9,032	\$ (468)
Revenue from use of money and property:				
Revenue from use of money	\$ 3,325	\$ 3,325	\$ 6,041	\$ 2,716
Revenue from use of property	14,000	14,000	12,098	(1,902)
Total revenue from use of money and property	\$ 17,325	\$ 17,325	\$ 18,139	\$ 814
Charges for services:				
Charges for fire protection	\$ 60,000	\$ 63,000	\$ 65,318	\$ 2,318
Charges for sanitation and waste removal	300	300	-	(300)
Charges for library	6,500	6,500	5,651	(849)
Total charges for services	\$ 66,800	\$ 69,800	\$ 70,969	\$ 1,169
Miscellaneous:				
Cemetery income	\$ 23,000	\$ 23,000	\$ 16,000	\$ (7,000)
Friends of Library	4,000	4,000	5,603	1,603
Sale of Salvage/Surplus	5,000	54,074	73,320	19,246
Donations	2,000	22,221	24,457	2,236
Miscellaneous grants	-	122,000	149,997	27,997
Miscellaneous	-	-	36,876	36,876
Total miscellaneous	\$ 34,000	\$ 225,295	\$ 306,253	\$ 80,958

Schedule of Revenues - Budget and Actual
Governmental Fund
For the Year Ended June 30, 2017 (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
Other costs	-	22,144	30,588	8,444
Total recovered costs	\$ 21,725	\$ 43,869	\$ 52,813	\$ 8,944
Total revenue from local sources	\$ 1,759,450	\$ 1,975,889	\$ 1,963,455	\$ (12,434)
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicle rental tax	\$ -	\$ -	\$ 1,694	\$ 1,694
Rolling stock tax	6,500	6,500	5,753	(747)
Communications taxes	-	-	88,692	88,692
PPTRA Reimbursement	316,644	316,644	316,644	-
Total noncategorical aid	\$ 323,144	\$ 323,144	\$ 412,783	\$ 89,639
Categorical aid:				
Virginia Commission for the Arts grant	\$ 5,000	\$ 5,000	\$ 5,000	\$ -
DJC Grants	194,445	194,445	194,444	(1)
VDOT grants - state share	-	-	68,199	68,199
Department of fire programs funds	12,310	12,310	12,604	294
Litter control grant	2,750	2,750	2,826	76
Street and highway maintenance funds	545,000	589,400	589,433	33
Library	31,000	37,787	37,787	-
Other state grants	4,000	5,500	50,000	44,500
Total categorical aid	\$ 794,505	\$ 847,192	\$ 960,293	\$ 113,101
Total revenue from the Commonwealth	\$ 1,117,649	\$ 1,170,336	\$ 1,373,076	\$ 202,740
Revenue from the Federal Government:				
Categorical aid:				
TEA - Highway planning and construction	\$ -	\$ -	\$ 413,889	\$ 413,889
Edward Byrne Memorial Justice Assistance Grant	-	-	1,935	1,935
Bulletproof vest partnership program	-	3,449	3,104	(345)
Community development block grant	-	-	292,005	292,005
Total categorical aid	\$ -	\$ 3,449	\$ 710,933	\$ 707,484
Total revenue from the Federal Government	\$ -	\$ 3,449	\$ 710,933	\$ 707,484
Total General Fund	\$ 2,877,099	\$ 3,149,674	\$ 4,047,464	\$ 897,790

Schedule of Expenditures - Budget and Actual
 Governmental Fund
 For the Year Ended June 30, 2017

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	\$ 14,500	\$ 14,025	\$ 475
General and financial administration:				
Town manager	\$ 117,472	\$ 117,472	\$ 121,954	\$ (4,482)
Legal services	8,562	10,638	8,226	2,412
Accounting and auditing services	14,250	17,712	21,486	(3,774)
Finance	138,098	137,583	146,080	(8,497)
Total general and financial administration	\$ 278,382	\$ 283,405	\$ 297,746	\$ (14,341)
Total general government administration	\$ 292,882	\$ 297,905	\$ 311,771	\$ (13,866)
Public safety:				
Law enforcement and traffic control:				
Police department	\$ 845,481	\$ 848,930	\$ 812,639	\$ 36,291
Fire and rescue services:				
Fire department	\$ 210,417	\$ 216,917	\$ 198,823	\$ 18,094
Total public safety	\$ 1,055,898	\$ 1,065,847	\$ 1,011,462	\$ 54,385
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Highways, streets, bridges and sidewalks	\$ 581,364	\$ 625,764	\$ 7,513	\$ 618,251
Administration	47,092	44,064	44,708	(644)
Public works - capital outlay	-	-	44,262	(44,262)
Eligible Streets	-	-	382,835	(382,835)
Total maintenance of highways, streets, bridges and sidewalks	\$ 628,456	\$ 669,828	\$ 479,318	\$ 190,510
Maintenance of general buildings and grounds:				
General properties	\$ 29,535	\$ 33,110	\$ 29,919	\$ 3,191
Cemeteries	94,538	75,530	74,859	671
Total maintenance of general buildings and grounds	\$ 124,073	\$ 108,640	\$ 104,778	\$ 3,862
Total public works	\$ 752,529	\$ 778,468	\$ 584,096	\$ 194,372
Health and welfare:				
Welfare:				
Tax relief for the elderly	\$ -	\$ -	\$ 8,898	\$ (8,898)

Schedule of Expenditures - Budget and Actual
Governmental Fund
For the Year Ended June 30, 2017 (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	\$ 119,513	\$ 182,453	\$ 190,159	\$ (7,706)
Cultural enrichment:				
Cultural enrichment	\$ 10,000	\$ 10,000	\$ 9,500	\$ 500
Masonic Theatre preservation	15,000	15,000	15,000	-
Total cultural enrichment	25,000	25,000	24,500	500
Library:				
Library	\$ 200,186	\$ 218,379	\$ 216,664	\$ 1,715
Total parks, recreation, and cultural	\$ 344,699	\$ 425,832	\$ 431,323	\$ (5,491)
Community development:				
Planning and community development:				
Community development	\$ 112,646	\$ 108,218	\$ 64,969	\$ 43,249
Contributions local civic organizations	24,500	24,500	24,500	-
Tourism and marketing	7,000	7,000	5,354	1,646
Roanoke Valley-Alleghany Regional Commission	3,500	3,398	3,398	-
Other planning community development	6,500	6,500	6,500	-
Total planning and community development	\$ 154,146	\$ 149,616	\$ 104,721	\$ 44,895
Total community development	\$ 154,146	\$ 149,616	\$ 104,721	\$ 44,895
Nondepartmental:				
Nondepartmental	\$ 166,155	\$ 159,999	\$ 130,751	\$ 29,248
Contingencies	39,253	31,396	11,730	19,666
Total nondepartmental	\$ 205,408	\$ 191,395	\$ 142,481	\$ 48,914
Capital projects:				
Capital projects - grants	\$ -	\$ 169,074	\$ 1,105,844	\$ (936,770)
Total capital projects	\$ -	\$ 169,074	\$ 1,105,844	\$ (936,770)
Debt service:				
Principal retirement	\$ 79,537	\$ 79,537	\$ 107,134	\$ (27,597)
Interest and other fiscal charges	-	-	24,373	(24,373)
Total debt service	\$ 79,537	\$ 79,537	\$ 131,507	\$ (51,970)
Total General Fund	\$ 2,885,099	\$ 3,157,674	\$ 3,832,103	\$ (674,429)

Schedule of Revenues, Expenses, and Changes in Net Position - Budget and Actual
 Water Enterprise Fund
 For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Operating Revenues:				
Sale of services, commodities and properties:				
Sale of water	\$ 709,638	\$ 709,638	\$ 740,472	\$ 30,834
Connection fees	2,000	2,000	600	(1,400)
Administration fees	2,000	2,000	1,613	(387)
County water	548,627	548,627	523,652	(24,975)
Penalties	11,000	11,000	18,645	7,645
Miscellaneous	9,200	9,200	-	(9,200)
Total operating revenue	<u>\$ 1,282,465</u>	<u>\$ 1,282,465</u>	<u>\$ 1,284,982</u>	<u>\$ 2,517</u>
Operating Expenses:				
Water filtration plant	\$ 510,013	\$ 510,013	\$ 350,098	\$ 159,915
Transmissional distribution	171,274	171,274	124,767	46,507
Other costs	131,565	131,565	108,887	22,678
Depreciation	-	-	191,841	(191,841)
Capital outlay	344,000	344,000	17,982	326,018
Total operating expenses	<u>\$ 1,156,852</u>	<u>\$ 1,156,852</u>	<u>\$ 793,575</u>	<u>\$ 363,277</u>
Net operating income	<u>\$ 125,613</u>	<u>\$ 125,613</u>	<u>\$ 491,407</u>	<u>\$ 365,794</u>
Nonoperating revenues (expenses):				
Interest revenue	\$ -	\$ -	\$ 24	\$ 24
Interest expense	(213,878)	(213,878)	(47,310)	166,568
Net nonoperating revenues (expenses)	<u>\$ (213,878)</u>	<u>\$ (213,878)</u>	<u>\$ (47,286)</u>	<u>\$ 166,592</u>
Income (loss) before contributions and operating transfers	<u>\$ (88,265)</u>	<u>\$ (88,265)</u>	<u>\$ 444,121</u>	<u>\$ 532,386</u>
Change in net position	<u>\$ (88,265)</u>	<u>\$ (88,265)</u>	<u>\$ 444,121</u>	<u>\$ 532,386</u>

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

Sewer Enterprise Fund

For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Operating Revenues:				
Sale of services, commodities and properties:				
Sewage treatment charges	\$ 1,617,240	\$ 1,617,240	\$ 1,767,151	\$ 149,911
Sewer lateral line fee	-	-	4,975	4,975
Connection fees	-	-	1,800	1,800
Administration fees	2,000	2,000	1,538	(462)
Penalties	22,000	22,000	12,175	(9,825)
Total operating revenue	<u>\$ 1,641,240</u>	<u>\$ 1,641,240</u>	<u>\$ 1,787,639</u>	<u>\$ 146,399</u>
Operating Expenses:				
Wastewater treatment plant	\$ 1,103,018	\$ 1,103,313	\$ 960,681	\$ 142,632
Sewage collection	151,861	151,566	99,180	52,386
Sewer I and I	73,860	73,860	5,878	67,982
Other costs	118,456	118,456	99,369	19,087
Depreciation	-	-	197,846	(197,846)
Capital outlay	150,000	150,000	62,331	87,669
Total operating expenses	<u>\$ 1,597,195</u>	<u>\$ 1,597,195</u>	<u>\$ 1,425,285</u>	<u>\$ 171,910</u>
Net operating income	<u>\$ 44,045</u>	<u>\$ 44,045</u>	<u>\$ 362,354</u>	<u>\$ 318,309</u>
Nonoperating Revenues (Expenses):				
Interest expense	<u>\$ (92,287)</u>	<u>\$ (92,287)</u>	<u>\$ (10,575)</u>	<u>\$ 81,712</u>
Net nonoperating revenues (expenses)	<u>\$ (92,287)</u>	<u>\$ (92,287)</u>	<u>\$ (10,575)</u>	<u>\$ 81,712</u>
Income (loss) before contributions and operating transfers	<u>\$ (48,242)</u>	<u>\$ (48,242)</u>	<u>\$ 351,779</u>	<u>\$ 400,021</u>
Capital contributions and grants - State	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,162</u>	<u>\$ 24,162</u>
Total transfers and capital contributions/grants	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,162</u>	<u>\$ 24,162</u>
Change in net position	<u>\$ (48,242)</u>	<u>\$ (48,242)</u>	<u>\$ 375,941</u>	<u>\$ 424,183</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
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
2016-17	382,151	978,824	555,605	409,685

Table 1

Community Development	Interest on Long- term Debt	Other	Water Fund	Sewer Fund	Total
\$ 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
589,430	23,140	8,898	840,885	1,435,860	5,224,478

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
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
2016-17	3,173,977	1,189,138	506,250

GENERAL REVENUES							
General Property Taxes	Other Local Taxes	Unrestricted Investment Earnings	Miscellaneous	Grants and Contributions Not Restricted to Specific Programs	Transfers	Total	
\$ 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	
597,153	901,126	18,163	306,253	412,783	-	7,104,843	

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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
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
2016-17		311,771		1,011,462		584,096		431,323

(1) Includes General Fund of Primary Government.

Table 3

Community Development	Capital Projects	Non- departmental	Debt Service	Other	Total
\$ 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
104,721	1,105,844	142,481	131,507	8,898	3,832,103

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
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
2016-17	583,768	901,126	21,355	9,032	18,139

(1) Includes General Fund of the Primary Government.

Table 4

Charges for Services		Miscellaneous	Recovered Costs		Inter- governmental		Total		
\$	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
	70,969		306,253		52,813		2,084,009		4,047,464

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
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%
2016-17	593,548	545,112	91.84%	26,860	571,972	96.36%	112,202	18.90%

(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	
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
2016-17	142,907,600	8,744,459	23,200	14,115,119	24,578	165,814,956

(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
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
2016-17	0.21	0.21	6.70	6.70

(1) Per \$100 of assessed value.

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

Fiscal Year	Population (1)	Assessed Value (2)	Gross Bonded Debt (3)	Less:		Governmental Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
				Debt Service Monies Available	Debt Payable from Enterprise Activities			
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	3,874	162,638,680	6,521,998	-	6,521,998	-	0.00%	-
2010-11	3,874	171,269,557	6,111,596	-	6,111,596	-	0.00%	-
2011-12	3,903	173,955,181	5,822,539	-	5,672,539	150,000	0.09%	38
2012-13	3,880	173,397,167	7,793,970	-	5,285,776	2,508,194	1.45%	646
2013-14	3,869	167,205,987	7,422,908	-	7,016,451	406,457	0.24%	105
2014-15	3,790	166,060,207	6,733,317	-	6,391,503	341,814	0.21%	90
2015-16	3,740	166,141,439	6,688,922	-	6,198,705	490,217	0.30%	131
2016-17	3,715	165,814,956	6,250,738	-	5,705,880	544,858	0.33%	147

(1) US Census Bureau (includes 2010 Census, when applicable, and annual population estimates)

(2) From Table 6

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

Computation of Legal Debt Margin
June 30, 2017

Total Assessed Value of Real Estate	\$ 157,022,719
Legal Debt Margin - 10% of assessed value of real estate	\$ 15,702,272
Less: Applicable gross indebtedness	<u>5,480,739</u>
Legal margin for creation of additional debt	<u>\$ 10,221,533</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, 2017, and the related notes to the financial statements, which collectively comprise the Town of Clifton Forge, Virginia's basic financial statements, and have issued our report thereon dated November 24, 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, Farney Cox Associates

Charlottesville, Virginia

November 24, 2017