



FINANCIAL REPORT
YEAR ENDED JUNE 30, 2023

TOWN OF CLIFTON FORGE, VIRGINIA

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2023

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FOR THE YEAR ENDED JUNE 30, 2023

COUNCIL

Pamela Marshall, Mayor

Jeff Irvine, Vice-Mayor

Carl Wolfe, Jr.

Robert Umstead

Dr. Ronald S. Goings

OFFICIALS

Charles Unroe Town Manager
LeeAnna Tyler Finance Director
Jared Jenkins..... Town Attorney

TOWN OF CLIFTON FORGE, VIRGINIA

**FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2023**

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ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

Independent Auditors' Report

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

Report on the Audit of the Financial Statements

Opinions

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 ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the 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 and for the year ended June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Town of Clifton Forge, Virginia, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

Responsibilities of Management for the Financial Statements: (Continued)

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Town of Clifton Forge, Virginia's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the *Specifications for Audits of Counties, Cities, and Towns* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the *Specifications for Audits of Counties, Cities, and Towns*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Town of Clifton Forge, Virginia's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Town of Clifton Forge, Virginia's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and schedules related to pension and OPEB funding as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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

Required Supplementary Information (Continued)

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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Town of Clifton Forge, Virginia's basic financial statements. The accompanying combining and individual fund financial statements and schedules and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 schedules and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the statistical information but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2024, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Town of Clifton Forge, Virginia's 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

September 30, 2024

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, 2023. 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 \$15.54 million (*net position*). Of this amount, \$4.10 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 \$1,801,327, of which the governmental activities accounted for a \$345,406 increase and business-type activities accounted for an increase of \$1,455,921. Explanation of the changes 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 general fund reported an ending fund balance in the amount of \$469,601, an increase of \$329,605 compared to the prior year. The unassigned fund balance at June 30, 2023 reported a balance of \$458,766. The Town had \$10,835 in restricted fund balance at June 30, 2023.
- The Town's total long-term obligations increased by \$160,182 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 18 and 19 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 30 through 67 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 69 through 76 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 79 through 97 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 \$15.53 million at the close of the most recent fiscal year. A large portion of the Town's net position (\$11.37 million, 73% 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		Business-type		Total	
	Activities		Activities			
	2023	2022	2023	2022	2023	2022
Current and other assets	\$ 3,948,762	\$ 2,795,617	\$ 5,456,368	\$ 4,987,318	\$ 9,405,130	\$ 7,782,935
Capital assets	4,554,874	4,616,175	14,202,063	13,627,652	18,756,937	18,243,827
Total assets	\$ 8,503,636	\$ 7,411,792	\$ 19,658,431	\$ 18,614,970	\$ 28,162,067	\$ 26,026,762
Deferred outflows of resources	\$ 193,093	\$ 273,482	\$ 57,469	\$ 100,498	\$ 250,562	\$ 373,980
Long-term liabilities						
outstanding	\$ 1,400,668	\$ 894,726	\$ 7,380,936	\$ 7,726,694	\$ 8,781,604	\$ 8,621,420
Other liabilities	2,629,696	1,796,163	325,324	237,114	2,955,020	2,033,277
Total liabilities	\$ 4,030,364	\$ 2,690,889	\$ 7,706,260	\$ 7,963,808	\$ 11,736,624	\$ 10,654,697
Deferred inflows of resources	\$ 1,047,697	\$ 1,721,123	\$ 87,545	\$ 285,486	\$ 1,135,242	\$ 2,006,609
Net position:						
Net investment in capital assets	\$ 4,243,307	\$ 4,277,185	\$ 7,124,429	\$ 6,050,830	\$ 11,367,736	\$ 10,328,015
Restricted	10,835	10,824	67,673	67,689	78,508	78,513
Unrestricted	(635,474)	(1,014,747)	4,729,993	4,347,655	4,094,519	3,332,908
Total net position	\$ 3,618,668	\$ 3,273,262	\$ 11,922,095	\$ 10,466,174	\$ 15,540,763	\$ 13,739,436

At the end of the current fiscal year, the Town is able to report positive balances in all 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 \$635,474 was reported in unrestricted net position. Similar to many local governments participating in the Virginia Retirement System, the Town reports net pension and OPEB obligations related to its participation in the pension and group life plans. These obligations reduce the Town's unrestricted net position. As displayed in the table above, the unrestricted net position increased during fiscal year 2023.

Government-wide Financial Analysis: (Continued)

As noted previously, the Town's total net position increased by \$1,801,503 during the current fiscal year. Governmental activities increased the Town's net position by \$345,406. 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	
	2023	2022	2023	2022	2023	2022
Revenues:						
Program revenues:						
Charges for services	\$ 325,467	\$ 91,680	\$ 3,108,025	\$ 2,837,230	\$ 3,433,492	\$ 2,928,910
Operating grants and contributions	2,508,061	871,674	-	-	2,508,061	871,674
Capital grants and contributions	-	-	598,729	327,550	598,729	327,550
General revenues:						
Property taxes	813,151	833,639	-	-	813,151	833,639
Other taxes	1,029,750	1,043,351	-	-	1,029,750	1,043,351
Unrestricted revenues from use of money and property	32,339	35,786	2,030	-	34,369	35,786
Miscellaneous	192,000	98,346	-	-	192,000	98,346
Grants and contributions not restricted to specific programs	387,855	746,638	-	-	387,855	746,638
Loss on disposal of capital assets	-	-	(38,375)	-	(38,375)	-
Total revenues	\$ 5,288,623	\$ 3,721,114	\$ 3,670,409	\$ 3,164,780	\$ 8,959,032	\$ 6,885,894
Expenses:						
General government administration	\$ 782,094	\$ 567,529	\$ -	\$ -	\$ 782,094	\$ 567,529
Public safety	1,754,662	1,395,862	-	-	1,754,662	1,395,862
Public works	1,092,189	582,587	-	-	1,092,189	582,587
Health and welfare	8,185	7,546	-	-	8,185	7,546
Parks, recreation and cultural	391,472	458,784	-	-	391,472	458,784
Community development	95,510	184,196	-	-	95,510	184,196
Interest on long-term debt	11,601	15,767	-	-	11,601	15,767
Water fund	-	-	1,293,470	1,107,475	1,293,470	1,107,475
Sewer fund	-	-	1,728,522	1,155,043	1,728,522	1,155,043
Total expenses	\$ 4,135,713	\$ 3,212,271	\$ 3,021,992	\$ 2,262,518	\$ 7,157,705	\$ 5,474,789
Increase (decrease) in net position before transfers	\$ 1,152,910	\$ 508,843	\$ 648,417	\$ 902,262	\$ 1,801,327	\$ 1,411,105
Transfers	\$ (807,504)	\$ -	\$ 807,504	\$ -	\$ -	\$ -
Change in net position	\$ 345,406	\$ 508,843	\$ 1,455,921	\$ 902,262	\$ 1,801,327	\$ 1,411,105
Net position - beginning of year	\$ 3,273,262	\$ 2,764,419	\$ 10,466,174	\$ 9,563,912	\$ 13,739,436	\$ 12,328,331
Net position - end of year	\$ 3,618,668	\$ 3,273,262	\$ 11,922,095	\$ 10,466,174	\$ 15,540,763	\$ 13,739,436

Business-type activities increased the Town's net position by \$1,455,921. Similar to how changes arise in the governmental activities, business-type activities also experience budgetary differences; however, as a public utility function comprises the Town's business-type activities there is more of a direct correlation to the revenues generated relative to the expenses incurred because of service demands.

Financial Analysis of the Town's Funds

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

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

As of the end of the current fiscal year, the Town's governmental fund (General Fund) reported an ending fund balance of \$469,601, an increase of \$329,605 in comparison with the prior year. Of this amount, \$458,766 is reported as unassigned. At June 30, 2023, The Town had \$10,835 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 \$11.92 million, of which \$7.12 million was attributable to the Town's net investment in capital assets. 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, 2023, amounts to \$18.76 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		Business-type		Total	
	Activities		Activities			
	2023	2022	2023	2022	2023	2022
Land	\$ 784,994	\$ 784,994	\$ 73,412	\$ 73,412	\$ 858,406	\$ 858,406
Buildings	1,223,648	1,309,658	-	-	1,223,648	1,309,658
Infrastructure	1,791,426	1,847,574	13,932,384	12,993,942	15,723,810	14,841,516
Machinery & equipment	670,001	673,949	-	-	670,001	673,949
Lease assets	42,180	-	-	-	42,180	-
Construction in progress	42,625	-	196,267	560,298	238,892	560,298
Total	<u>\$ 4,554,874</u>	<u>\$ 4,616,175</u>	<u>\$ 14,202,063</u>	<u>\$ 13,627,652</u>	<u>\$ 18,756,937</u>	<u>\$ 18,243,827</u>

Additional information on the Town's capital assets can be found in Note 5 on pages 43 through 45.

Capital Asset and Debt Administration: (Continued)

Long-term Obligations: At the end of the current fiscal year, the Town had total outstanding obligations of \$8.78 million and details are summarized in the following table:

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Financed purchases	\$ 61,031	\$ 114,197	\$ -	\$ 1,459	\$ 61,031	\$ 115,656
Notes payable	-	-	-	111,008	-	111,008
Revenue bonds	-	-	4,585,713	4,762,887	4,585,713	4,762,887
General obligation bonds	195,000	210,000	-	-	195,000	210,000
Premium on issuance	13,561	14,793	39,623	43,225	53,184	58,018
Revolving loan funds	-	-	2,448,316	2,650,278	2,448,316	2,650,278
Lease liability	41,975	-	-	-	41,975	-
Landfill closure and post-closure	60,000	67,500	-	-	60,000	67,500
Net pension liability	872,459	358,974	255,963	106,577	1,128,422	465,551
Net OPEB liability	56,324	50,812	16,525	15,086	72,849	65,898
Compensated absences	100,318	78,450	34,796	36,176	135,114	114,626
Total	<u>\$ 1,400,668</u>	<u>\$ 894,726</u>	<u>\$ 7,380,936</u>	<u>\$ 7,726,696</u>	<u>\$ 8,781,604</u>	<u>\$ 8,621,422</u>

Obligations associated with governmental activities increased by \$505,942 and decreased \$345,760 by obligations of the business-type activities.

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, 2023.

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.

While the Town weathered the COVID crisis fairly well, the Town had to Clifton Forge continues to find innovative ways to promote and encourage business in the Town. The Town partnered with the Historic Masonic Theatre to provide free Sunday movies as a way to encourage citizen's to come back to the downtown. Town partnered with private citizens, business' and church's to continue to improve parks and buildings. There is a committee that is promoting the construction of a "LOVE" sculpture on amphitheater property. These innovative projects bring jobs and tourists to the Town. Meals tax, business license and sales tax revenue remained stable over previous years. The Town's real estate tax increased to \$.26 after remaining at \$.21 for over ten years and the personal property tax rate increased to \$7.30 after remaining at \$6.70 for many 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 \$111 for water and sewer service.

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

Government-wide Financial Statements

Statement of Net Position
June 30, 2023

	Primary Government		
	Governmental	Business-type	Total
	Activities	Activities	
ASSETS			
Cash and cash equivalents	\$ 2,803,242	\$ 4,364,276	\$ 7,167,518
Receivables (net of allowance for uncollectibles):			
Taxes receivable	566,583	-	566,583
Accounts receivable	122,522	240,775	363,297
Lease receivable	296,745	-	296,745
Due from other governmental units	133,416	686,942	820,358
Prepaid expenses	15,419	9,060	24,479
Restricted assets:			
Cash and cash equivalents	10,835	155,315	166,150
Capital assets (net of accumulated depreciation):			
Land	784,994	73,412	858,406
Buildings and improvements	1,223,648	-	1,223,648
Machinery and equipment	670,001	-	670,001
Infrastructure	1,791,426	13,932,384	15,723,810
Lease assets	42,180		42,180
Construction in progress	42,625	196,267	238,892
Total assets	\$ 8,503,636	\$ 19,658,431	\$ 28,162,067
DEFERRED OUTFLOWS OF RESOURCES			
Pension related items	\$ 177,273	\$ 52,991	\$ 230,264
OPEB related items	15,820	4,478	20,298
Total deferred outflows of resources	\$ 193,093	\$ 57,469	\$ 250,562
LIABILITIES			
Accounts payable	\$ 383,303	\$ 221,584	\$ 604,887
Retainage payable	-	3,983	3,983
Deposits for utility customers	-	87,132	87,132
Accrued payroll	33,376	2,599	35,975
Accrued interest payable	-	10,026	10,026
Unearned revenue	2,187,142	-	2,187,142
Due to fiduciary activities	25,875	-	25,875
Long-term liabilities:			
Due within one year	72,897	389,412	462,309
Due in more than one year	1,327,771	6,991,524	8,319,295
Total liabilities	\$ 4,030,364	\$ 7,706,260	\$ 11,736,624
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue - property taxes	\$ 457,042	\$ -	\$ 457,042
Lease related items	292,245	-	292,245
Pension related items	275,489	80,819	356,308
OPEB related items	22,921	6,726	29,647
Total deferred inflows of resources	\$ 1,047,697	\$ 87,545	\$ 1,135,242
NET POSITION			
Net investment in capital assets	\$ 4,243,307	\$ 7,124,429	\$ 11,367,736
Restricted for:			
Forfeited assets - law enforcement	6,246	-	6,246
CDBG programs	4,589	-	4,589
Debt service reserve	-	67,673	67,673
Unrestricted (deficit)	(635,474)	4,729,993	4,094,519
Total net position	\$ 3,618,668	\$ 11,922,095	\$ 15,540,763

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

Statement of Activities
For the Year Ended June 30, 2023

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	\$ 782,094	\$ -	\$ 910,152	\$ -	\$ 128,058	\$ -	\$ 128,058
Public safety	1,754,662	320,013	772,418	-	(662,231)	-	(662,231)
Public works	1,092,189	1,425	718,543	-	(372,221)	-	(372,221)
Health and welfare	8,185	-	-	-	(8,185)	-	(8,185)
Parks, recreation, and cultural	391,472	3,764	54,548	-	(333,160)	-	(333,160)
Community development	95,510	265	52,400	-	(42,845)	-	(42,845)
Interest on long-term debt	11,601	-	-	-	(11,601)	-	(11,601)
Total governmental activities	\$ 4,135,713	\$ 325,467	\$ 2,508,061	\$ -	\$ (1,302,185)	\$ -	\$ (1,302,185)
Business-type activities:							
Water	\$ 1,331,845	\$ 1,584,159	\$ -	\$ 598,729	\$ -	\$ 851,043	\$ 851,043
Sewer	1,728,522	1,523,866	-	-	-	(204,656)	(204,656)
Total business-type activities	\$ 3,060,367	\$ 3,108,025	\$ -	\$ 598,729	\$ -	\$ 646,387	\$ 646,387
Total primary government	\$ 7,196,080	\$ 3,433,492	\$ 2,508,061	\$ 598,729	\$ (1,302,185)	\$ 646,387	\$ (655,798)
General revenues:							
General property taxes					\$ 813,151	\$ -	\$ 813,151
Other local taxes:							
Local sales and use tax					147,573	-	147,573
Consumers' utility tax					160,025	-	160,025
Business licenses tax					195,404	-	195,404
Restaurant food tax					435,984	-	435,984
Bank stock taxes					69,842	-	69,842
Other local taxes					20,922	-	20,922
Unrestricted revenues from use of money and property					32,339	2,030	34,369
Miscellaneous					192,000	-	192,000
Grants and contributions not restricted to specific programs					387,855	-	387,855
Transfers					(807,504)	807,504	-
Total general revenues					\$ 1,647,591	\$ 809,534	\$ 2,457,125
Change in net position					\$ 345,406	\$ 1,455,921	\$ 1,801,327
Net position - beginning					3,273,262	10,466,174	13,739,436
Net position - ending					\$ 3,618,668	\$ 11,922,095	\$ 15,540,763

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

Fund Financial Statements

Balance Sheet
 Governmental Fund
 June 30, 2023

	<u>General</u>
ASSETS	
Cash and cash equivalents	\$ 2,803,242
Receivables (net of allowance for uncollectibles):	
Taxes receivable	566,583
Accounts receivable	122,522
Lease receivable	296,745
Due from other governmental units	133,416
Prepaid items	15,419
Restricted assets:	
Temporarily restricted:	
Cash and cash equivalents	<u>10,835</u>
Total assets	<u><u>\$ 3,948,762</u></u>
LIABILITIES	
Liabilities:	
Accounts payable	\$ 383,303
Accrued payroll	33,376
Unearned revenue	2,187,142
Due to fiduciary activities	<u>25,875</u>
Total liabilities	<u><u>\$ 2,629,696</u></u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue-property taxes	\$ 557,220
Leases Deferred Inflow	<u>292,245</u>
Total deferred inflows of resources	<u><u>\$ 849,465</u></u>
FUND BALANCE	
Restricted for:	
Forfeited assets - law enforcement	\$ 6,246
CDBG programs	4,589
Unassigned (deficit)	<u>458,766</u>
Total fund balance (deficit)	<u><u>\$ 469,601</u></u>
Total liabilities, deferred inflows, and fund balances (deficits)	<u><u>\$ 3,948,762</u></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, 2023

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

Total fund balance per Exhibit 3 - Balance Sheet - Governmental Fund	\$	469,601
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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	\$	8,652,376	
Less: accumulated depreciation		<u>(4,097,502)</u>	4,554,874

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			100,178
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Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.

Pension related items	\$	177,273	
OPEB related items		<u>15,820</u>	193,093

Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.

Pension related items	\$	(275,489)	
OPEB related items		<u>(22,921)</u>	(298,410)

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	\$	(100,318)	
Lease liability		(41,975)	
Net pension liability		(872,459)	
Net OPEB liability		(56,324)	
Financed purchases		(61,031)	
Bonds and notes payable		(195,000)	
Premium on bonds payable		(13,561)	
Landfill postclosure liability		<u>(60,000)</u>	<u>(1,400,668)</u>

Net position of governmental activities	\$	<u><u>3,618,668</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, 2023

	<u>General</u>
REVENUES	
General property taxes	\$ 824,343
Other local taxes	1,029,750
Permits, privilege fees, and regulatory licenses	765
Fines and forfeitures	2,338
Revenue from the use of money and property	32,339
Charges for services	322,364
Miscellaneous	192,000
Recovered costs	70,435
Intergovernmental:	
Commonwealth	1,409,568
Federal	1,486,348
Total revenues	<u>\$ 5,370,250</u>
EXPENDITURES	
Current:	
General government administration	\$ 362,052
Public safety	1,714,914
Public works	1,143,443
Health and welfare	8,185
Parks, recreation, and cultural	373,535
Community development	93,490
Nondepartmental	498,498
Debt service:	
Principal retirement	69,086
Interest and other fiscal charges	12,833
Total expenditures	<u>\$ 4,276,036</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 1,094,214</u>
OTHER FINANCING SOURCES (USES)	
Transfers out	\$ (807,504)
Financed purchases	42,895
Total other financing sources (uses)	<u>\$ (764,609)</u>
Net change in fund balance	<u>\$ 329,605</u>
Fund balance - beginning	<u>\$ 139,996</u>
Fund balance (deficit) - ending	<u><u>\$ 469,601</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, 2023

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

Net change in fund balance - total governmental fund	\$	329,605
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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 in the current period.

Capital asset additions	\$	277,478	
Less: depreciation expense		<u>(338,779)</u>	(61,301)

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

Property taxes			(11,192)
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The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal repayments	\$	69,086	
Issuance of capital leases		(42,895)	
Amortization of premiums		1,232	
Decrease in landfill postclosure liability		<u>7,500</u>	34,923

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.

Change in compensated absences	\$	(21,868)	
Change in net pension liability		(513,485)	
Change in net OPEB liability		(5,512)	
Change in deferred inflows - pension related		661,814	
Change in deferred inflows - OPEB related		12,811	
Change in deferred outflows - pension related		(82,115)	
Change in deferred outflows - OPEB related		<u>1,726</u>	<u>53,371</u>

Change in net position of governmental activities	\$	<u><u>345,406</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, 2023

	Enterprise Fund	Enterprise Fund	
	Water	Sewer	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 2,867,309	\$ 1,496,967	\$ 4,364,276
Accounts receivables, net of allowance for uncollectibles	93,086	147,689	240,775
Due from other governmental units	686,942	-	686,942
Prepaid expenses	9,060	-	9,060
Total current assets	\$ 3,656,397	\$ 1,644,656	\$ 5,301,053
Noncurrent assets:			
Restricted assets:			
Cash and cash equivalents	\$ 155,315	\$ -	\$ 155,315
Capital assets (net of accumulated depreciation):			
Land	\$ 27,362	\$ 46,050	\$ 73,412
Construction in progress	196,267	-	196,267
Infrastructure and equipment	9,430,392	4,501,992	13,932,384
Total capital assets	\$ 9,654,021	\$ 4,548,042	\$ 14,202,063
Total noncurrent assets	\$ 9,809,336	\$ 4,548,042	\$ 14,357,378
Total assets	\$ 13,465,733	\$ 6,192,698	\$ 19,658,431
DEFERRED OUTFLOWS OF RESOURCES			
Pension related items	\$ 51,180	\$ 1,811	\$ 52,991
OPEB related items	4,341	137	4,478
Total deferred outflows of resources	\$ 55,521	\$ 1,948	\$ 57,469
LIABILITIES			
Current liabilities:			
Accounts payable and other accrued liabilities	\$ 171,016	\$ 50,568	\$ 221,584
Retainage payable	3,983	-	3,983
Deposits for utility customers	87,132	-	87,132
Accrued payroll	2,599	-	2,599
Accrued interest payable	7,817	2,209	10,026
Bonds and notes payable - current portion	225,837	160,095	385,932
Compensated absences - current portion	3,480	-	3,480
Total current liabilities	\$ 501,864	\$ 212,872	\$ 714,736
Noncurrent liabilities:			
Bonds and notes payable - net of current portion	\$ 4,801,239	\$ 1,886,480	\$ 6,687,719
Net pension liability	249,311	6,653	255,964
Net OPEB liability	16,095	430	16,525
Compensated absences - net of current portion	31,316	-	31,316
Total noncurrent liabilities	\$ 5,097,961	\$ 1,893,563	\$ 6,991,524
Total liabilities	\$ 5,599,825	\$ 2,106,435	\$ 7,706,260
DEFERRED INFLOWS OF RESOURCES			
Pension related items	\$ 79,975	\$ 844	\$ 80,819
OPEB related items	6,551	175	6,726
Total deferred inflows of resources	\$ 86,526	\$ 1,019	\$ 87,545
NET POSITION			
Net investment in capital assets	\$ 4,622,962	\$ 2,501,467	\$ 7,124,429
Restricted for debt service reserve	67,673	-	67,673
Unrestricted	3,144,268	1,585,725	4,729,993
Total net position	\$ 7,834,903	\$ 4,087,192	\$ 11,922,095

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, 2023

	Enterprise Fund	Enterprise Fund	
	Water	Sewer	Total
OPERATING REVENUES			
Charges for services:			
Water revenues	\$ 1,573,158	\$ -	\$ 1,573,158
Sewer revenues	-	1,503,490	1,503,490
Other revenues	1,613	1,600	3,213
Penalties	9,388	18,776	28,164
Total operating revenues	\$ 1,584,159	\$ 1,523,866	\$ 3,108,025
OPERATING EXPENSES			
Transmissional distribution	\$ 248,168	\$ -	\$ 248,168
Water filtration plant	436,014	-	436,014
Wastewater treatment plant	-	1,100,721	1,100,721
Sewage collection	-	81,368	81,368
Sewer inflow and infiltration	-	2,558	2,558
Depreciation	349,031	250,529	599,560
Other costs	182,208	281,540	463,748
Small tools and repairs	14,540	4,728	19,268
Total operating expenses	\$ 1,229,961	\$ 1,721,444	\$ 2,951,405
Operating income (loss)	\$ 354,198	\$ (197,578)	\$ 156,620
NONOPERATING REVENUES (EXPENSES)			
Grants			
Federal	\$ 598,729	\$ -	\$ 598,729
Loss on disposal of assets	(38,375)	-	(38,375)
Interest revenue	2,030	-	2,030
Interest expense	(63,509)	(7,078)	(70,587)
Total nonoperating revenues (expenses)	\$ 498,875	\$ (7,078)	\$ 491,797
Income before contributions and transfers	\$ 853,073	\$ (204,656)	\$ 648,417
Transfers in (out)	620,477	187,027	807,504
Total transfers and capital contributions/grants	\$ 620,477	\$ 187,027	\$ 807,504
Change in net position	\$ 1,473,550	\$ (17,629)	\$ 1,455,921
Net position - beginning	\$ 6,361,353	\$ 4,104,821	\$ 10,466,174
Net position - ending	\$ 7,834,903	\$ 4,087,192	\$ 11,922,095

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2023

	Enterprise Fund	Enterprise Fund	
	Water	Sewer	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 921,614	\$ 1,499,902	\$ 2,421,516
Payments to suppliers	(360,413)	(1,393,037)	(1,753,450)
Payments to employees	(465,931)	(31,464)	(497,395)
Net cash provided by (used for) operating activities	\$ 95,270	\$ 75,401	\$ 170,671
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Contingencies			
Transfers to other funds	\$ 620,477	\$ 187,027	\$ 807,504
Federal grants	598,729	-	598,729
Net cash provided by (used for) noncapital financing activities	\$ 1,219,206	\$ 187,027	\$ 1,406,233
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Additions to utility plant	\$ (1,177,261)	\$ (39,068)	\$ (1,216,329)
Principal payments on bonds and notes	(220,241)	(269,902)	(490,143)
Principal payments on financed purchase	(730)	(729)	(1,459)
Interest payments	(89,071)	(8,452)	(97,523)
Net cash provided by (used for) capital and related financing activities	\$ (1,487,303)	\$ (318,151)	\$ (1,805,454)
Net increase (decrease) in cash and cash equivalents	\$ (170,797)	\$ (55,723)	\$ (226,520)
Cash and cash equivalents - beginning (including restricted)	3,193,421	1,552,690	4,746,111
Cash and cash equivalents - ending (including restricted)	\$ 3,022,624	\$ 1,496,967	\$ 4,519,591
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ 354,198	\$ (197,578)	\$ 156,620
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation expense	\$ 349,031	\$ 250,529	\$ 599,560
(Increase) decrease in accounts receivable	(24,177)	(23,964)	(48,141)
(Increase) decrease in intergovernmental receivables	(638,368)	-	(638,368)
(Increase) decrease in prepaid expenses	(9,060)	-	(9,060)
(Increase) decrease in deferred outflows - pension related	43,420	(77)	43,343
(Increase) decrease in deferred outflows - OPEB related	(269)	(45)	(314)
Increase (decrease) in deferred inflows - pension related	(186,996)	(7,063)	(194,059)
Increase (decrease) in deferred inflows - OPEB related	(3,847)	(35)	(3,882)
Increase (decrease) in net pension liability	144,848	4,540	149,388
Increase (decrease) in net OPEB liability	1,308	131	1,439
Increase (decrease) in operating accounts payable	114,159	50,494	164,653
Increase (decrease) in deposits for utility customers	(38,844)	-	(38,844)
Increase (decrease) in accrued payroll	(8,753)	(1,531)	(10,284)
Increase (decrease) in compensated absences	(1,380)	-	(1,380)
Total adjustments	\$ (258,928)	\$ 272,979	\$ 14,051
Net cash provided by (used for) operating activities	\$ 95,270	\$ 75,401	\$ 170,671

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

Statement of Fiduciary Net Position
 Fiduciary Funds
 June 30, 2023

	Private-Purpose Trusts
	<hr/>
ASSETS	
Cash and cash equivalents	\$ 263,645
Due from general government	<hr/> 25,875
	<hr/>
Total assets	\$ <hr/> 289,520 <hr/>
NET POSITION	
Held in trust for cemeteries	\$ <hr/> 289,520 <hr/>

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

Statement of Changes in Fiduciary Net Position
 Fiduciary Funds
 For the Year Ended June 30, 2023

	<u>Private-Purpose Trusts</u>
ADDITIONS	
Contributions:	
Sale of cemetery lots	\$ 3,975
Total contributions	<u>\$ 3,975</u>
Total additions	<u>\$ 3,975</u>
Change in net position	<u>\$ 3,975</u>
Net position - beginning	<u>\$ 285,545</u>
Net position - ending	<u><u>\$ 289,520</u></u>

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

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements June 30, 2023

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.

Jointly Governed Organizations – The Town has no jointly governed organizations for the fiscal year ended June 30, 2023.

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.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

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

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. The budgetary comparison schedules present the original budget, the final budget, and the actual activity of the major governmental funds.

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 accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of recognition in the financial statements of various kinds of transactions or events.

The government-wide, proprietary, and fiduciary fund financial statements are reported using the *economic resources measurement focus and the accrual basis of accounting*. 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. This is the manner in which these funds are normally budgeted. Revenues are recognized when they have been earned and 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 principal and interest expenditures on general long-term debt, including lease liabilities, as well as expenditures related to compensated absences, claims and judgments, postemployment benefits, and environmental obligations are recognized later based on specific accounting rules applicable to each, generally when payment is due. General capital asset acquisitions, including entering into contracts giving the government the right to use lease assets, are reported as expenditures in the governmental funds. Issuance of long-term debt and financing through leases are reported as other financing sources.

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

1. Cash and Cash Equivalents/Investments

Cash and cash equivalents include cash on hand, amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government. For purposes of the statement of cash flows, the government's proprietary funds consider their demand deposits and all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Investments with a maturity of less than one year when purchased, non-negotiable certificates of deposit, other nonparticipating investments, and external investment pools are stated at cost or amortized cost. Investments with a maturity greater than one year when purchased are stated at fair value. Fair value is the price that would be received to sell an investment in an orderly transaction at year end.

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."

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

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

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.

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 \$57,609 at June 30, 2023 for property taxes, and water and sewer allowances were \$189,823 and \$301,172, 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 (except for intangible right-to-use lease assets (lease assets), the measurement of which is discussed in more detail below). 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.

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

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

7. Capital Assets: (Continued)

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
Lease Vehicles	5

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. 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. 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. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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

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

10. Fund Balance

In governmental fund types, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called “fund balance.” The Town’s governmental funds report the following categories of fund balance, based on the nature of any limitations requiring the use of resources for specific purposes:

- Nonspendable fund balance – amounts that are either not in spendable form (such as inventory and prepaids) or are legally or contractually required to be maintained intact (corpus of a permanent fund);
- Restricted fund balance – amounts that can be spent only for the specific purposes stipulated by external resource providers such as grantors or enabling federal, state, or local legislation. Restrictions may be changed or lifted only with the consent of the resource providers;
- Committed fund balance – amounts that can be used only for the specific purposes determined by the adoption of an ordinance committing fund balance for a specified purpose by the Town Council prior to the end of the fiscal year. Once adopted, the limitation imposed by the ordinance remains in place until the resources have been spent for the specified purpose or the Council adopts another ordinance to remove or revise the limitation;
- Assigned fund balance – amounts a government intends to use for a specific purpose but do not meet the criteria to be classified as committed; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment;
- Unassigned fund balance – amounts that are available for any purpose; positive amounts are only reported in the general fund. Additionally, any deficit fund balance within the other governmental fund types is reported as unassigned.

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, which does not lapse at year end, 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).

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

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

11. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position includes a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town has one item that qualifies for reporting in this category. It is comprised of certain items related to pension and OPEB. For more detailed information on these items, reference the related notes.

In addition to liabilities, the statement of financial position includes a separate section for deferred inflows of resources. Deferred inflows of resources, represents an acquisition of net assets 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 items that qualify for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30, and 2nd half installments levied during the fiscal year but due after June 30th and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, 2nd half installments levied during the fiscal year but due after June 30th are reported as deferred inflows of resources. In addition, certain items related to pension, OPEB, and leases are reported as deferred inflows of resources. For more detailed information on these items, reference the related notes.

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 fiduciary net 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. Other Postemployment Benefits (OPEB)

For purposes of measuring the net VRS related OPEB liability, deferred outflows of resources and deferred inflows of resources related to the OPEB, and OPEB expense, information about the fiduciary net position of the VRS GLI Plan and the additions to/deductions from the VRS OPEB Plan's fiduciary net position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

14. Net Position

For government-wide reporting as well as in proprietary funds, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

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

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

14. Net Position: (Continued)

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.

- Net investment in capital assets consists of capital assets, net of accumulated depreciation/ amortization and reduced by outstanding balances of bonds, notes, and other debt that are attributable 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 included in this component of net position.
- Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.
- Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

E. Leases

The Town leases various assets requiring recognition. A lease is a contract that conveys control of the right to use another entity’s nonfinancial asset. Lease recognition does not apply to short-term leases, contracts that transfer ownership, leases of assets that are investments, or certain regulated leases.

Lessee

The Town recognizes leases receivable and deferred inflows of resources in the government-wide and governmental fund financial statements. At commencement of the lease, the lease receivable is measured at the present value of lease payments expected to be received during the lease term, reduced by any provision for estimated uncollectible amounts. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is measured at the initial amount of the lease receivable, less lease payments received from the lessee at or before the commencement of the lease term (less any lease incentives).

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

E. Leases: (Continued)

Lessor

The Town recognizes lease liabilities and intangible right-to-use lease assets (lease assets) with an initial value of \$5,000, individually or in the aggregate, in the government-wide financial statements. At the commencement of the lease, the lease liability is measured at the present value of payments expected to be made during the lease term (less any lease incentives). The lease liability is reduced by the principal portion of payments made. The lease asset is measured at the initial amount of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. The lease asset is amortized over the shorter of the lease term or the useful life of the underlying asset.

Key Estimates and Judgments

Lease accounting includes estimates and judgments for determining the (1) rate used to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- Town uses the interest rate stated in lease contracts. When the interest rate is not provided or the implicit rate cannot be readily determined, the Town uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease and certain periods covered by options to extend to reflect how long the lease is expected to be in effect, with terms and conditions varying by the type of underlying asset.
- Fixed and certain variable payments as well as lease incentives and certain other payments are included in the measurement of the lease liability (lessee) or lease receivable (lessor).

The Town monitors changes in circumstances that would require a remeasurement or modification of its leases. The Town will remeasure the lease asset and liability (lessee) or the lease receivable and deferred inflows of resources (lessor) if certain changes occur that are expected to significantly affect the amount of the lease liability or lease receivable.

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2023 (Continued)

NOTE 2—STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

A. Budgetary Information

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

1. Prior to May 1, the Town Manager submits to the Town Council a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them. All funds have legally adopted budgets.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the fund level. The appropriation for each fund can be revised only by the Town Council. The Town Manager is authorized to transfer budgeted amounts within general government departments.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30, for all Town units.
8. All budgetary data presented in the accompanying financial statements is the original budget at June 30. Several supplemental appropriations were necessary during the year and at year end because they were not included in the original budget.

B. Fund Balance

At June 30, 2023, there were no funds with a deficit fund balance.

C. Expenditures in Excess of Appropriations

The general fund did not report 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.

NOTE 3—DEPOSITS AND INVESTMENTS: (CONTINUED)

Investments

Statutes authorize local governments and other public bodies 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 that has received at least two of the following ratings: P-1 by Moody’s Investors Service, Inc.; A-1 by Standard & Poor’s; or F1 by Fitch Ratings, Inc. (Section 2.2-4502), banker’s acceptances, repurchase agreements, and the State Treasurer’s Local Government Investment Pool (LGIP).

Credit Risk of Debt Securities

The Town has no formal investment policy.

The Town’s rated debt investments as of June 30, 2023 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	\$ 68,183
Total	\$ 68,183

Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The Town maximizes the use of observable inputs and minimizes the use of unobservable inputs. Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels as follows:

- Level 1. Quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at a measurement date
- Level 2. Directly or indirectly observable inputs for the asset or liability other than quoted prices
- Level 3. Unobservable inputs that are supported by little or no market activity for the asset or liability

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk.

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2023 (Continued)

NOTE 3—DEPOSITS AND INVESTMENTS: (CONTINUED)

The Town has the following recurring fair value measurements as of June 30, 2023:

		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)
	Total June 30, 2023			
Money Market Mutual Funds - US Government Funds	\$ 68,183	\$ 68,183	\$ -	\$ -
Total	\$ 68,183	\$ 68,183	\$ -	\$ -

NOTE 4—DUE FROM OTHER GOVERNMENTAL UNITS:

Amounts due from other governmental units at June 30, 2023, are as follows:

Governmental Activities:Commonwealth of Virginia:

Rolling stock tax	\$ 14
Communications tax	10,353
Total due from the Commonwealth	\$ 10,367

Virginia Department of Criminal Justice Services:

Coronavirus State and Local Fiscal Recovery Funds	\$ 73,049
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Virginia Department of Housing and Community Development:

Jefferson School Community Involvement Grant	\$ 50,000
Total Governmental Activities	\$ 133,416

Business-type Activities:Alleghany County:

Bulk water sales	\$ 88,213
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Virginia Department of Health:

Coronavirus State and Local Fiscal Recovery Funds	\$ 598,729
Total Business-type Activities	\$ 686,942

Grand Total	\$ 820,358
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TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2023 (Continued)

NOTE 5—CAPITAL ASSETS:

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2023.

Governmental Activities:

	Balance July 1, 2022	Increases	Decreases	Balance June 30, 2023
Capital assets not being depreciated:				
Land	\$ 784,994	\$ -	\$ -	\$ 784,994
Construction in progress	<u>-</u>	<u>42,625</u>	<u>-</u>	<u>42,625</u>
Total capital assets not being depreciated	<u>\$ 784,994</u>	<u>\$ 42,625</u>	<u>\$ -</u>	<u>\$ 827,619</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 2,811,593	\$ -	\$ -	\$ 2,811,593
Infrastructure (1)	2,155,933	-	-	2,155,933
Machinery and equipment	2,622,378	191,958	-	2,814,336
Lease vehicles	<u>-</u>	<u>42,895</u>	<u>-</u>	<u>42,895</u>
Total capital assets being depreciated	<u>\$ 7,589,904</u>	<u>\$ 234,853</u>	<u>\$ -</u>	<u>\$ 7,824,757</u>
Accumulated depreciation:				
Buildings and improvements	\$ (1,501,935)	\$ (86,010)	\$ -	\$ (1,587,945)
Infrastructure	(308,359)	(56,148)	-	(364,507)
Machinery and equipment	(1,948,429)	(195,906)	-	(2,144,335)
Lease vehicles	<u>-</u>	<u>(715)</u>	<u>-</u>	<u>(715)</u>
Total accumulated depreciation	<u>\$ (3,758,723)</u>	<u>\$ (338,779)</u>	<u>\$ -</u>	<u>\$ (4,097,502)</u>
Total capital assets being depreciated, net	<u>\$ 3,831,181</u>	<u>\$ (103,926)</u>	<u>\$ -</u>	<u>\$ 3,727,255</u>
Net capital assets	<u>\$ 4,616,175</u>	<u>\$ (61,301)</u>	<u>\$ -</u>	<u>\$ 4,554,874</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, 2023 (Continued)

NOTE 5—CAPITAL ASSETS: (CONTINUED)

Business-type Activities:

	<u>Balance July 1, 2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2023</u>
<i>Water Fund</i>				
Capital assets not being depreciated:				
Land	\$ 27,362	\$ -	\$ -	\$ 27,362
Construction in progress	<u>560,298</u>	<u>1,112,487</u>	<u>1,476,518</u>	<u>196,267</u>
Total capital assets not being depreciated	<u>\$ 587,660</u>	<u>\$ 1,112,487</u>	<u>\$ 1,476,518</u>	<u>\$ 223,629</u>
Capital assets being depreciated:				
Infrastructure and equipment	\$ 12,437,599	\$ 1,537,307	\$ 63,967	\$ 13,910,939
Accumulated depreciation	<u>(4,157,109)</u>	<u>(349,031)</u>	<u>(25,593)</u>	<u>(4,480,547)</u>
Total capital assets being depreciated, net	<u>\$ 8,280,490</u>	<u>\$ 1,188,276</u>	<u>\$ 38,374</u>	<u>\$ 9,430,392</u>
Net capital assets	<u><u>\$ 8,868,150</u></u>	<u><u>\$ 2,300,763</u></u>	<u><u>\$ 1,514,892</u></u>	<u><u>\$ 9,654,021</u></u>
<i>Sewer Fund</i>				
Capital assets not being depreciated:				
Land	\$ 46,050	\$ -	\$ -	\$ 46,050
Total capital assets not being depreciated	<u>\$ 46,050</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 46,050</u>
Capital assets being depreciated:				
Infrastructure and equipment	\$ 8,516,542	\$ 39,069	\$ -	\$ 8,555,611
Accumulated depreciation	<u>(3,803,090)</u>	<u>(250,529)</u>	<u>-</u>	<u>(4,053,619)</u>
Total capital assets being depreciated, net	<u>\$ 4,713,452</u>	<u>\$ (211,460)</u>	<u>\$ -</u>	<u>\$ 4,501,992</u>
Net capital assets	<u><u>\$ 4,759,502</u></u>	<u><u>\$ (211,460)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 4,548,042</u></u>

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2023 (Continued)

NOTE 5—CAPITAL ASSETS: (CONTINUED)

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

Governmental activities:	
General government administration	\$ 116,097
Public safety	134,702
Public works	33,978
Parks, recreation, and cultural	54,002
Total depreciation expense-governmental activities	\$ 338,779
Business-type activities:	
Water Fund	\$ 349,031
Sewer Fund	250,529
Total depreciation expense-business-type activities	\$ 599,560

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, 2023.

	Balance July 1, 2022	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2023
Financed purchases	\$ 114,197	\$ -	\$ 53,166	\$ 61,031
Direct borrowings and direct placements:				
General obligation bonds	210,000	-	15,000	195,000
Premium on issuance	14,793	-	1,232	13,561
Accrued landfill and postclosure liability	67,500	-	7,500	60,000
Lease liability	-	42,895	920	41,975
Net pension liability	358,974	717,983	204,497	872,460
Net OPEB liability	50,812	43,975	38,464	56,323
Compensated absences	78,450	21,868	-	100,318
Total	\$ 894,726	\$ 826,721	\$ 320,779	\$ 1,400,668

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2023 (Continued)

NOTE 6—LONG-TERM OBLIGATIONS: (CONTINUED)

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

Year Ending June 30,	Direct Borrowings and Direct Placements		Financed Purchases		Lease Liabilities	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 15,000	\$ 8,766	\$ 32,296	\$ 1,343	\$ 6,836	\$ 4,211
2025	15,000	7,997	22,898	572	7,614	3,433
2026	15,000	7,228	5,837	31	8,480	2,567
2027	15,000	6,459			9,445	1,602
2028	15,000	5,741			9,600	527
2029-2033	100,000	15,928	-	-	-	-
2034	20,000	475	-	-	-	-
Total	\$ 195,000	\$ 52,594	\$ 61,031	\$ 1,946	41,975	\$ 12,340

Details of Long-term Obligations:

	Total Amount	Amount Due Within One Year
Financed Purchases:		
\$24,602 Financed purchase dated March 4, 2020 with annual payments of \$6,491, including interest at 3%. Final installment due in 2024.	\$ 5,345	\$ 5,345
\$21,069 Financed purchase dated July 27, 2020 with monthly payments of \$425. Lease agreement includes monthly lease charge and depreciation reserve. Interest is allocated using lease terms. Final installment due in 2024.	4,758	4,758
\$108,500 Financed purchase dated September 2, 2020 with annual payments of \$23,471, including interest at 3.13%. Final installment due in 2026.	50,928	22,193
Total financed purchases	\$ 61,031	\$ 32,296
Lease liabilities:		
\$42,895 Lease liability dated June 1, 2023 with monthly payments of \$921, calculated using a discount rate of 10.82%	\$ 41,975	\$ 6,836
Total lease liabilities	\$ 41,975	\$ 6,836

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2023 (Continued)

NOTE 6—LONG-TERM OBLIGATIONS: (CONTINUED)

Details of Long-term Obligations:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
Direct Borrowings and Direct Placements - General Obligation Bonds:		
\$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.	\$ 195,000	\$ 15,000
Premium on bond issuance	<u>13,561</u>	<u>1,233</u>
Total general obligation bonds	\$ <u>208,561</u>	\$ <u>16,233</u>
Accrued landfill and postclosure liability	\$ <u>60,000</u>	\$ <u>7,500</u>
Compensated absences	\$ <u>100,318</u>	\$ <u>10,032</u>
Net pension liability	\$ <u>872,460</u>	\$ -
Net OPEB liability	\$ <u>56,323</u>	\$ -
Total	\$ <u><u>1,400,668</u></u>	\$ <u><u>72,897</u></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, 2023:

	<u>Balance July 1, 2022</u>	<u>Increases/ Issuances</u>	<u>Decreases/ Retirements</u>	<u>Balance June 30, 2023</u>
Financed purchases	\$ 1,459	\$ -	\$ 1,459	\$ -
Direct borrowings and direct placements:				
Revenue bonds	4,762,886	-	177,174	4,585,712
Premium on issuance	43,225	-	3,602	39,623
Virginia revolving loan fund	2,650,278	-	201,962	2,448,316
Notes payable - County of Alleghany	111,008	-	111,008	-
Net pension liability	106,576	210,988	61,600	255,964
Net OPEB liability	15,086	12,950	11,511	16,525
Compensated absences	<u>36,176</u>	<u>-</u>	<u>1,380</u>	<u>34,796</u>
Total	\$ <u><u>7,726,694</u></u>	\$ <u><u>223,938</u></u>	\$ <u><u>569,696</u></u>	\$ <u><u>7,380,936</u></u>

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2023 (Continued)

NOTE 6—LONG-TERM OBLIGATIONS: (CONTINUED)

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

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

Year Ending June 30,	Direct Borrowings and Direct Placements	
	Principal	Interest
2024	\$ 382,330	\$ 93,005
2025	385,649	87,687
2026	394,037	82,221
2027	397,514	76,487
2028	406,067	70,675
2029-2033	1,708,744	284,486
2034-2038	1,144,359	206,007
2039-2043	475,237	170,552
2044-2048	441,899	133,561
2049-2053	482,290	93,170
2054-2058	526,360	49,100
2059-2063	289,542	6,792
Total	\$ 7,034,028	\$ 1,353,743

Details of long-term obligations:

	Total Amount	Amount Due Within One Year
Direct Borrowings and Direct Placements - Revenue Bonds:		
\$760,500 Water Revenue Bonds (VRA), maturing semi-annually in equal installments of \$12,675 through November 1, 2038, 0% interest.	\$ 392,925	\$ 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.	429,460	72,861
\$1,153,088 Water Revenue Bonds (VRA), maturing semi-annually in equal installments of \$19,218 through November 1, 2039, 0% interest.	634,198	38,436
\$1,349,739 Sewer Revenue Bonds (VRA), maturing semi-annually in equal installments of \$33,743 through June 1, 2038, 0% interest.	991,732	67,487
\$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.	366,374	30,531

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2023 (Continued)

NOTE 6—LONG-TERM OBLIGATIONS: (CONTINUED)**Business-type Activities Long-term Obligations: (Continued)**

Details of long-term obligations: (Continued)

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
Direct Borrowings and Direct Placements - Revenue Bonds: (Continued)		
\$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.	\$ 486,928	\$ 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.	565,000	40,000
\$2,847,000 Water Revenue Bonds (USDA), Series 2021A, dated January 22, 2021. Monthly principal payments in the amount of \$8,399 commencing February 22, 2022 with a final payment of \$7,636 payable January 22, 2061, 1.75% interest.	2,773,800	52,665
\$404,000 Water Revenue Bonds (USDA), Series 2021B, dated January 22, 2021. Monthly principal payments in the amount of \$1,192 commencing February 22, 2022 with a final payment of \$1,117 payable January 22, 2061, 1.75% interest.	393,611	7,457
Premium on bond issuance	39,623	3,602
Total revenue bonds	\$ 7,073,651	\$ 385,932
Direct Borrowings and Direct Placements - Notes Payable:		
Net pension liability	\$ 255,964	\$ -
Net OPEB liability	\$ 16,525	\$ -
Compensated absences	\$ 34,796	\$ 3,480
Total	\$ 7,380,936	\$ 389,412

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2023 (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 \$557,220 (including 2nd half tax billings of \$457,042 not due until December 5) at June 30, 2023.

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 \$100,318 in the Governmental Activities and \$34,796 in the Enterprise Funds.

NOTE 9—PENSION PLAN:

Plan Description

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)

Benefit Structures

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, as detailed below.

- a. Employees with a membership date before July 1, 2010, vested as of January 1, 2013, and have not taken a refund, are covered under Plan 1, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of service credit or age 50 with at least 30 years of service credit. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least 5 years of service credit or age 50 with at least 10 years of service credit. Hazardous duty employees (law enforcement officers, firefighters, and sheriffs) are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of service credit.
- b. Employees with a membership date from July 1, 2010 to December 31, 2013 that have not taken a refund or employees with a membership date prior to July 1, 2010 and not vested before January 1, 2013, are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit or when the sum of their age plus service credit equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. Hazardous duty employees are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of service credit.
- c. Non-hazardous duty employees with a membership date on or after January 1, 2014 are covered by the Hybrid Plan combining the features of a defined benefit plan and a defined contribution plan. Plan 1 and Plan 2 members also had the option of opting into this plan during the election window held January 1 – April 30, 2014 with an effective date of July 1, 2014. Employees covered by this plan are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit, or when the sum of their age plus service credit equals 90. Employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. For the defined contribution component, members are eligible to receive distributions upon leaving employment, subject to restrictions.

Average Final Compensation and Service Retirement Multiplier

The VRS defined benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the employee's average final compensation multiplied by the employee's total service credit. Under Plan 1, average final compensation is the average of the employee's 36 consecutive months of highest compensation and the multiplier is 1.70% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.70% or 1.85% for hazardous duty employees as elected by the employer. Under Plan 2, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the retirement multiplier is 1.65% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.70% or 1.85% for hazardous duty employees as elected by the employer. Under the Hybrid Plan, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the multiplier is 1.00%. 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.

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2023 (Continued)

NOTE 9—PENSION PLAN: (CONTINUED)

Cost-of-Living Adjustment (COLA) in Retirement and Death and Disability Benefits

Retirees with an unreduced benefit or with a reduced benefit with at least 20 years of service credit are eligible for an annual COLA beginning July 1 after one full calendar year from the retirement date. Retirees with a reduced benefit and who have less than 20 years of service credit are eligible for an annual COLA beginning on July 1 after one calendar year following the unreduced retirement eligibility date. Under Plan 1, the COLA cannot exceed 5.00%. Under Plan 2 and the Hybrid Plan, the COLA cannot exceed 3.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia, as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

Employees Covered by Benefit Terms

As of the June 30, 2021 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	70
Inactive members:	
Vested inactive members	8
Non-vested inactive members	30
Inactive members active elsewhere in VRS	<u>40</u>
Total inactive members	78
Active members	<u>37</u>
Total covered employees	<u><u>185</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.

The Town's contractually required contribution rate for the year ended June 30, 2023 was 17.32% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021.

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 \$222,866 and \$154,162 for the years ended June 30, 2023 and June 30, 2022, respectively.

NOTE 9—PENSION PLAN: (CONTINUED)

Net Pension Liability

The net pension liability (NPL) is calculated separately for each employer and represents that particular employer’s total pension liability determined in accordance with GASB Statement No. 68, less that employer’s fiduciary net position. The Town’s net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2021, and rolled forward to the measurement date of June 30, 2022.

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, 2021, 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, 2022.

Inflation	2.50%
Salary increases, including inflation	3.50% – 5.35%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation

Mortality rates:

- All Others (Non-10 Largest) – Non-Hazardous Duty: 15% of deaths are assumed to be service-related
- Pre-Retirement:
 - Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years
- Post-Retirement:
 - Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years
- Post-Disablement:
 - Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years
- Beneficiaries and Survivors:
 - Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years
- Mortality Improvement:
 - Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2023 (Continued)

NOTE 9—PENSION PLAN: (CONTINUED)

Actuarial Assumptions – General Employees (Continued)

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

All Others (Non-10 Largest) – Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Actuarial Assumptions – Public Safety Employees with Hazardous Duty Benefits

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the Town's Retirement Plan was based on an actuarial valuation as of June 30, 2021, 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, 2022.

Inflation	2.50%
Salary increases, including inflation	3.50% – 4.75%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2023 (Continued)

NOTE 9—PENSION PLAN: (CONTINUED)

Actuarial Assumptions – Public Safety Employees with Hazardous Duty Benefits: (Continued)

Mortality rates:

All Others (Non-10 Largest) – Hazardous Duty: 45% of deaths are assumed to be service related

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally with a Modified MP-2020 Improvement Scale; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally with a Modified MP-2020 Improvement Scale; 110% of rates for males; 105% of rates for females set forward 3 years

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally with a Modified MP-2020 Improvement Scale; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally with a Modified MP-2020 Improvement Scale; 110% of rates for males and females set forward 2 years

Mortality Improvement:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

All Others (Non-10 Largest) – Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Largest 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2023 (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)	Long-Term Target Asset Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	34.00%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
MAPS - Multi-Asset Public Strategies	6.00%	3.73%	0.22%
PIP - Private Investment Partnership	3.00%	6.55%	0.20%
Total	100.00%		5.33%
		Inflation	2.50%
		Expected arithmetic nominal return**	7.83%

*The above allocation provides a one-year expected return of 7.83%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.72%, including expected inflation of 2.50%.

**On October 10, 2019, the VRS Board elected a long-term rate of return of 6.75% which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. 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. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the Town was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2023, the alternate rate was the employer contribution rate used in FY2012 or 100% of the actuarially determined employer

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2023 (Continued)

NOTE 9—PENSION PLAN: (CONTINUED)

Discount Rate: (Continued)

contribution rate from the June 30, 2021 actuarial valuations, whichever was greater. Through the fiscal year ended June 30, 2022, 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 which was 100% of the actuarially determined contribution rate. From July 1, 2022 on, participating employers are assumed to continue 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 (Asset) (a) - (b)
Balances at June 30, 2021	\$ 11,448,379	\$ 10,982,829	\$ 465,550
Changes for the year:			
Service cost	\$ 155,768	\$ -	\$ 155,768
Interest	760,536	-	760,536
Differences between expected and actual experience	(48,678)	-	(48,678)
Contributions - employer	-	154,163	(154,163)
Contributions - employee	-	61,406	(61,406)
Net investment income	-	(4,130)	4,130
Benefit payments, including refunds of employee contributions	(673,891)	(673,891)	-
Administrative expenses	-	(6,933)	6,933
Other changes	-	247	(247)
Net changes	\$ 193,735	\$ (469,138)	\$ 662,873
Balances at June 30, 2022	\$ 11,642,114	\$ 10,513,691	\$ 1,128,423

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 6.75%, 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 (5.75%) or one percentage point higher (7.75%) than the current rate:

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
Net Pension Liability	\$ 2,481,540	\$ 1,128,423	\$ 4,593

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2023 (Continued)

NOTE 9—PENSION PLAN: (CONTINUED)***Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

For the year ended June 30, 2023, the Town recognized pension expense of \$155,327. At June 30, 2023, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$	\$ 18,996
Change in proportionate share	7,398	7,396
Net difference between projected and actual earnings on pension plan investments		329,916
Employer contributions subsequent to the measurement date	<u>222,866</u>	<u>-</u>
Total	<u>\$ 230,264</u>	<u>\$ 356,308</u>

\$222,866 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 ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2024	\$ (144,413)
2025	(131,236)
2026	(219,220)
2027	145,957
2028	-
Thereafter	-

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2022 Annual Comprehensive Financial Report (Annual Report). A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at <https://www.varetire.org/pdf/publications/2022-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

NOTE 10—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN):

Plan Description

The Group Life Insurance (GLI) Plan was established pursuant to §51.1-500 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. All full-time, salaried permanent employees of the state agencies, teachers, and employees of participating political subdivisions are automatically covered by the VRS GLI Plan upon employment. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

In addition to the Basic GLI benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional GLI Plan. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured plan, it is not included as part of the GLI Plan OPEB.

The specific information for GLI OPEB, including eligibility, coverage and benefits is described below:

Eligible Employees

The GLI Plan was established July 1, 1960, for state employees, teachers, and employees of political subdivisions that elect the plan. Basic GLI coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement member contributions and accrued interest.

Benefit Amounts

The GLI Plan is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to basic natural and accidental death benefits, the plan provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, seatbelt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value. For covered members with at least 30 years of service credit, the minimum benefit payable was set at \$8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was \$8,984 as of June 30, 2023.

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2023 (Continued)

NOTE 10—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

Contributions

The contribution requirements for the GLI Plan are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Plan was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% x 60%) and the employer component was 0.54% (1.34% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2023 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the GLI Plan from the entity were \$7,222 and \$7,111 for the years ended June 30, 2022 and June 30, 2021, respectively.

In June 2022, the Commonwealth made a special contribution of approximately \$30.4 million to the Group Life Insurance Plan. This special payment was authorized by a budget amendment included in Chapter 1 of the 2022 Appropriation Act, and is classified as a non-employer contribution.

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Plan OPEB

At June 30, 2023, the entity reported a liability of \$72,848 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2022 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2021, and rolled forward to the measurement date of June 30, 2022. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Plan for the year ended June 30, 2022, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2022, the participating employer's proportion was 0.00610% as compared to 0.00570% at June 30, 2021.

For the year ended June 30, 2023, the participating employer recognized GLI OPEB expense of (\$2,719). Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2023, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 5,769	\$ 2,922
Net difference between projected and actual earnings on GLI OPEB plan investments	-	4,552
Change in assumptions	2,717	7,096
Changes in proportionate share	4,590	15,077
Employer contributions subsequent to the measurement date	7,222	-
Total	<u>\$ 20,298</u>	<u>\$ 29,647</u>

NOTE 10—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Plan OPEB: (Continued)

\$7,222 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer’s contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year Ended June 30		
2024	\$	(5,333)
2025		(4,490)
2026		(6,588)
2027		(518)
2028		358
Thereafter		-

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2021, 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, 2022. The assumptions include several employer groups. Salary increases and mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS Annual Report.

Inflation	2.50%
Salary increases, including inflation:	
Locality - General employees	3.50%-5.35%
Locality - Hazardous Duty employees	3.50%-4.75%
Investment rate of return	6.75%, net of investment expenses, including inflation

Mortality Rates – Non-Largest Ten Locality Employers – General Employees

- Pre-Retirement:
- Pub-2010 Amount Weighted Safety Employee Rates projected generationally; males set forward 2 years; 105% of rates for females set forward 3 years
- Post-Retirement:
- Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 95% of rates for males set forward 2 years; 95% of rates for females set forward 1 year
- Post-Disablement:
- Pub-2010 Amount Weighted General Disabled Rates projected generationally; 110% of rates for males set forward 3 years; 110% of rates for females set forward 2 years

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2023 (Continued)

NOTE 10—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

Actuarial Assumptions: (Continued)

Mortality Rates – Non-Largest Ten Locality Employers – General Employees: (Continued)

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Mortality Rates – Non-Largest Ten Locality Employers – Hazardous Duty Employees

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2023 (Continued)

NOTE 10—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

Actuarial Assumptions: (Continued)

Mortality Rates – Non-Largest Ten Locality Employers – Hazardous Duty Employees (Continued)

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

NET GLI OPEB Liability

The net OPEB liability (NOL) for the GLI Plan represents the plan's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2022, NOL amounts for the GLI Plan are as follows (amounts expressed in thousands):

		GLI OPEB Plan
Total GLI OPEB Liability	\$	3,672,085
Plan Fiduciary Net Position		2,467,989
GLI Net OPEB Liability (Asset)	\$	<u>1,204,096</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		67.21%

The total GLI OPEB liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net GLI OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information.

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2023 (Continued)

NOTE 10—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)***Long-Term Expected Rate of Return***

The long-term expected rate of return on the System's 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 System's 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)	Long-Term Target Asset Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	34.00%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
MAPS - Multi-Asset Public Strategies	6.00%	3.73%	0.22%
PIP - Private Investment Partnership	3.00%	6.55%	0.20%
Total	<u>100.00%</u>		<u>5.33%</u>
		Inflation	<u>2.50%</u>
		Expected arithmetic nominal return**	<u>7.83%</u>

*The above allocation provides a one-year return of 7.83%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.72%, including expected inflation of 2.50%.

** On October 10, 2019, the VRS Board elected a long-term rate of return of 6.75%, which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 2022, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2022 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2023 (Continued)

NOTE 10—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

Sensitivity of the Employer's Proportionate Share of the Net GLI OPEB Liability to Changes in the Discount Rate

The following presents the employer's proportionate share of the net GLI OPEB liability using the discount rate of 6.75%, as well as what the employer's proportionate share of the net GLI OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	Rate		
	1% Decrease	Current Discount	1% Increase
	(5.75%)	(6.75%)	(7.75%)
Town's proportionate share of the GLI Plan Net OPEB Liability	\$ 106,002	\$ 72,848	\$ 46,055

GLI Plan Fiduciary Net Position

Detailed information about the GLI Plan's Fiduciary Net Position is available in the separately issued VRS 2022 Annual Comprehensive Financial Report (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2022-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

NOTE 11—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 12—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.

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2023 (Continued)

NOTE 13—CLOSURE AND POSTCLOSURE CARE COST:

State and federal laws and regulations require the Town to place a final cover on its Peters Mountain landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the Town reports a portion of these closure and postclosure care liabilities in each period based on landfill capacity used as of each balance sheet date. The \$60,000 reported as landfill postclosure care liability at June 30, 2023, represents the Town's estimate of its share of the postclosure monitoring costs based on the use of 100 percent of the estimated capacity of the landfill. Closure of the landfill site has been completed in prior years. The City of Covington is primarily responsible for postclosure costs and the Town of Clifton Forge pays the City its share of the costs. The Town of Clifton Forge's expected portion of these contracts is 12%. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

NOTE 14—RESTRICTED CASH AND CASH EQUIVALENTS:

Cash and cash equivalents are restricted for the following:

	Governmental Activities	Business-type Activities	Total Primary Government
Bond principal payments	\$ -	\$ 68,183	\$ 68,183
Utility deposits held	-	87,132	87,132
CDBG programs	4,589	-	4,589
Forfeited assets	6,246	-	6,246
Total	\$ 10,835	\$ 155,315	\$ 166,150

NOTE 15—UPCOMING PRONOUNCEMENTS:

Statement No. 99, *Omnibus 2022*, addresses (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The effective dates differ based on the requirements of the Statement, ranging from April 2022 to for fiscal years beginning after June 15, 2023.

Statement No. 100, *Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62*, provides more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability for accounting changes and error corrections. The requirements of this Statement are effective for fiscal years beginning after June 15, 2023.

Statement No. 101, *Compensated Absences*, updates the recognition and measurement guidance for compensated absences. It aligns the recognition and measurement guidance under a unified model and amends certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023.

Implementation Guide No. 2021-1, *Implementation Guidance Update-2021*, with dates ranging from reporting periods beginning after June 15, 2022 to reporting periods beginning after June 15, 2023.

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2023 (Continued)

NOTE 15—UPCOMING PRONOUNCEMENTS: (CONTINUED)

Implementation Guide No. 2023-1, *Implementation Guidance Update-2023*, effective for fiscal years beginning after June 15, 2023.

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

NOTE 16—LEASES RECEIVABLE:

Lease receivables outstanding as of June 30, 2023 are as follows:

<u>Lease Description</u>	<u>Term Remaining</u>	<u>Installments</u>	<u>Rate</u>
Houff	165 Mo.	\$ 18,617 per year	3.00%
Northwest Hardware	342 Mo.	6,000 per year	3.00%

Annual recognition of lease revenue and related interest are as follows:

Lease maturity analysis:

<u>Year</u>	<u>Copiers</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 13,587	\$ 11,030	\$ 24,617
2026	14,110	10,507	24,617
2027	14,654	9,963	24,617
2028	15,219	9,398	24,617
2029	15,805	8,812	24,617
2030-2034	88,647	34,438	123,085
2035-2039	69,142	16,709	85,851
2040-2044	20,645	9,355	30,000
2045-2049	24,481	5,519	30,000
2050-2052	20,455	1,181	21,636
	<u>\$ 296,745</u>	<u>\$ 116,912</u>	<u>\$ 413,657</u>

NOTE 17—INTERFUND TRANSFERS:

Interfund transfers for the year ended June 30, 2023 consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General fund	\$ -	\$ 807,504
Water fund	620,477	-
Sewer fund	187,027	-
Total Transfers	<u>\$ 807,504</u>	<u>\$ 807,504</u>

Required Supplementary Information

General Fund

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

For the Year Ended June 30, 2023

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive (Negative)
REVENUES				
General property taxes	\$ 714,500	\$ 714,500	\$ 824,343	\$ 109,843
Other local taxes	865,500	865,500	1,029,750	164,250
Permits, privilege fees, and regulatory licenses	1,250	1,250	765	(485)
Fines and forfeitures	9,750	9,750	2,338	(7,412)
Revenue from the use of money and property	29,366	29,366	32,339	2,973
Charges for services	85,250	85,250	322,364	237,114
Miscellaneous	28,700	28,700	192,000	163,300
Recovered costs	25,225	25,225	70,435	45,210
Intergovernmental:				
Commonwealth	1,341,730	1,341,730	1,409,568	67,838
Federal	1,774,519	1,774,519	1,486,348	(288,171)
Total revenues	\$ 4,875,790	\$ 4,875,790	\$ 5,370,250	\$ 494,460
EXPENDITURES				
Current:				
General government administration	\$ 330,794	\$ 330,794	\$ 362,052	\$ (31,258)
Public safety	1,494,309	1,494,309	1,714,914	(220,605)
Public works	897,104	897,104	1,143,443	(246,339)
Health and welfare	-	-	8,185	(8,185)
Parks, recreation, and cultural	382,848	382,848	373,535	9,313
Community development	79,204	79,204	93,490	(14,286)
Nondepartmental	251,052	251,052	498,498	(247,446)
Capital projects	1,324,519	1,324,519	-	1,324,519
Debt service:				
Principal retirement	113,960	113,960	69,086	44,874
Interest and other fiscal charges	2,000	2,000	12,833	(10,833)
Total expenditures	\$ 4,875,790	\$ 4,875,790	\$ 4,276,036	\$ 599,754
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ 1,094,214	\$ 1,094,214
OTHER FINANCING SOURCES (USES)				
Transfers out	-	\$ -	\$ (807,504)	\$ (807,504)
Lease financing	-	-	42,895	42,895
Total other financing sources (uses)	\$ -	\$ -	\$ (764,609)	\$ (764,609)
Net change in fund balances	\$ -	\$ -	\$ 329,605	\$ 329,605
Fund balances - beginning	-	-	139,996	139,996
Fund balances - ending	\$ -	\$ -	\$ 469,601	\$ 469,601

Schedule of Changes in Net Pension Liability and Related Ratios
For the Measurement Dates of June 30, 2014 through June 30, 2022

	2022	2021	2020	2019
Total pension liability				
Service cost	\$ 155,768	\$ 125,077	\$ 155,307	\$ 176,119
Interest	760,536	702,335	696,267	667,083
Differences between expected and actual experience	(48,678)	16,662	(71,917)	271,417
Changes in assumptions	-	552,003	-	282,879
Benefit payments, including refunds of employee contributions	(673,891)	(705,319)	(674,204)	(550,180)
Net change in total pension liability	\$ 193,735	\$ 690,758	\$ 105,453	\$ 847,318
Total pension liability - beginning	11,448,379	10,757,621	10,652,168	9,804,850
Total pension liability - ending (a)	<u>\$ 11,642,114</u>	<u>\$ 11,448,379</u>	<u>\$ 10,757,621</u>	<u>\$ 10,652,168</u>
Plan fiduciary net position				
Contributions - employer	\$ 154,163	\$ 137,616	\$ 143,746	\$ 157,111
Contributions - employee	61,406	56,057	61,140	66,422
Net investment income	(4,130)	2,421,256	177,041	597,230
Benefit payments, including refunds of employee contributions	(673,891)	(705,319)	(674,204)	(550,180)
Administrative expense	(6,933)	(6,353)	(6,325)	(6,118)
Other	247	225	(205)	(374)
Net change in plan fiduciary net position	\$ (469,138)	\$ 1,903,482	\$ (298,807)	\$ 264,091
Plan fiduciary net position - beginning	10,982,829	9,079,347	9,378,154	9,114,063
Plan fiduciary net position - ending (b)	<u>\$ 10,513,691</u>	<u>\$ 10,982,829</u>	<u>\$ 9,079,347</u>	<u>\$ 9,378,154</u>
Town's net pension liability - ending (a) - (b)	\$ 1,128,423	\$ 465,550	\$ 1,678,274	\$ 1,274,014
Plan fiduciary net position as a percentage of the total pension liability	90.31%	95.93%	84.40%	88.04%
Covered payroll	\$ 1,312,561	\$ 1,168,899	\$ 1,288,474	\$ 1,397,113
Town's net pension liability as a percentage of covered payroll	85.97%	39.83%	130.25%	91.19%

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 Changes in Net Pension Liability and Related Ratios
For the Measurement Dates of June 30, 2014 through June 30, 2022

	2018	2017	2016	2015	2014
Total pension liability					
Service cost	\$ 174,972	\$ 174,151	\$ 187,272	\$ 185,703	\$ 193,371
Interest	656,629	623,944	634,081	618,539	589,737
Differences between expected and actual experience	(159,012)	113,352	(591,579)	(222,902)	-
Changes in assumptions	-	3,698	-	-	-
Benefit payments, including refunds of employee contributions	(496,317)	(400,109)	(349,066)	(369,558)	(373,742)
Net change in total pension liability	\$ 176,272	\$ 515,036	\$ (119,292)	\$ 211,782	\$ 409,366
Total pension liability - beginning	9,628,578	9,113,542	9,232,834	9,021,052	8,611,686
Total pension liability - ending (a)	\$ 9,804,850	\$ 9,628,578	\$ 9,113,542	\$ 9,232,834	\$ 9,021,052
Plan fiduciary net position					
Contributions - employer	\$ 143,407	\$ 142,505	\$ 252,404	\$ 251,356	\$ 152,529
Contributions - employee	67,280	81,055	72,377	72,543	72,619
Net investment income	640,045	964,912	138,130	345,854	1,044,749
Benefit payments, including refunds of employee contributions	(496,317)	(400,109)	(349,066)	(369,558)	(373,742)
Administrative expense	(5,649)	(5,632)	(4,853)	(4,715)	(5,703)
Other	(566)	(857)	(58)	(73)	55
Net change in plan fiduciary net position	\$ 348,200	\$ 781,874	\$ 108,934	\$ 295,407	\$ 890,507
Plan fiduciary net position - beginning	8,765,863	7,983,989	7,875,055	7,579,648	6,689,141
Plan fiduciary net position - ending (b)	\$ 9,114,063	\$ 8,765,863	\$ 7,983,989	\$ 7,875,055	\$ 7,579,648
Town's net pension liability - ending (a) - (b)	\$ 690,787	\$ 862,715	\$ 1,129,553	\$ 1,357,779	\$ 1,441,404
Plan fiduciary net position as a percentage of the total pension liability	92.95%	91.04%	87.61%	85.29%	84.02%
Covered payroll	\$ 1,400,675	\$ 1,383,756	\$ 1,477,823	\$ 1,464,471	\$ 1,452,945
Town's net pension liability as a percentage of covered payroll	49.32%	62.35%	76.43%	92.71%	99.21%

Schedule of Employer Contributions - Pension Plan
 For the Years Ended June 30, 2014 through June 30, 2023

Date	Contractually Required Contribution*	Contributions in Relation to Contractually Required Contribution*	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2023	\$ 222,866	\$ 222,866	\$	\$ 1,344,210	16.58%
2022	154,162	154,162	-	1,312,561	11.75%
2021	137,616	137,616	-	1,168,899	11.77%
2020	143,402	143,402	-	1,288,474	11.13%
2019	157,111	157,111	-	1,397,113	11.25%
2018	143,402	143,402	-	1,400,675	10.24%
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%

*Excludes contributions (mandatory and match on voluntary) to the defined contribution portion of the Hybrid plan.

Notes to Required Supplementary Information - Pension Plan
For the Year Ended June 30, 2023

Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions – The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

All Others (Non-10 Largest) – Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

All Others (Non-10 Largest) – Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Largest 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Schedule of Town's Share of Net OPEB Liability

Group Life Insurance (GLI) Plan

For the Measurement Dates of June 30, 2017 through June 30, 2022

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
2022	0.00610% \$	72,848	\$ 1,312,561	5.55%	67.21%
2021	0.00570%	65,898	1,168,899	5.64%	67.45%
2020	0.00626%	104,470	1,288,474	8.11%	52.64%
2019	0.00715%	116,349	1,402,323	8.30%	52.00%
2018	0.00738%	112,000	1,403,392	7.98%	51.22%
2017	0.00753%	114,000	1,388,548	8.21%	48.86%

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available. However, additional years will be included as they become available.

Schedule of Employer Contributions

Group Life Insurance (GLI) Plan

For the Years Ended June 30, 2014 through June 30, 2023

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2023	\$ 7,222	\$ 7,222	\$ -	\$ 1,344,210	0.54%
2022	7,111	7,111	-	1,312,561	0.54%
2021	6,313	6,313	-	1,168,899	0.54%
2020	6,700	6,700	-	1,288,474	0.52%
2019	7,292	7,292	-	1,397,113	0.52%
2018	7,298	7,298	-	1,400,675	0.52%
2017	7,220	7,220	-	1,383,756	0.52%
2016	7,094	7,094	-	1,477,823	0.48%
2015	7,082	7,082	-	1,464,471	0.48%
2014	6,974	6,974	-	1,452,945	0.48%

Notes to Required Supplementary Information
 Group Life Insurance (GLI) Plan
 For the Year Ended June 30, 2023

Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions – The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Non-Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Non-Largest Ten Locality Employers - Hazardous Duty Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Other Supplementary Information

Combining and Individual Fund Financial Statements and Schedules

Combining Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2023

	Private-Purpose Trust Funds		
	Mountain View Cemetery	Crown Hill Cemetery	Total Private-Purpose Trust Funds
ASSETS			
Cash and cash equivalents	\$ 210,795	\$ 52,850	\$ 263,645
Due from other funds	25,875	-	25,875
Total assets	\$ 236,670	\$ 52,850	\$ 289,520
NET POSITION			
Held in trust for cemeteries	\$ 236,670	\$ 52,850	\$ 289,520

Combining Statement of Changes in Fiduciary Net Position

Fiduciary Funds

For the Year Ended June 30, 2023

	Private-Purpose Trust Funds		
	Mountain View Cemetery	Crown Hill Cemetery	Total Private-Purpose Trust Funds
ADDITIONS			
Contributions:			
Sale of cemetery lots	\$ 3,975	\$ -	\$ 3,975
Total contributions	\$ 3,975	\$ -	\$ 3,975
Total additions	\$ 3,975	\$ -	\$ 3,975
Change in net position	\$ 3,975	\$ -	\$ 3,975
Net position - beginning	\$ 232,695	\$ 52,850	\$ 285,545
Net position - ending	\$ 236,670	\$ 52,850	\$ 289,520

Supporting Schedules

Schedule of Revenues - Budget and Actual
Governmental Fund
For the Year Ended June 30, 2023

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	\$ 340,000	\$ 340,000	\$ 376,613	\$ 36,613
Real and personal public service corporation taxes	40,000	40,000	46,484	6,484
Personal property taxes	319,000	319,000	380,050	61,050
Machinery and tools taxes	2,500	2,500	1,632	(868)
Penalties	7,000	7,000	11,724	4,724
Interest	6,000	6,000	7,840	1,840
Total general property taxes	\$ 714,500	\$ 714,500	\$ 824,343	\$ 109,843
Other local taxes:				
Local sales and use taxes	\$ 115,000	\$ 115,000	\$ 147,573	\$ 32,573
Consumers' utility taxes	145,000	145,000	160,025	15,025
Business license taxes	180,000	180,000	195,404	15,404
Bank stock taxes	50,000	50,000	69,842	19,842
Transient occupancy taxes	7,500	7,500	13,194	5,694
Restaurant food taxes	360,000	360,000	435,984	75,984
Tobacco tax	8,000	8,000	7,728	(272)
Total other local taxes	\$ 865,500	\$ 865,500	\$ 1,029,750	\$ 164,250
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 750	\$ 750	\$ 500	\$ (250)
Zoning Fees	500	500	265	(235)
Total permits, privilege fees, and regulatory licenses	\$ 1,250	\$ 1,250	\$ 765	\$ (485)
Fines and forfeitures:				
Court fines and forfeitures	\$ 9,750	\$ 9,750	\$ 2,338	\$ (7,412)
Revenue from use of money and property:				
Revenue from use of money	\$ 3,250	\$ 3,250	\$ 12,833	\$ 9,583
Revenue from use of property	26,116	26,116	19,506	(6,610)
Total revenue from use of money and property	\$ 29,366	\$ 29,366	\$ 32,339	\$ 2,973
Charges for services:				
Charges for fire protection	\$ 56,000	\$ 56,000	\$ 56,000	\$ -
Charges for first responders	24,000	24,000	24,000	-
EMS ambulance fees	-	-	237,175	237,175
Charges for sanitation and waste removal	250	250	1,425	1,175
Charges for library	5,000	5,000	3,764	(1,236)
Total charges for services	\$ 85,250	\$ 85,250	\$ 322,364	\$ 237,114
Miscellaneous:				
Cemetery income	\$ 15,200	\$ 15,200	\$ 15,225	\$ 25
Local grants	-	-	15,000	15,000
Friends of Library	4,000	4,000	3,991	(9)
Sale of Salvage/Surplus	5,000	5,000	80,754	75,754
Donations	3,000	3,000	42,236	39,236
Miscellaneous	1,500	1,500	34,794	33,294
Total miscellaneous	\$ 28,700	\$ 28,700	\$ 192,000	\$ 163,300

Schedule of Revenues - Budget and Actual
Governmental Fund
For the Year Ended June 30, 2023 (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	\$ 25,225	\$ 25,225	\$ 25,825	\$ 600
Other costs	-	-	44,610	44,610
Total recovered costs	\$ 25,225	\$ 25,225	\$ 70,435	\$ 45,210
Total revenue from local sources	\$ 1,759,541	\$ 1,759,541	\$ 2,474,334	\$ 714,793
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Rolling stock tax	\$ 6,000	\$ 6,000	\$ 6,009	\$ 9
Communications taxes	90,000	90,000	65,202	(24,798)
PPTRA Reimbursement	316,644	316,644	316,644	-
Total noncategorical aid	\$ 412,644	\$ 412,644	\$ 387,855	\$ (24,789)
Categorical aid:				
Virginia Commission for the Arts grant	\$ 4,500	\$ 4,500	\$ 4,500	\$ -
DCJ Grants	210,000	210,000	230,341	20,341
Department of fire programs funds	15,720	15,720	15,000	(720)
Litter control grant	2,500	2,500	4,294	1,794
Street and highway maintenance funds	650,000	650,000	665,130	15,130
Library	43,866	43,866	50,048	6,182
Other state grants	2,500	2,500	52,400	49,900
Total categorical aid	\$ 929,086	\$ 929,086	\$ 1,021,713	\$ 92,627
Total revenue from the Commonwealth	\$ 1,341,730	\$ 1,341,730	\$ 1,409,568	\$ 67,838
Revenue from the Federal Government:				
Categorical aid:				
Coronavirus State and Local Recovery Funds	\$ 1,774,519	\$ 1,774,519	\$ 1,394,815	\$ (379,704)
Law Enforcement	-	-	73,049	73,049
Ed Byrne Memorial Justice Assistance Grant	-	-	12,845	12,845
National endowment humanities	-	-	5,639	5,639
Total categorical aid	\$ 1,774,519	\$ 1,774,519	\$ 1,486,348	\$ (288,171)
Total revenue from the Federal Government	\$ 1,774,519	\$ 1,774,519	\$ 1,486,348	\$ (288,171)
Total General Fund	\$ 4,875,790	\$ 4,875,790	\$ 5,370,250	\$ 494,460

Schedule of Expenditures - Budget and Actual
Governmental Fund
For the Year Ended June 30, 2023

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
General government administration:				
Legislative:				
Town Council	\$ 15,300	\$ 15,300	\$ 16,687	\$ (1,387)
General and financial administration:				
Town manager	\$ 99,531	\$ 99,531	\$ 103,417	\$ (3,886)
Legal services	14,400	14,400	15,994	(1,594)
Accounting and auditing services	16,200	16,200	15,868	332
Finance	185,363	185,363	210,086	(24,723)
Total general and financial administration	\$ 315,494	\$ 315,494	\$ 345,365	\$ (29,871)
Total general government administration	\$ 330,794	\$ 330,794	\$ 362,052	\$ (31,258)
Public safety:				
Law enforcement and traffic control:				
Police department	\$ 792,078	\$ 792,078	\$ 977,519	\$ (185,441)
Fire and rescue services:				
Fire department	\$ 252,231	\$ 252,231	\$ 296,212	\$ (43,981)
Ambulance and rescue services	450,000	450,000	441,183	8,817
Fire revolving fund loan disbursements	-	-	-	-
Total fire and rescue services	\$ 702,231	\$ 702,231	\$ 737,395	\$ (35,164)
Total public safety	\$ 1,494,309	\$ 1,494,309	\$ 1,714,914	\$ (220,605)
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Highways, streets, bridges and sidewalks	\$ 734,179	\$ 734,179	\$ 154,203	\$ 579,976
Administration	52,493	52,493	93,603	(41,110)
Eligible Streets	-	-	666,946	(666,946)
Total maintenance of highways, streets, bridges and sidewalks	\$ 786,672	\$ 786,672	\$ 914,752	\$ (128,080)
Maintenance of general buildings and grounds:				
General properties	\$ 33,150	\$ 33,150	\$ 44,251	\$ (11,101)
Cemeteries	77,282	77,282	184,440	(107,158)
Total maintenance of general buildings and grounds	\$ 110,432	\$ 110,432	\$ 228,691	\$ (118,259)
Total public works	\$ 897,104	\$ 897,104	\$ 1,143,443	\$ (246,339)
Health and welfare:				
Welfare:				
Tax relief for the elderly	\$ -	\$ -	\$ 8,185	\$ (8,185)

Schedule of Expenditures - Budget and Actual
Governmental Fund
For the Year Ended June 30, 2023 (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	\$ 153,949	\$ 153,949	\$ 136,095	\$ 17,854
Cultural enrichment:				
Cultural enrichment	\$ 9,000	\$ 9,000	\$ 9,000	\$ -
Masonic Theatre preservation	10,000	10,000	10,000	-
Total cultural enrichment	\$ 19,000	\$ 19,000	\$ 19,000	\$ -
Library:				
Library	\$ 209,899	\$ 209,899	\$ 218,440	\$ (8,541)
Total parks, recreation, and cultural	\$ 382,848	\$ 382,848	\$ 373,535	\$ 9,313
Community development:				
Planning and community development:				
Community development	\$ 57,654	\$ 57,654	\$ 65,016	\$ (7,362)
Contributions local civic organizations	9,750	9,750	13,375	(3,625)
Roanoke Valley-Alleghany Regional Commission	3,700	3,700	6,999	(3,299)
Other planning community development	8,100	8,100	8,100	-
Total planning and community development	\$ 79,204	\$ 79,204	\$ 93,490	\$ (14,286)
Total community development	\$ 79,204	\$ 79,204	\$ 93,490	\$ (14,286)
Nondepartmental:				
Nondepartmental	\$ 195,610	\$ 195,610	\$ 403,469	\$ (207,859)
Contingencies	55,442	55,442	95,029	(39,587)
Total nondepartmental	\$ 251,052	\$ 251,052	\$ 498,498	\$ (247,446)
Capital projects:				
Capital projects	\$ 1,324,519	\$ 1,324,519	\$ -	\$ 1,324,519
Total capital projects	\$ 1,324,519	\$ 1,324,519	\$ -	\$ 1,324,519
Debt service:				
Principal retirement	\$ 113,960	\$ 113,960	\$ 69,086	\$ 44,874
Interest and other fiscal charges	2,000	2,000	12,833	(10,833)
Total debt service	\$ 115,960	\$ 115,960	\$ 81,919	\$ 34,041
Total General Fund	\$ 4,875,790	\$ 4,875,790	\$ 4,276,036	\$ 599,754

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

Water Enterprise Fund

For the Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Operating Revenues:				
Sale of services, commodities and properties:				
Sale of water	\$ 926,500	\$ 926,500	\$ 902,565	\$ (23,935)
Connection fees	2,000	2,000	-	(2,000)
Administration fees	2,000	2,000	1,613	(387)
County water	590,000	590,000	670,593	80,593
Penalties	12,000	12,000	9,388	(2,612)
Total operating revenues	<u>\$ 1,532,500</u>	<u>\$ 1,532,500</u>	<u>\$ 1,584,159</u>	<u>\$ 51,659</u>
Operating Expenses:				
Water filtration plant	\$ 430,753	\$ 430,753	\$ 436,014	\$ (5,261)
Transmissional distribution	202,246	202,246	248,168	(45,922)
Other costs	3,812,803	3,812,803	182,208	3,630,595
Depreciation	-	-	349,031	(349,031)
Capital outlay	300,000	300,000	14,540	285,460
Total operating expenses	<u>\$ 4,745,802</u>	<u>\$ 4,745,802</u>	<u>\$ 1,229,961</u>	<u>\$ 3,515,841</u>
Net operating income (loss)	<u>\$ (3,213,302)</u>	<u>\$ (3,213,302)</u>	<u>\$ 354,198</u>	<u>\$ 3,567,500</u>
Nonoperating revenues (expenses):				
Grants:				
Federal	\$ 3,635,500	\$ 3,635,500	\$ 598,729	\$ (3,036,771)
Loss on disposal of assets	-	-	(38,375)	(38,375)
Interest revenue	-	-	2,030	2,030
Interest expense	(422,198)	(422,198)	(63,509)	358,689
Net nonoperating revenues (expenses)	<u>\$ 3,213,302</u>	<u>\$ 3,213,302</u>	<u>\$ 498,875</u>	<u>\$ (2,714,427)</u>
Income (loss) before operating transfers	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 853,073</u>	<u>\$ 853,073</u>
Fund transfers	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 620,477</u>	<u>\$ 620,477</u>
Net income (loss)	<u>-</u>	<u>-</u>	<u>1,473,550</u>	<u>1,473,550</u>
Change in net position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,473,550</u>	<u>\$ 1,473,550</u>

Schedule of Revenues, Expenses, and Changes in Net Position - Budget and Actual
 Sewer Enterprise Fund
 For the Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Operating Revenues:				
Sale of services, commodities and properties:				
Sewage treatment charges	\$ 1,447,500	\$ 1,447,500	\$ 1,503,185	\$ 55,685
Sewer lateral line fee	-	-	305	305
Administration fees	2,000	2,000	1,600	(400)
Penalties	22,000	22,000	18,776	(3,224)
Total operating revenues	\$ 1,471,500	\$ 1,471,500	\$ 1,523,866	\$ 52,366
Operating Expenses:				
Wastewater treatment plant	\$ 1,034,500	\$ 1,034,500	\$ 1,100,721	\$ (66,221)
Sewage collection	103,814	103,814	81,368	22,446
Sewer I and I	24,036	24,036	2,558	21,478
Other costs	580,621	580,621	281,540	299,081
Depreciation	-	-	250,529	(250,529)
Capital outlay	-	-	4,728	(4,728)
Total operating expenses	\$ 1,742,971	\$ 1,742,971	\$ 1,721,444	\$ 21,527
Net operating income	\$ (271,471)	\$ (271,471)	\$ (197,578)	\$ 73,893
Nonoperating Revenues (Expenses):				
Grants:				
Federal	\$ 440,000	\$ 440,000	\$ -	\$ (440,000)
Interest expense	(168,529)	(168,529)	(7,078)	161,451
Net nonoperating revenues (expenses)	\$ 271,471	\$ 271,471	\$ (7,078)	\$ (278,549)
Income (loss) before operating transfers	\$ -	\$ -	\$ (204,656)	\$ (204,656)
Fund transfers	\$ -	\$ -	\$ 187,027	\$ 187,027
Change in net position	\$ -	\$ -	\$ (17,629)	\$ (17,629)

Other Statistical Information

Government-wide Expenses by Function
Last Ten Fiscal Years

Fiscal Year	General Government Administration	Public Safety	Public Works	Parks, Recreation, and Cultural	Community Development	Interest on Long-term Debt	Other	Water Fund	Sewer Fund	Total
2013-14	\$ 590,768	\$ 1,167,341	\$ 928,631	\$ 329,347	\$ 129,521	\$ 42,944	\$ 6,282	\$ 1,100,685	\$ 1,351,775	\$ 5,647,294
2014-15	475,226	1,023,906	660,928	594,200	138,854	26,842	7,339	965,997	1,389,447	5,282,739
2015-16	405,327	1,035,099	998,874	833,947	393,010	21,510	8,164	932,505	4,224,181	8,852,617
2016-17	382,151	978,824	555,605	409,685	589,430	23,140	8,898	840,885	1,435,860	5,224,478
2017-18	358,116	1,007,657	952,033	398,343	536,792	25,308	7,762	949,612	1,421,998	5,657,621
2018-19	421,771	1,102,469	1,321,651	410,157	551,885	27,188	6,228	1,008,244	2,062,011	6,911,604
2019-20	647,212	1,210,544	1,075,072	437,684	69,602	22,095	6,586	1,073,705	1,603,581	6,146,081
2020-21	540,294	1,187,581	1,116,264	714,914	227,634	19,651	7,546	1,118,239	1,519,902	6,452,025
2021-22	567,529	1,395,862	582,587	458,784	184,196	15,767	7,546	1,107,475	1,155,043	5,474,789
2022-23	782,094	1,754,662	1,092,189	391,472	95,510	11,601	8,185	1,331,845	1,728,522	7,196,080

Government-wide Revenues
Last Ten Fiscal Years

Fiscal Year	PROGRAM REVENUES			GENERAL REVENUES						
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	General Property Taxes	Other Local Taxes	Unrestricted Investment Earnings	Miscellaneous	Grants and Contributions Not Restricted to Specific Programs	Transfers	Total
2013-14	\$ 2,750,398	\$ 899,149	\$ 14,785	\$ 662,508	\$ 818,958	\$ 17,927	\$ 21,105	\$ 418,651	-	\$ 5,603,481
2014-15	2,641,003	894,274	1,286,659	602,480	838,486	16,106	381,559	418,442	-	7,079,009
2015-16	2,635,889	1,200,250	594,103	585,139	914,881	16,271	409,998	415,280	10,000	6,781,811
2016-17	3,173,977	1,189,138	506,250	597,153	901,126	18,163	306,253	412,783	-	7,104,843
2017-18	3,352,230	1,046,581	2,057,701	588,575	964,716	41,930	77,912	409,754	15,000	8,554,399
2018-19	3,239,015	1,312,584	48,563	618,302	1,077,693	49,071	176,598	396,689	-	6,918,515
2019-20	3,163,951	901,414	72,376	620,791	1,018,502	41,043	116,132	408,318	-	6,342,527
2020-21	3,187,833	1,147,032	1,592,208	763,790	999,029	30,357	107,627	391,689	-	8,219,565
2021-22	2,928,910	1,228,587	327,550	833,639	1,043,351	35,786	98,346	389,725	-	6,885,894
2022-23	3,433,492	2,508,061	598,729	813,151	1,029,750	32,339	192,000	387,855	-	8,995,377

General Governmental Expenditures by Function
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>General Government Administration</u>	<u>Public Safety</u>	<u>Public Works</u>	<u>Parks, Recreation, and Cultural</u>	<u>Community Development</u>	<u>Capital Projects</u>	<u>Non- departmental</u>	<u>Debt Service</u>	<u>Other</u>	<u>Total</u>
2013-14 \$	278,136 \$	1,033,675 \$	870,189 \$	328,276 \$	122,887 \$	176,244 \$	266,948 \$	410,218 \$	6,282 \$	3,492,855
2014-15	289,287	1,009,379	631,237	606,841	148,878	737,495	184,872	125,123	7,339	3,740,451
2015-16	296,571	1,026,178	927,495	425,897	144,171	1,253,858	215,575	106,662	8,164	4,404,571
2016-17	311,771	1,011,462	584,096	431,323	104,721	1,105,844	142,481	131,507	8,898	3,832,103
2017-18	293,687	1,050,389	987,940	418,239	84,119	1,793,968	188,202	138,318	7,762	4,962,624
2018-19	324,933	1,081,609	1,288,669	367,372	112,197	569,035	184,143	150,419	6,228	4,084,605
2019-20	339,564	1,037,935	994,008	351,607	58,408	244,699	273,135	150,035	6,586	3,455,977
2020-21	723,613	1,022,665	1,036,207	355,266	225,187	291,610	206,484	168,707	7,546	4,037,285
2021-22	315,481	1,420,044	766,685	442,495	184,323	-	292,567	129,014	7,546	3,558,155
2022-23	362,052	1,714,914	1,143,443	373,535	93,490	-	498,498	81,919	8,185	4,276,036

General Governmental Revenues by Source
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	Charges for Services	Miscellaneous	Recovered Costs	Inter-governmental	Total
2013-14	\$ 604,824	\$ 818,958	\$ 7,702	\$ 16,461	\$ 16,972	\$ 57,097	\$ 21,105	\$ 96,636	\$ 1,313,700	\$ 2,953,455
2014-15	610,843	838,486	9,824	14,377	15,958	67,517	381,559	78,110	1,589,617	3,606,291
2015-16	584,409	914,881	4,210	9,336	16,271	59,141	409,998	174,734	1,963,038	4,136,018
2016-17	583,768	901,126	21,355	9,032	18,139	70,969	306,253	52,813	2,084,009	4,047,464
2017-18	592,333	964,716	4,004	13,402	41,930	72,950	77,912	119,757	2,846,512	4,733,516
2018-19	623,765	1,077,693	1,414	11,394	47,922	75,183	174,807	119,526	1,749,522	3,881,226
2019-20	621,647	1,018,502	1,890	17,847	40,227	83,869	116,132	77,360	1,382,108	3,359,582
2020-21	770,896	999,029	1,350	13,103	30,357	83,273	107,627	43,213	1,768,419	3,817,267
2021-22	782,814	1,043,351	665	6,363	35,786	84,652	98,346	122,780	1,618,312	3,793,069
2022-23	824,343	1,029,750	765	2,338	32,339	322,364	192,000	70,435	2,895,916	5,370,250

Property Tax Levies and Collections
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Total Tax Levy (1,3)</u>	<u>Current Tax (1,3) Collections</u>	<u>Percent of Levy Collected</u>	<u>Delinquent Tax (1,2) Collections</u>	<u>Total Tax Collections</u>	<u>Percent of Total Tax Collections to Tax Levy</u>	<u>Outstanding Delinquent Taxes (1,2)</u>	<u>Percent of Delinquent Taxes to Tax Levy</u>
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%
2017-18	603,587	552,032	91.46%	28,144	580,176	96.12%	121,362	20.11%
2018-19	611,574	578,029	94.51%	32,668	610,697	99.86%	124,671	20.39%
2019-20	613,246	568,898	92.77%	33,657	602,555	98.26%	120,182	19.60%
2020-21	764,533	706,065	92.35%	41,240	747,305	97.75%	127,775	16.71%
2021-22	825,114	736,952	89.32%	31,536	768,488	93.14%	164,191	19.90%
2022-23	845,782	757,227	89.53%	47,552	804,779	95.15%	127,775	15.11%

(1) Exclusive of penalties and interest.

(2) Does not include land redemptions, supplemental assessments or abatements.

(3) Exclusive of PPTRA levy and collections.

Assessed Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year	Machinery & Tools and				Public Utility (2)		Total
	Real Estate (1)	Personal Property (3)	Mobile Homes	Real	Personal		
				Estate	Property		
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	
2017-18	143,317,800	8,747,231	15,800	17,303,286	20,203	169,404,320	
2018-19	144,121,400	17,696,754	11,200	18,069,233	16,893	179,915,480	
2019-20	145,391,000	17,853,175	6,900	18,435,969	1,846	181,688,890	
2020-21	145,853,500	18,152,896	6,400	19,714,047	1,718	183,728,561	
2021-22	146,099,200	19,667,208	18,200	20,232,816	1,641	186,019,065	
2022-23	145,658,900	20,864,866	-	13,960,982	7,304	180,492,052	

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

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

(3) Personal property assessments were reported at 100% of assessed value starting in FY2019. Tax rates adjusted accordingly.

Property Tax Rates (1)
Last Ten Fiscal Years

Fiscal Year	Real Estate	Mobile Homes	Personal Property	Machinery and Tools
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
2017-18	0.21	0.21	6.70	6.70
2018-19	0.21	0.21	3.35	6.70
2019-20	0.21	0.21	3.35	3.35
2020-21	0.26	0.26	3.65	3.65
2021-22	0.26	0.26	3.65	3.65
2022-23	0.26	0.26	3.65	3.65

(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			
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
2017-18	3,570	169,404,320	6,737,273	-	6,264,370	472,903	0.28%	132
2018-19	3,528	179,915,480	6,375,860	-	5,976,421	399,439	0.22%	113
2019-20	3,494	181,688,890	7,551,081	-	7,226,652	324,429	0.18%	93
2020-21	3,460	183,728,561	8,331,442	-	8,083,606	247,836	0.13%	72
2021-22	3,447	186,019,065	7,734,173	-	7,524,173	210,000	0.11%	61
2022-23	3,388	180,492,052	7,229,029	-	7,034,029	195,000	0.11%	58

(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, 2023

Total Assessed Value of Real Estate	\$ <u>166,332,016</u>
Legal Debt Margin - 10% of assessed value of real estate	\$ 16,633,202
Less: Applicable gross indebtedness	<u>7,229,029</u>
Legal margin for creation of additional debt	\$ <u>9,404,173</u>

(1) Includes water and sewer debt general obligations pledged by the system's revenues and supplemented with the Town's general obligation.

Compliance

**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, 2023, 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 September 30, 2024.

Report on 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) as a basis for designing 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 or significant deficiencies may exist that were not identified.

Report on 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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

Robinson, Farmer, Cox Associates
Charlottesville, Virginia
September 30, 2024



**Independent Auditors' Report on Compliance for Each Major Program and on
Internal Control over Compliance Required by the Uniform Guidance**

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Town of Clifton Forge, Virginia's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Town of Clifton Forge, Virginia's major federal programs for the year ended June 30, 2023. The Town of Clifton Forge, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Town of Clifton Forge, Virginia, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Town of Clifton Forge, Virginia and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Town of Clifton Forge, Virginia's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Town of Clifton Forge, Virginia's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Town of Clifton Forge, Virginia's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Town of Clifton Forge, Virginia's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Town of Clifton Forge, Virginia's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Town of Clifton Forge, Virginia's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Town of Clifton Forge, Virginia's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Report on Internal Control over Compliance: (Continued)

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Robinson, Farmer, Cox Associates

Charlottesville, Virginia

September 30, 2024

TOWN OF CLIFTON FORGE, VIRGINIA

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

Federal Grantor/State Pass-through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Justice:			
Pass-through Payments:			
Virginia Department of Criminal Justice:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	unknown	\$ <u>12,845</u>
Total Department of Justice			\$ <u>12,845</u>
Department of the Treasury:			
Pass-through Payments:			
Department of Accounts, Virginia			
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	unknown	\$ <u>1,394,815</u>
Department of Health, Virginia			
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	unknown	\$ <u>598,729</u>
Department of Criminal Justice, Virginia			
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	unknown	\$ <u>73,049</u>
Total United States Department of the Treasury			\$ <u>2,066,593</u>
The Institute of Museum and Library Services			
Pass-through Payments:			
Library of Virginia:			
Grants to States	45.310	unknown	\$ <u>5,639</u>
Total The Institute of Museum and Library Services			\$ <u>5,639</u>
Total Expenditures of Federal Awards			\$ <u><u>2,085,077</u></u>

See accompanying notes to schedule of expenditures of federal awards.

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards ("Schedule") includes the federal award activity of the Town of Clifton Forge, Virginia under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Town of Clifton Forge, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town of Clifton Forge, Virginia.

Note 2 - Basis of Accounting

- (1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (2) Pass-through entity identifying numbers are presented where available.

Note 3 - Indirect Cost Rate

The Town did not elect to use the 10-percent de minimis indirect cost rate allowed under Uniform Guidance.

Note 4 - Subrecipients

No awards were passed through to subrecipients.

Note 5 - Relationship to Financial Statements

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

Intergovernmental federal revenues per the basic financial statements:	
General Fund	\$ 1,486,348
Water Fund	<u>598,729</u>
Total federal expenditures per basic financial statements	\$ <u>2,085,077</u>
Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$ <u><u>2,085,077</u></u>

TOWN OF CLIFTON FORGE, VIRGINIA

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2023

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? No

Significant Deficiency(ies) identified? None reported

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? No

Significant Deficiency(ies) identified? None reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with CFR section 200.516(a)? No

Identification of major programs:

<u>Assistance Listing#</u>	<u>Name of Federal Program or Cluster</u>
21.027	Coronavirus State and Local Fiscal Recovery Funds

Dollar threshold used to distinguish between Type A and Type B programs \$ 750,000

Auditee qualified as low-risk auditee? No

Section II - Financial Statement Findings

There are no financial statement findings to report.

Section III - Federal Award Findings and Questioned Costs

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

Section IV - Prior Year Findings

There are no prior year findings to report.