



FINANCIAL REPORT
YEAR ENDED JUNE 30, 2021

TOWN OF CLIFTON FORGE, VIRGINIA

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2021

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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, 2021

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1-3
Management's Discussion and Analysis	4-9
<u>Basic Financial Statements:</u>	
Government-wide Financial Statements:	
Exhibit 1 Statement of Net Position	10
Exhibit 2 Statement of Activities	11
Fund Financial Statements:	
Exhibit 3 Balance Sheet—Governmental Fund	12
Exhibit 4 Reconciliation of the Balance Sheet of Governmental Fund to the Statement of Net Position	13
Exhibit 5 Statement of Revenues, Expenditures, and Change in Fund Balance—Governmental Fund	14
Exhibit 6 Reconciliation of Statement of Revenues, Expenditures, and Change in Fund Balance of Governmental Fund to the Statement of Activities	15
Exhibit 7 Statement of Net Position—Proprietary Funds	16
Exhibit 8 Statement of Revenues, Expenses, and Changes in Net Position—Proprietary Funds	17
Exhibit 9 Statement of Cash Flows—Proprietary Funds	18
Exhibit 10 Statement of Fiduciary Net Position—Fiduciary Funds	19
Exhibit 11 Statement of Changes in Fiduciary Net Position—Fiduciary Funds	20
Notes to Financial Statements	21-59

TOWN OF CLIFTON FORGE, VIRGINIA
FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2021

TABLE OF CONTENTS (CONTINUED)

	<u>Page</u>
<u>Required Supplementary Information:</u>	
Exhibit 12	Schedule of Revenues, Expenditures, and Change in Fund Balance— Budget and Actual—General Fund 60
Exhibit 13	Schedule of Changes in Net Pension Liability and Related Ratios 61
Exhibit 14	Schedule of Employer Contributions - Pension Plan 62
Exhibit 15	Notes to Required Supplementary Information - Pension Plan 63
Exhibit 16	Schedule of Town’s Share of Net OPEB Liability - Group Life Insurance Plan 64
Exhibit 17	Schedule of Employer Contributions - Group Life Insurance Plan 65
Exhibit 18	Notes to Required Supplementary Information - Group Life Insurance Plan 66
<u>Other Supplementary Information:</u>	
Combining and Individual Fund Financial Statements:	
Exhibit 19	Combining Statement of Fiduciary Net Position—Fiduciary Funds 67
Exhibit 20	Combining Statement of Changes in Fiduciary Net Position— Fiduciary Funds 68
Supporting Schedules:	
Schedule 1	Schedule of Revenues—Budget and Actual—Governmental Fund 69-70
Schedule 2	Schedule of Expenditures—Budget and Actual—Governmental Fund 71-72
Schedule 3	Schedule of Revenues, Expenses, and Change in Net Position—Budget and Actual—Water Enterprise Fund 73
Schedule 4	Schedule of Revenues, Expenses, and Change in Net Position—Budget and Actual—Sewer Enterprise Fund 74

TOWN OF CLIFTON FORGE, VIRGINIA
FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2021

TABLE OF CONTENTS (CONTINUED)

	<u>Page</u>
<u>Other Statistical Information:</u>	
Government-wide Information:	
Table 1 Government-wide Expenses by Function	75-76
Table 2 Government-wide Revenues	77-78
Fund Information:	
Table 3 General Governmental Expenditures by Function	79-80
Table 4 General Governmental Revenues by Source	81-82
Table 5 Property Tax Levies and Collections	83
Table 6 Assessed Value of Taxable Property	84
Table 7 Property Tax Rates	85
Table 8 Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita	86
Table 9 Computation of Legal Debt Margin	87
<u>Compliance:</u>	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	88-89
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	90-91
Schedule of Expenditures of Federal Awards	92
Notes to Schedule of Expenditures of Federal Awards	93
Schedule of Findings and Questioned Costs	94



Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Clifton Forge, Virginia, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Clifton Forge, Virginia, as of June 30, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2021, the Town adopted new accounting guidance, GASB Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB funding on pages 4-9, 60, and 61-66 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Clifton Forge, Virginia's basic financial statements. The combining and individual fund financial statements, supporting schedules, and other statistical information, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 15, 2022, on our consideration of the 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 the Town of Clifton Forge, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Charlottesville, Virginia

February 15, 2022

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

As management of the Town of Clifton Forge (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2021. 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 \$12.33 million (*net position*). Of this amount, \$2.71 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 \$1,767,540, of which the governmental activities accounted for a \$46,936 decrease and business-type activities accounted for an increase of \$1,814,476. 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 a deficit ending fund balance in the amount of \$94,918, a decrease of \$90,449 compared to the prior year. The unassigned fund balance at June 30, 2021 reported a deficit balance of \$104,506. The Town had \$9,588 in restricted fund balance at June 30, 2021.
- The Town's total long-term obligations increased by \$1,187,957 during the current fiscal year.

Overview of the Financial Statements

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

Government-wide financial statements

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

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

Government-wide financial statements: (Continued)

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

Fund financial statements

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

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

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

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

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

Notes to financial statements

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

Other information

In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning budgetary comparisons for the general fund and the schedules relating to the Town's participation in its defined benefit pension plan. Required supplementary information can be found on pages 60 through 66 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 67 through 74 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 \$12.33 million at the close of the most recent fiscal year. A large portion of the Town's net position (\$9.5 million, 77% of total) reflects its investment in capital assets (e.g., land, buildings, improvements, infrastructure machinery and equipment, and vehicles), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities (i.e., the Town's investment in capital assets are of a permanent nature as assets acquired are generally not sold or otherwise disposed of during their useful life).

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

Town of Clifton Forge, Virginia Summary of Net Position						
	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 2,478,021	\$ 627,782	\$ 4,701,930	\$ 4,752,292	\$ 7,179,951	\$ 5,380,074
Capital assets	4,510,024	4,240,214	13,870,302	11,476,931	18,380,326	15,717,145
Total assets	\$ 6,988,045	\$ 4,867,996	\$ 18,572,232	\$ 16,229,223	\$ 25,560,277	\$ 21,097,219
Deferred outflows of resources	\$ 329,362	\$ 308,610	\$ 140,693	\$ 94,132	\$ 470,055	\$ 402,742
Long-term liabilities outstanding	\$ 1,968,449	\$ 1,734,613	\$ 8,603,646	\$ 7,649,525	\$ 10,572,095	\$ 9,384,138
Other liabilities	2,112,256	221,872	524,282	892,486	2,636,538	1,114,358
Total liabilities	\$ 4,080,705	\$ 1,956,485	\$ 9,127,928	\$ 8,542,011	\$ 13,208,633	\$ 10,498,496
Deferred inflows of resources	\$ 472,283	\$ 408,766	\$ 21,085	\$ 31,908	\$ 493,368	\$ 440,674
Net position:						
Net investment in capital assets	\$ 4,057,786	\$ 3,768,489	\$ 5,485,608	\$ 3,535,432	\$ 9,543,394	\$ 7,303,921
Restricted	9,588	12,242	67,673	67,673	77,261	79,915
Unrestricted	(1,302,955)	(969,376)	4,010,631	4,146,331	2,707,676	3,176,955
Total net position	\$ 2,764,419	\$ 2,811,355	\$ 9,563,912	\$ 7,749,436	\$ 12,328,331	\$ 10,560,791

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 \$1,302,955 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 decreased during fiscal year 2021.

Government-wide Financial Analysis: (Continued)

As noted previously, the Town's total net position increased by \$1,767,540 during the current fiscal year. Governmental activities decreased the Town's net position by \$46,936. 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	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services	\$ 97,726	\$ 103,606	\$ 3,090,107	\$ 3,060,345	\$ 3,187,833	\$ 3,163,951
Operating grants and contributions	919,340	901,414	-	-	919,340	901,414
Capital grants and contributions	229,698	72,376	1,362,510	-	1,592,208	72,376
General revenues:						
Property taxes	763,790	620,791	-	-	763,790	620,791
Other taxes	999,029	1,018,502	-	-	999,029	1,018,502
Unrestricted revenues from use of money and property	30,357	40,227	-	816	30,357	41,043
Miscellaneous	107,627	116,132	-	-	107,627	116,132
Grants and contributions not restricted to specific programs	619,381	408,318	-	-	619,381	408,318
Total revenues	\$ 3,766,948	\$ 3,281,366	\$ 4,452,617	\$ 3,061,161	\$ 8,219,565	\$ 6,342,527
Expenses:						
General government administration	\$ 594,595	\$ 647,212	-	-	\$ 594,595	\$ 647,212
Public safety	1,133,280	1,210,544	-	-	1,133,280	1,210,544
Public works	1,116,264	1,075,072	-	-	1,116,264	1,075,072
Health and welfare	7,546	6,586	-	-	7,546	6,586
Parks, recreation and cultural	714,914	437,684	-	-	714,914	437,684
Community development	227,634	69,602	-	-	227,634	69,602
Interest on long-term debt	19,651	22,095	-	-	19,651	22,095
Water fund	-	-	1,118,239	1,073,705	1,118,239	1,073,705
Sewer fund	-	-	1,519,902	1,603,581	1,519,902	1,603,581
Total expenses	\$ 3,813,884	\$ 3,468,795	\$ 2,638,141	\$ 2,677,286	\$ 6,452,025	\$ 6,146,081
Increase (decrease) in net position before transfers	\$ (46,936)	\$ (187,429)	\$ 1,814,476	\$ 383,875	\$ 1,767,540	\$ 196,446
Change in net position	\$ (46,936)	\$ (187,429)	\$ 1,814,476	\$ 383,875	\$ 1,767,540	\$ 196,446
Net position - beginning of year	\$ 2,811,355	\$ 2,998,784	\$ 7,749,436	\$ 7,365,561	\$ 10,560,791	\$ 10,364,345
Net position - end of year	\$ 2,764,419	\$ 2,811,355	\$ 9,563,912	\$ 7,749,436	\$ 12,328,331	\$ 10,560,791

Business-type activities increased the Town's net position by \$1,814,476. 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 deficit fund balance of \$94,918, a decrease of \$90,449 in comparison with the prior year. Of this amount, \$104,506 deficit is reported as unassigned. At June 30, 2021, The Town had \$9,588 in restricted fund balance. The Town's unassigned fund balance reported as a deficit as of June 30, 2021 will be monitored in the future.

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 \$9.56 million, of which \$5.49 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, 2021, amounts to \$18.38 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, and machinery and equipment as well as construction in progress. Capital assets, net of accumulated depreciation, are illustrated in the following table:

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 784,994	\$ 784,994	\$ 73,412	\$ 73,412	\$ 858,406	\$ 858,406
Buildings	1,261,301	986,019	-	-	1,261,301	986,019
Infrastructure	1,903,721	1,959,869	8,296,481	8,682,170	10,200,202	10,642,039
Machinery & equipment	491,330	440,654	-	-	491,330	440,654
Construction in progress	68,678	68,678	5,500,409	2,721,349	5,569,087	2,790,027
Total	<u>\$ 4,510,024</u>	<u>\$ 4,240,214</u>	<u>\$ 13,870,302</u>	<u>\$ 11,476,931</u>	<u>\$ 18,380,326</u>	<u>\$ 15,717,145</u>

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

Capital Asset and Debt Administration: (Continued)

Long-term Obligations: At the end of the current fiscal year, the Town had total outstanding obligations of \$10.57 million and details are summarized in the following table:

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Capital leases	\$ 188,376	\$ 130,038	\$ 25,278	\$ 53,688	\$ 213,654	\$ 183,726
Notes payable	-	-	333,023	2,416,185	333,023	2,416,185
Revenue bonds	-	-	4,900,451	1,762,526	4,900,451	1,762,526
General obligation bonds	247,836	324,429	-	-	247,836	324,429
Premium on issuance	16,026	17,258	46,827	50,428	62,853	67,686
Revolving loan funds	-	-	2,850,132	3,047,941	2,850,132	3,047,941
Landfill closure and post-closure	75,000	82,500	-	-	75,000	82,500
Net pension liability	1,289,878	1,019,952	388,396	254,062	1,678,274	1,274,014
Net OPEB liability	80,293	93,192	24,177	23,157	104,470	116,349
Compensated absences	71,040	67,244	35,362	41,538	106,402	108,782
Total	\$ 1,968,449	\$ 1,734,613	\$ 8,603,646	\$ 7,649,525	\$ 10,572,095	\$ 9,384,138

Obligations associated with governmental activities increased by \$233,836 and \$954,121 by obligations of the business-type activities. The Town secured a USDA/Rural Development loan to provide permanent financing upon completion of the water fund water improvement project. The amount of the loan as of June 30, 2021 is \$3.25 million.

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, 2021.

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, 2021

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,909,342	\$ 4,253,072	\$ 6,162,414
Receivables (net of allowance for uncollectibles):			
Taxes receivable	468,026	-	468,026
Accounts receivable	80,253	229,957	310,210
Due from other governmental units	10,812	46,550	57,362
Restricted assets:			
Cash and cash equivalents	9,588	172,351	181,939
Capital assets (net of accumulated depreciation):			
Land	784,994	73,412	858,406
Buildings and improvements	1,261,301	-	1,261,301
Machinery and equipment	491,330	-	491,330
Infrastructure	1,903,721	8,296,481	10,200,202
Construction in progress	68,678	5,500,409	5,569,087
Total assets	\$ 6,988,045	\$ 18,572,232	\$ 25,560,277
DEFERRED OUTFLOWS OF RESOURCES			
Pension related items	\$ 312,917	\$ 135,761	\$ 448,678
OPEB related items	16,445	4,932	21,377
Total deferred outflows of resources	\$ 329,362	\$ 140,693	\$ 470,055
LIABILITIES			
Accounts payable	\$ 237,254	\$ 376,615	\$ 613,869
Deposits for utility customers	-	104,678	104,678
Accrued payroll	49,560	8,505	58,065
Accrued interest payable	-	34,484	34,484
Unearned revenue	1,812,542	-	1,812,542
Due to fiduciary activities	12,900	-	12,900
Long-term liabilities:			
Due within one year	127,852	591,701	719,553
Due in more than one year	1,840,597	8,011,945	9,852,542
Total liabilities	\$ 4,080,705	\$ 9,127,928	\$ 13,208,633
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue - property taxes	\$ 400,138	\$ -	\$ 400,138
Pension related items	55,718	16,139	71,857
OPEB related items	16,427	4,946	21,373
Total deferred inflows of resources	\$ 472,283	\$ 21,085	\$ 493,368
NET POSITION			
Net investment in capital assets	\$ 4,057,786	\$ 5,485,608	\$ 9,543,394
Restricted for:			
Forfeited assets - law enforcement	3,430	-	3,430
Library improvements	1,583	-	1,583
CDBG programs	4,575	-	4,575
Debt service reserve	-	67,673	67,673
Unrestricted (deficit)	(1,302,955)	4,010,631	2,707,676
Total net position	\$ 2,764,419	\$ 9,563,912	\$ 12,328,331

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

Statement of Activities
For the Year Ended June 30, 2021

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	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	\$ 540,294	\$ -	\$ 173,391	\$ -	\$ (366,903)	\$ -	\$ (366,903)
Public safety	1,187,581	93,683	284,857	-	(809,041)	-	(809,041)
Public works	1,116,264	600	634,523	229,698	(251,443)	-	(251,443)
Health and welfare	7,546	-	-	-	(7,546)	-	(7,546)
Parks, recreation, and cultural	714,914	2,673	50,717	-	(661,524)	-	(661,524)
Community development	227,634	770	3,544	-	(223,320)	-	(223,320)
Interest on long-term debt	19,651	-	-	-	(19,651)	-	(19,651)
Total governmental activities	\$ 3,813,884	\$ 97,726	\$ 1,147,032	\$ 229,698	\$ (2,339,428)	\$ -	\$ (2,339,428)
Business-type activities:							
Water	\$ 1,118,239	\$ 1,465,710	\$ -	\$ 1,362,510	\$ -	\$ 1,709,981	\$ 1,709,981
Sewer	1,519,902	1,624,397	-	-	-	104,495	104,495
Total business-type activities	\$ 2,638,141	\$ 3,090,107	\$ -	\$ 1,362,510	\$ -	\$ 1,814,476	\$ 1,814,476
Total primary government	\$ 6,452,025	\$ 3,187,833	\$ 1,147,032	\$ 1,592,208	\$ (2,339,428)	\$ 1,814,476	\$ (524,952)
General revenues:							
General property taxes					\$ 763,790	\$ -	\$ 763,790
Other local taxes:							
Local sales and use tax					143,349	-	143,349
Consumers' utility tax					165,300	-	165,300
Business licenses tax					181,967	-	181,967
Restaurant food tax					399,558	-	399,558
Motor vehicle licenses					756	-	756
Bank stock taxes					96,900	-	96,900
Other local taxes					11,199	-	11,199
Unrestricted revenues from use of money and property					30,357	-	30,357
Miscellaneous					107,627	-	107,627
Grants and contributions not restricted to specific programs					391,689	-	391,689
Total general revenues					\$ 2,292,492	\$ -	\$ 2,292,492
Change in net position					\$ (46,936)	\$ 1,814,476	\$ 1,767,540
Net position - beginning					2,811,355	7,749,436	10,560,791
Net position - ending					\$ 2,764,419	\$ 9,563,912	\$ 12,328,331

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

Fund Financial Statements

Balance Sheet
Governmental Fund
June 30, 2021

	<u>General</u>
ASSETS	
Cash and cash equivalents	\$ 1,909,342
Receivables (net of allowance for uncollectibles):	
Taxes receivable	468,026
Accounts receivable	80,253
Due from other governmental units	10,812
Restricted assets:	
Cash and cash equivalents	<u>9,588</u>
Total assets	<u><u>\$ 2,478,021</u></u>
LIABILITIES	
Accounts payable	\$ 237,254
Accrued payroll	49,560
Unearned revenue	1,812,542
Due to fiduciary activities	<u>12,900</u>
Total liabilities	<u>\$ 2,112,256</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue-property taxes	<u>\$ 460,683</u>
FUND BALANCE	
Restricted for:	
Forfeited assets - law enforcement	\$ 3,430
Library improvements	1,583
CDBG programs	4,575
Unassigned (deficit)	<u>(104,506)</u>
Total fund balance (deficit)	<u>\$ (94,918)</u>
Total liabilities, deferred inflows, and fund balances (deficits)	<u><u>\$ 2,478,021</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, 2021

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

Total fund balance per Exhibit 3 - Balance Sheet - Governmental Fund	\$	(94,918)
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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	\$ 7,986,430	
Less: accumulated depreciation	<u>(3,476,406)</u>	4,510,024

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		60,545
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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	\$ 312,917	
OPEB related items	<u>16,445</u>	329,362

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

Pension related items	\$ (55,718)	
OPEB related items	<u>(16,427)</u>	(72,145)

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	\$ (71,040)	
Net pension liability	(1,289,878)	
Net OPEB liability	(80,293)	
Capital leases	(188,376)	
Bonds and notes payable	(247,836)	
Premium on bonds payable	(16,026)	
Landfill postclosure liability	<u>(75,000)</u>	(1,968,449)

Net position of governmental activities	\$	<u><u>2,764,419</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, 2021

	<u>General</u>
REVENUES	
General property taxes	\$ 770,896
Other local taxes	999,029
Permits, privilege fees, and regulatory licenses	1,350
Fines and forfeitures	13,103
Revenue from the use of money and property	30,357
Charges for services	83,273
Miscellaneous	107,627
Recovered costs	43,213
Intergovernmental:	
Commonwealth	1,311,029
Federal	457,390
Total revenues	<u>\$ 3,817,267</u>
EXPENDITURES	
Current:	
General government administration	\$ 723,613
Public safety	1,022,665
Public works	1,036,207
Health and welfare	7,546
Parks, recreation, and cultural	355,266
Community development	225,187
Nondepartmental	206,484
Capital outlay	291,610
Debt service:	
Principal retirement	147,824
Interest and other fiscal charges	20,883
Total expenditures	<u>\$ 4,037,285</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (220,018)</u>
OTHER FINANCING SOURCES (USES)	
Issuance of capital leases	<u>\$ 129,569</u>
Total other financing sources (uses)	<u>\$ 129,569</u>
Net change in fund balance	<u>\$ (90,449)</u>
Fund balance - beginning	<u>\$ (4,469)</u>
Fund balance (deficit) - ending	<u><u>\$ (94,918)</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, 2021

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

Net change in fund balance - total governmental fund	\$	(90,449)
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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	\$	539,376	
Less: depreciation expense		<u>(269,566)</u>	269,810

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

Property taxes	(7,106)
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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	\$	147,824	
Issuance of capital leases		(129,569)	
Amortization of premiums		1,232	
Decrease in landfill postclosure liability		<u>7,500</u>	26,987

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	\$	(3,796)	
Change in net pension liability		(269,926)	
Change in net OPEB liability		12,899	
Change in deferred inflows - pension related		(3,039)	
Change in deferred inflows - OPEB related		(3,068)	
Change in deferred outflows - pension related		21,401	
Change in deferred outflows - OPEB related		<u>(649)</u>	(246,178)

Change in net position of governmental activities	\$	<u><u>(46,936)</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, 2021

	Enterprise Fund	Enterprise Fund	
	Water	Sewer	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 2,919,894	\$ 1,333,178	\$ 4,253,072
Accounts receivables, net of allowance for uncollectibles	80,502	149,455	229,957
Due from other governmental units	46,550	-	46,550
Total current assets	\$ 3,046,946	\$ 1,482,633	\$ 4,529,579
Noncurrent assets:			
Restricted assets:			
Cash and cash equivalents	\$ 172,351	\$ -	\$ 172,351
Capital assets (net of accumulated depreciation):			
Land	\$ 27,362	\$ 46,050	\$ 73,412
Construction in progress	5,500,409	-	5,500,409
Infrastructure and equipment	3,336,969	4,959,512	8,296,481
Total capital assets	\$ 8,864,740	\$ 5,005,562	\$ 13,870,302
Total noncurrent assets	\$ 9,037,091	\$ 5,005,562	\$ 14,042,653
Total assets	\$ 12,084,037	\$ 6,488,195	\$ 18,572,232
DEFERRED OUTFLOWS OF RESOURCES			
Pension related items	\$ 135,136	\$ 625	\$ 135,761
OPEB related items	4,835	97	4,932
Total deferred outflows of resources	\$ 139,971	\$ 722	\$ 140,693
LIABILITIES			
Current liabilities:			
Accounts payable and other accrued liabilities	\$ 252,968	\$ 123,647	\$ 376,615
Deposits for utility customers	104,678	-	104,678
Accrued payroll	7,876	629	8,505
Accrued interest payable	31,954	2,530	34,484
Bonds and notes payable - current portion	182,443	380,444	562,887
Capital leases	12,639	12,639	25,278
Compensated absences - current portion	3,536	-	3,536
Total current liabilities	\$ 596,094	\$ 519,889	\$ 1,115,983
Noncurrent liabilities:			
Bonds and notes payable - net of current portion	\$ 5,249,868	\$ 2,317,678	\$ 7,567,546
Net pension liability	380,815	7,581	388,396
Net OPEB liability	23,705	472	24,177
Compensated absences - net of current portion	31,826	-	31,826
Total noncurrent liabilities	\$ 5,686,214	\$ 2,325,731	\$ 8,011,945
Total liabilities	\$ 6,282,308	\$ 2,845,620	\$ 9,127,928
DEFERRED INFLOWS OF RESOURCES			
Pension related items	\$ 7,498	\$ 8,641	\$ 16,139
OPEB related items	4,850	96	4,946
Total deferred inflows of resources	\$ 12,348	\$ 8,737	\$ 21,085
NET POSITION			
Net investment in capital assets	\$ 3,190,807	\$ 2,294,801	\$ 5,485,608
Restricted for debt service reserve	67,673	-	67,673
Unrestricted	2,670,872	1,339,759	4,010,631
Total net position	\$ 5,929,352	\$ 3,634,560	\$ 9,563,912

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, 2021

	Enterprise Fund	Enterprise Fund	
	Water	Sewer	Total
OPERATING REVENUES			
Charges for services:			
Water revenues	\$ 1,454,558	\$ -	\$ 1,454,558
Sewer revenues	-	1,604,448	1,604,448
Connection Fees	-	600	600
Other revenues	1,588	1,588	3,176
Penalties	9,564	17,761	27,325
Total operating revenues	\$ 1,465,710	\$ 1,624,397	\$ 3,090,107
OPERATING EXPENSES			
Transmissional distribution	\$ 230,207	\$ -	\$ 230,207
Water filtration plant	451,803	-	451,803
Wastewater treatment plant	-	1,095,227	1,095,227
Sewage collection	-	50,867	50,867
Sewer inflow and infiltration	-	15,237	15,237
Depreciation	211,820	244,764	456,584
Other costs	132,417	103,792	236,209
Total operating expenses	\$ 1,026,247	\$ 1,509,887	\$ 2,536,134
Operating income (loss)	\$ 439,463	\$ 114,510	\$ 553,973
NONOPERATING REVENUES (EXPENSES)			
Intergovernmental revenues:			
Federal	\$ 1,362,510	\$ -	\$ 1,362,510
Interest expense	(91,992)	(10,015)	(102,007)
Total nonoperating revenues (expenses)	\$ 1,270,518	\$ (10,015)	\$ 1,260,503
Change in net position	\$ 1,709,981	\$ 104,495	\$ 1,814,476
Net position - beginning	\$ 4,219,371	\$ 3,530,065	\$ 7,749,436
Net position - ending	\$ 5,929,352	\$ 3,634,560	\$ 9,563,912

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

Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2021

	Enterprise Fund	Enterprise Fund	
	Water	Sewer	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 1,451,763	\$ 1,610,583	\$ 3,062,346
Payments to suppliers	(340,677)	(1,248,753)	(1,589,430)
Payments to employees	(377,191)	(35,418)	(412,609)
Net cash provided by (used for) operating activities	\$ 733,895	\$ 326,412	\$ 1,060,307
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Federal grants	\$ 1,362,510	\$ -	\$ 1,362,510
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Additions to utility plant	\$ (3,213,466)	\$ (30,958)	\$ (3,244,424)
Principal payments on bonds and notes	(3,404,657)	(419,243)	(3,823,900)
Principal payments on lease obligations	(14,205)	(14,205)	(28,410)
Proceeds from indebtedness	4,680,854	-	4,680,854
Interest payments	(73,712)	(11,348)	(85,060)
Net cash provided by (used for) capital and related financing activities	\$ (2,025,186)	\$ (475,754)	\$ (2,500,940)
Net increase (decrease) in cash and cash equivalents	\$ 71,219	\$ (149,342)	\$ (78,123)
Cash and cash equivalents - beginning (including restricted)	3,021,026	1,482,520	4,503,546
Cash and cash equivalents - ending (including restricted)	\$ 3,092,245	\$ 1,333,178	\$ 4,425,423
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ 439,463	\$ 114,510	\$ 553,973
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation expense	\$ 211,820	\$ 244,764	\$ 456,584
(Increase) decrease in accounts receivable	(11,246)	(13,814)	(25,060)
(Increase) decrease in intergovernmental receivables	(2,701)	-	(2,701)
(Increase) decrease in deferred outflows - pension related	(47,830)	1,511	(46,319)
(Increase) decrease in deferred outflows - OPEB related	(394)	152	(242)
Increase (decrease) in deferred inflows - pension related	(5,389)	(7,061)	(12,450)
Increase (decrease) in deferred inflows - OPEB related	1,770	(143)	1,627
Increase (decrease) in net pension liability	134,602	(268)	134,334
Increase (decrease) in net OPEB liability	2,218	(1,198)	1,020
Increase (decrease) in operating accounts payable	584	(11,014)	(10,430)
Increase (decrease) in deposits for utility customers	18,904	-	18,904
Increase (decrease) in accrued payroll	(1,730)	(1,027)	(2,757)
Increase (decrease) in compensated absences	(6,176)	-	(6,176)
Total adjustments	\$ 294,432	\$ 211,902	\$ 506,334
Net cash provided by (used for) operating activities	\$ 733,895	\$ 326,412	\$ 1,060,307

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

Statement of Fiduciary Net Position
 Fiduciary Funds
 June 30, 2021

	Private-Purpose Trusts
	<hr/>
ASSETS	
Cash and cash equivalents	\$ 263,685
Due from general government	<hr/> 12,899
	<hr/>
Total assets	\$ <u><u>276,584</u></u>
NET POSITION	
Held in trust for cemeteries	\$ <u><u>276,584</u></u>

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, 2021

	<u>Private-Purpose Trusts</u>
ADDITIONS	
Contributions:	
Sale of cemetery lots	\$ 6,599
Total contributions	<u>\$ 6,599</u>
Total additions	<u>\$ 6,599</u>
Change in net position	<u>\$ 6,599</u>
Net position - beginning	<u>\$ 269,985</u>
Net position - ending	<u><u>\$ 276,584</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, 2021

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, 2021.

B. Government-wide and Fund Financial Statements

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

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

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

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

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds 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.

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

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

Governmental fund financial statements are reported using the *current financial resources measurement focus and the modified accrual basis of accounting*. Revenues are recognized 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, as well as expenditures related to compensated absences, are recorded only when payment is due.

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2021 (Continued)

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.

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2021 (Continued)

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."

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2021 (Continued)

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 \$36,342 at June 30, 2021 for property taxes, and water and sewer allowances were \$140,894 and \$260,552, respectively.

6. Use of Estimates

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

7. Capital Assets

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed.

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2021 (Continued)

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

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.

10. Fund Balance

The following classifications of fund balance describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance - amounts that are not in spendable form (such as inventory and prepaids) or are required to be maintained intact (corpus of a permanent fund);

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2021 (Continued)

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: (Continued)

- Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed fund balance - amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- Assigned fund balance - amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- Unassigned fund balance - amounts that are available for any purpose; positive amounts are only reported in the general fund.

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

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

11. Deferred Outflows/Inflows of Resources

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

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2021 (Continued)

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: (Continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has two types of items that qualify for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30 and amounts prepaid on the 2nd half installments and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, amounts prepaid on the 2nd half installments are reported as deferred inflows of resources. In addition, certain items related to the measurement of the net pension liability and net OPEB liability 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.

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2021 (Continued)

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

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.

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 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. Adoption of Accounting Principles

In 2021, the Town adopted GASB Statement No. 84, *Fiduciary Activities*, which established criteria for identifying fiduciary activities of all state and local governments for accounting and financial reporting purposes and how those activities should be reported. No restatement was required as a result of this implementation.

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2021 (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.

B. Deficit Fund Balance

At June 30, 2021, the General Fund reported a deficit fund balance in the amount of \$94,918.

C. Expenditures in Excess of Appropriations

The General Fund reported expenditures in excess of appropriations of \$994,544.

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.

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2021 (Continued)

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 and 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, 2021 were rated by Standard & Poor’s and the ratings are presented below using Standard & Poor’s rating scale.

Town's Rated Debt Investments' Values	
Rated Debt Investments	Fair Quality Ratings
	AAAm
Money Market Mutual Funds - US Government Funds	\$ 67,673
Total	\$ 67,673

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, 2021 (Continued)

NOTE 3—DEPOSITS AND INVESTMENTS: (CONTINUED)

The Town has the following recurring fair value measurements as of June 30, 2021:

	Total June 30, 2021	Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money Market Mutual Funds -				
US Government Funds	\$ 67,673	\$ 67,673	\$ -	\$ -
Total	\$ 67,673	\$ 67,673	\$ -	\$ -

NOTE 4—DUE FROM OTHER GOVERNMENTAL UNITS:

Amounts due from other governmental units at June 30, 2021, are as follows:

Governmental Activities:

Commonwealth of Virginia:

Rolling stock tax	\$ 21
Communications tax	10,791
Total due from the Commonwealth	\$ 10,812
Grand Total	\$ 10,812

Business-type Activities:

Alleghany County:

Bulk water sales	\$ 46,550
Grand Total	\$ 46,550

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2021 (Continued)

NOTE 5—CAPITAL ASSETS:

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2021.

Governmental Activities:

	Balance July 1, 2020	Increases	Decreases	Balance June 30, 2021
Capital assets not being depreciated:				
Land	\$ 784,994	\$ -	\$ -	\$ 784,994
Construction in progress	68,678	-	-	68,678
Total capital assets not being depreciated	<u>\$ 853,672</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 853,672</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 2,315,413	\$ 355,364	\$ -	\$ 2,670,777
Infrastructure (1)	2,155,933	-	-	2,155,933
Machinery and equipment	2,256,454	184,012	134,418	2,306,048
Total capital assets being depreciated	<u>\$ 6,727,800</u>	<u>\$ 539,376</u>	<u>\$ 134,418</u>	<u>\$ 7,132,758</u>
Accumulated depreciation:				
Buildings and improvements	\$ (1,329,394)	\$ (80,082)	\$ -	\$ (1,409,476)
Infrastructure	(196,064)	(56,148)	-	(252,212)
Machinery and equipment	(1,815,800)	(133,336)	(134,418)	(1,814,718)
Total accumulated depreciation	<u>\$ (3,341,258)</u>	<u>\$ (269,566)</u>	<u>\$ (134,418)</u>	<u>\$ (3,476,406)</u>
Total capital assets being depreciated, net	<u>\$ 3,386,542</u>	<u>\$ 269,810</u>	<u>\$ -</u>	<u>\$ 3,656,352</u>
Net capital assets	<u><u>\$ 4,240,214</u></u>	<u><u>\$ 269,810</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 4,510,024</u></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, 2021 (Continued)

NOTE 5—CAPITAL ASSETS: (CONTINUED)

Business-type Activities:

	<u>Balance</u> <u>July 1, 2020</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2021</u>
<i>Water Fund</i>				
Capital assets not being depreciated:				
Land	\$ 27,362	\$ -	\$ -	\$ 27,362
Construction in progress	<u>2,721,349</u>	<u>2,779,060</u>	<u>-</u>	<u>5,500,409</u>
Total capital assets not being depreciated	<u>\$ 2,748,711</u>	<u>\$ 2,779,060</u>	<u>\$ -</u>	<u>\$ 5,527,771</u>
Capital assets being depreciated:				
Infrastructure and equipment	\$ 7,195,952	\$ 39,937	\$ -	\$ 7,235,889
Accumulated depreciation	<u>(3,687,100)</u>	<u>(211,820)</u>	<u>-</u>	<u>(3,898,920)</u>
Total capital assets being depreciated, net	<u>\$ 3,508,852</u>	<u>\$ (171,883)</u>	<u>\$ -</u>	<u>\$ 3,336,969</u>
Net capital assets	<u><u>\$ 6,257,563</u></u>	<u><u>\$ 2,607,177</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 8,864,740</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	\$ 8,485,584	\$ 30,958	\$ -	\$ 8,516,542
Accumulated depreciation	<u>(3,312,266)</u>	<u>(244,764)</u>	<u>-</u>	<u>(3,557,030)</u>
Total capital assets being depreciated, net	<u>\$ 5,173,318</u>	<u>\$ (213,806)</u>	<u>\$ -</u>	<u>\$ 4,959,512</u>
Net capital assets	<u><u>\$ 5,219,368</u></u>	<u><u>\$ (213,806)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 5,005,562</u></u>

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2021 (Continued)

NOTE 5—CAPITAL ASSETS: (CONTINUED)

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

Governmental activities:		
General government administration	\$	85,332
Public safety		62,617
Public works		66,120
Parks, recreation, and cultural		55,497
Total depreciation expense-governmental activities	\$	<u>269,566</u>
Business-type activities:		
Water Fund	\$	211,820
Sewer Fund		244,764
Total depreciation expense-business-type activities	\$	<u>456,584</u>

NOTE 6—LONG-TERM OBLIGATIONS:

Governmental Activities Long-term Obligations:

The following is a summary of long-term obligation transactions of the Town for the year ended June 30, 2021.

	Balance July 1, 2020	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2021
Capital leases	\$ 130,038	\$ 129,569	\$ 71,231	\$ 188,376
Direct borrowings and direct placements:				
General obligation bonds	324,429	-	76,593	247,836
Premium on issuance	17,258	-	1,232	16,026
Accrued landfill and postclosure liability	82,500	-	7,500	75,000
Net pension liability	1,019,952	659,517	389,591	1,289,878
Net OPEB liability	93,192	24,049	36,948	80,293
Compensated absences	67,244	3,796	-	71,040
Total	<u>\$ 1,734,613</u>	<u>\$ 816,931</u>	<u>\$ 583,095</u>	<u>\$ 1,968,449</u>

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2021 (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		Capital Leases	
	Principal	Interest	Principal	Interest
2022	\$ 37,836	\$ 10,932	\$ 74,179	\$ 5,028
2023	15,000	9,534	53,165	2,790
2024	15,000	8,766	32,297	1,343
2025	15,000	7,997	22,898	572
2026	15,000	7,228	5,837	31
2027-2031	90,000	24,431	-	-
2032-2034	60,000	4,172	-	-
Total	\$ 247,836	\$ 73,060	\$ 188,376	\$ 9,764

Details of Long-term Obligations:

	Total Amount	Amount Due Within One Year
Capital Leases:		
\$335,000 Capital lease dated December 15, 2008 with annual payments of \$31,799, including interest at 4.634%. Final installment due in 2023.	\$ 49,033	\$ 29,015
\$90,334 Capital lease dated November 28, 2017 with annual payments of \$19,242, including interest at 3.25%. Obligation is shared evenly between the water fund, sewer fund and governmental activities. Final installment due in 2022.	6,213	6,213
\$94,660 Capital lease dated July 28, 2017 with annual payments of \$26,266, including interest at 5.21%. Obligation is shared evenly between the water fund, sewer fund and governmental activities. Final installment due in 2022.	6,426	6,426
\$24,602 Capital lease dated March 4, 2020 with annual payments of \$6,491, including interest at 3%. Final installment due in 2024.	17,712	6,104
\$21,069 Capital lease 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.	15,706	5,573
\$108,500 Capital lease dated September 2, 2020 with annual payments of \$23,471, including interest at 3.13%. Final installment due in 2026.	93,286	20,848
Total capital leases	\$ 188,376	\$ 74,179

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2021 (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:		
\$132,000 General Obligation Bond dated June 23, 2017 to finance various capital purchases. Payments of \$28,593 due annually with the final installment due June 23, 2022, bearing interest at 2.72%.	\$ 27,836	\$ 27,836
\$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.	220,000	10,000
Premium on bond issuance	16,026	1,233
Total general obligation bonds	\$ 263,862	\$ 39,069
Accrued landfill and postclosure liability	\$ 75,000	\$ 7,500
Compensated absences	\$ 71,040	\$ 7,104
Net pension liability	\$ 1,289,878	\$ -
Net OPEB liability	\$ 80,293	\$ -
Total	\$ <u>1,968,449</u>	\$ <u>127,852</u>

The assets acquired through capital leases are as follows:

Asset:	
Equipment	\$ 667,720
Less: Accumulated depreciation	<u>(486,749)</u>
Total	\$ <u>180,971</u>

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2021 (Continued)

NOTE 6—LONG-TERM OBLIGATIONS: (CONTINUED)

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, 2021:

	Balance July 1, 2020	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2021
Capital leases	\$ 53,688	\$ -	\$ 28,410	\$ 25,278
Direct borrowings and direct placements:				
Revenue bonds	1,762,526	3,251,000	113,075	4,900,451
Premium on issuance	50,428	-	3,601	46,827
Virginia revolving loan fund	3,047,941	-	197,809	2,850,132
Note payable - CoBank bridge loan	1,821,146	1,429,854	3,251,000	-
Notes payable - County of Alleghany	595,039	-	262,016	333,023
Net pension liability	254,062	241,461	107,127	388,396
Net OPEB liability	23,157	12,155	11,135	24,177
Compensated absences	41,538	-	6,176	35,362
Total	\$ 7,649,525	\$ 4,934,470	\$ 3,980,349	\$ 8,603,646

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

Year Ending June 30,	Direct Borrowings and Direct Placements		Capital Leases	
	Principal	Interest	Principal	Interest
2022	\$ 559,285	\$ 127,194	\$ 25,278	\$ 684
2023	490,142	98,251	-	-
2024	382,330	93,005	-	-
2025	385,649	87,687	-	-
2026	394,037	82,221	-	-
2027-2031	1,834,086	329,380	-	-
2032-2036	1,428,314	230,402	-	-
2037-2041	703,294	184,469	-	-
2042-2046	426,719	148,741	-	-
2047-2051	465,711	109,749	-	-
2052-2056	508,264	67,196	-	-
2057-2061	505,775	20,892	-	-
Total	\$ 8,083,606	\$ 1,579,187	\$ 25,278	\$ 684

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2021 (Continued)

NOTE 6—LONG-TERM OBLIGATIONS: (CONTINUED)

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

Details of long-term obligations:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
Capital Leases:		
\$90,334 Capital lease dated November 28, 2017 with annual payments of \$19,242, including interest at 3.25%. Obligation is shared evenly between the water fund, sewer fund and governmental activities. Final installment due in 2022.	\$ 12,425	\$ 12,425
\$94,660 Capital lease dated July 28, 2017 with annual payments of \$26,266, including interest at 5.21%. Obligation is shared evenly between the water fund, sewer fund and governmental activities. Final installment due in 2022.	<u>12,853</u>	<u>12,853</u>
Total capital leases	\$ <u>25,278</u>	\$ <u>25,278</u>
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.	\$ 443,625	\$ 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.	568,730	68,581
\$1,153,088 Water Revenue Bonds (VRA), maturing semi-annually in equal installments of \$19,218 through November 1, 2039, 0% interest.	711,071	38,436
\$1,349,739 Sewer Revenue Bonds (VRA), maturing semi-annually in equal installments of \$33,743 through June 1, 2038, 0% interest.	1,126,706	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.	427,437	30,531

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2021 (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.	\$ 582,014	\$ 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.	640,000	35,000
\$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.	2,847,000	21,298
\$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.	404,000	3,044
Premium on bond issuance	46,827	3,602
Total revenue bonds	\$ 7,797,410	\$ 340,872
Direct Borrowings and Direct Placements - Notes Payable:		
\$1,443,098 note payable to the County of Allegheny dated April 19, 2016. Principal payments in the amount of \$222,015 commencing September 2016 through September 2021 with a final payment of \$111,008 payable September 2022. No interest is due.	\$ 333,023	\$ 222,015
Total notes payable	\$ 333,023	\$ 222,015
Net pension liability	\$ 388,396	\$ -
Net OPEB liability	\$ 24,177	\$ -
Compensated absences	\$ 35,362	\$ 3,536
Total	\$ 8,603,646	\$ 591,701

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2021 (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 \$460,683 (including 2nd half tax billings of \$400,138 not due until December 5) at June 30, 2021.

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 \$71,040 in the Governmental Activities and \$35,362 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.

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2021 (Continued)

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, 2021 (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, 2019 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	65
Inactive members:	
Vested inactive members	7
Non-vested inactive members	25
Inactive members active elsewhere in VRS	<u>38</u>
Total inactive members	70
Active members	<u>42</u>
Total covered employees	<u><u>177</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, 2021 was 12.25% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019.

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 \$137,616 and \$143,402 for the years ended June 30, 2021 and June 30, 2020, respectively.

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2021 (Continued)

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, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2019, and rolled forward to the measurement date of June 30, 2020.

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, 2019, 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, 2020.

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*

* Administrative expenses as a percent of the fair value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of pension liabilities.

Mortality rates:

All Others (Non-10 Largest) - Non-Hazardous Duty: 15% of deaths are assumed to be service related

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2021 (Continued)

NOTE 9—PENSION PLAN: (CONTINUED)

Actuarial Assumptions - General Employees (Continued)

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, 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)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

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, 2019, 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, 2020.

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*

* Administrative expenses as a percent of the fair value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of pension liabilities.

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2021 (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:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year, 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, 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)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60.00% to 45.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2021 (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:

<u>Asset Class (Strategy)</u>	<u>Long-Term Target Asset Allocation</u>	<u>Arithmetic Long-term Expected Rate of Return</u>	<u>Weighted Average Long-term Expected Rate of Return*</u>
Public Equity	34.00%	4.65%	1.58%
Fixed Income	15.00%	0.46%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS - Multi-Asset Public Strateg	6.00%	3.04%	0.18%
PIP - Private Investment Partner	3.00%	6.49%	0.19%
Total	<u>100.00%</u>		<u>4.64%</u>
		Inflation	<u>2.50%</u>
		Expected arithmetic nominal return*	<u>7.14%</u>

* The above allocation provides a one-year return of 7.14%. 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. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY2020 actuarial valuations provide a median return of 6.81%.

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, 2020, the alternate rate was the employer contribution rate used in FY2012 or 100% of the actuarially determined employer contribution rate

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2021 (Continued)

NOTE 9—PENSION PLAN: (CONTINUED)

Discount Rate: (Continued)

from the June 30, 2017 actuarial valuations, whichever was greater. Through the fiscal year ended June 30, 2020, 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, 2020 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	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) - (b)
Balances at June 30, 2019	\$ 10,652,168	\$ 9,378,154	\$ 1,274,014
Changes for the year:			
Service cost	\$ 155,307	\$ -	\$ 155,307
Interest	696,267	-	696,267
Differences between expected and actual experience	(71,917)	-	(71,917)
Contributions - employer	-	143,746	(143,746)
Contributions - employee	-	61,140	(61,140)
Net investment income	-	177,041	(177,041)
Benefit payments, including refunds of employee contributions	(674,204)	(674,204)	-
Administrative expenses	-	(6,325)	6,325
Other changes	-	(205)	205
Net changes	\$ 105,453	\$ (298,807)	\$ 404,260
Balances at June 30, 2020	\$ 10,757,621	\$ 9,079,347	\$ 1,678,274

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	Current Discount	1% Increase
	(5.75%)	(6.75%)	(7.75%)
Net Pension Liability	\$ 2,931,080	\$ 1,678,274	\$ 627,796

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2021 (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, 2021, the Town recognized pension expense of \$465,089. At June 30, 2021, 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	\$ -	\$ 33,043
Change in proportionate share	38,814	38,814
Net difference between projected and actual earnings on pension plan investments	272,248	-
Employer contributions subsequent to the measurement date	137,616	-
Total	<u>\$ 448,678</u>	<u>\$ 71,857</u>

\$137,616 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, 2022. 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>	
2022	\$ (29,056)
2023	86,474
2024	93,803
2025	87,984
2026	-
Thereafter	-

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2020 Comprehensive Annual Financial Report (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <https://www.varetire.org/pdf/publications/2020-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2021 (Continued)

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, safety belt 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 \$8,616 as of June 30, 2021.

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2021 (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, 2021 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. 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 \$6,313 and \$6,700 for the years ended June 30, 2021 and June 30, 2020, respectively.

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, 2021, the entity reported a liability of \$104,470 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2020 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, 2019, and rolled forward to the measurement date of June 30, 2020. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Plan for the year ended June 30, 2020 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2020, the participating employer's proportion was 0.00626% as compared to 0.00715% at June 30, 2019.

For the year ended June 30, 2021, the participating employer recognized GLI OPEB expense of (\$450). 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, 2021, 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	\$ 6,701	\$ 939
Net difference between projected and actual earnings on GLI OPEB plan investments	3,138	-
Change in assumptions	5,225	2,181
Changes in proportionate share	-	18,253
Employer contributions subsequent to the measurement date	6,313	-
Total	<u>\$ 21,377</u>	<u>\$ 21,373</u>

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2021 (Continued)

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)

\$6,313 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, 2022. 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:

<u>Year Ended June 30</u>		
2022	\$	(2,862)
2023		(1,976)
2024		(177)
2025		667
2026		(1,517)
Thereafter		(444)

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2019, 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, 2020. 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*

*Administrative expenses as a percent of the fair value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of OPEB liabilities.

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2021 (Continued)

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

Actuarial Assumptions: (Continued)

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

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, 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)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

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

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2021 (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)

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, 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)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60.00% to 45.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

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, 2020, NOL amounts for the GLI Plan is as follows (amounts expressed in thousands):

		GLI OPEB Plan
Total GLI OPEB Liability	\$	3,523,937
Plan Fiduciary Net Position		1,855,102
GLI Net OPEB Liability (Asset)	\$	1,668,835
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		52.64%

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, 2021 (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%	4.65%	1.58%
Fixed Income	15.00%	0.46%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS - Multi-Asset Public Strategies	6.00%	3.04%	0.18%
PIP - Private Investment Partnership	3.00%	6.49%	0.19%
Total	100.00%		4.64%
		Inflation	2.50%
		Expected arithmetic nominal return*	7.14%

*The above allocation provides a one-year return of 7.14%. 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. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY2020 actuarial valuations provide a median return of 6.81%.

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2021 (Continued)

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

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 member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ended June 30, 2020, 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, 2020 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.

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	\$ 137,333	\$ 104,470	\$ 77,781

GLI Plan Fiduciary Net Position

Detailed information about the GLI Plan's Fiduciary Net Position is available in the separately issued VRS 2020 Comprehensive Annual Financial Report (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2020-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2021 (Continued)

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.

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 \$75,000 reported as landfill postclosure care liability at June 30, 2021, represents the Town's estimate of its share of the postclosure monitoring costs based on the use of 100 percent of the estimated capacity of the landfill. Closure of the landfill site has been completed in prior years. The City of Covington is primarily responsible for postclosure costs and the Town of Clifton Forge pays the City its share of the costs. The Town of Clifton Forge's expected portion of these contracts is 12%. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2021 (Continued)

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	\$ -	\$ 67,673	\$ 67,673
Utility deposits held	-	104,678	104,678
Library improvements	1,583	-	1,583
CDBG programs	4,575	-	4,575
Forfeited assets	3,430	-	3,430
Total	\$ 9,588	\$ 172,351	\$ 181,939

NOTE 15—UPCOMING PRONOUNCEMENTS:

Statement No. 87, *Leases*, requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, provides guidance for reporting capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.

Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021.

Statement No. 92, *Omnibus 2020*, addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics such as leases, assets related to pension and postemployment benefits, and reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature. The effective dates differ by topic, ranging from January 2020 to periods beginning after June 15, 2021.

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
June 30, 2021 (Continued)

NOTE 15—UPCOMING PRONOUNCEMENTS: (CONTINUED)

Statement No. 94, *Public-Private and Public-Public Partnerships and Availability of Payment Arrangements*, addresses issues related to public-private and public-public partnership arrangements. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code (IRC) Section 457 Deferred Compensation Plans - an Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32*, (1) increases consistency and comparability related to reporting of fiduciary component units in certain circumstances; (2) mitigates costs associated with the reporting of certain plans as fiduciary component units in fiduciary fund financial statements; and (3) enhances the relevance, consistency, and comparability of the accounting and financial reporting for Section 457 plans that meet the definition of a pension plan and for benefits provided through those plans. The effective dates differ based on the requirements of the Statement, ranging from June 2020 to reporting periods beginning after June 15, 2021.

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

NOTE 16—COVID-19 PANDEMIC SUBSEQUENT EVENT:

COVID-19 Pandemic Funding:

The COVID-19 pandemic and its impact on operations continues to evolve. Federal relief has been received through various programs. Management believes the Town is taking appropriate actions to mitigate the negative impact. The extent to which COVID-19 may impact operations in subsequent years remains uncertain, and management is unable to estimate the effects on future results of operations, financial condition, or liquidity for fiscal year 2022.

ARPA Funding

On March 11, 2021, the American Rescue Plan (ARPA) Act of 2021 was passed by the federal government. A primary component of the ARPA was the establishment of the Coronavirus State and Local Fiscal Recovery Fund (CSLFRF). Local governments are to receive funds in two tranches, with 50% provided beginning in May 2021 and the balance delivered approximately 12 months later.

During 2021, the Town received its share of the first half of the CSLFRF funds. As a condition of receiving CSLFRF funds, any funds unobligated by December 31, 2024, and unexpended by December 31, 2026, will be returned to the federal government. Unspent funds in the amount of \$1,812,542 from the initial allocation are reported as unearned revenue as of June 30.

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Required Supplementary Information

General Fund

Schedule of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual
For the Year Ended June 30, 2021

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
General property taxes	\$ 690,250	\$ 690,250	\$ 770,896	\$ 80,646
Other local taxes	864,500	864,500	999,029	134,529
Permits, privilege fees, and regulatory licenses	1,400	1,400	1,350	(50)
Fines and forfeitures	10,750	10,750	13,103	2,353
Revenue from the use of money and property	41,866	41,866	30,357	(11,509)
Charges for services	82,250	82,250	83,273	1,023
Miscellaneous	28,700	28,700	107,627	78,927
Recovered costs	25,225	25,225	43,213	17,988
Intergovernmental:				
Commonwealth	1,297,800	1,297,800	1,311,029	13,229
Federal	-	-	457,390	457,390
Total revenues	\$ 3,042,741	\$ 3,042,741	\$ 3,817,267	\$ 774,526
EXPENDITURES				
Current:				
General government administration	\$ 305,653	\$ 306,624	\$ 723,613	\$ (416,989)
Public safety	1,062,163	1,062,163	1,022,665	39,498
Public works	862,782	929,986	1,036,207	(106,221)
Health and welfare	-	-	7,546	(7,546)
Parks, recreation, and cultural	383,167	335,583	355,266	(19,683)
Community development	39,670	40,480	225,187	(184,707)
Nondepartmental	254,746	233,345	206,484	26,861
Capital projects	-	-	291,610	(291,610)
Debt service:				
Principal retirement	134,560	134,560	147,824	(13,264)
Interest and other fiscal charges	-	-	20,883	(20,883)
Total expenditures	\$ 3,042,741	\$ 3,042,741	\$ 4,037,285	\$ (994,544)
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ (220,018)	\$ (220,018)
OTHER FINANCING SOURCES (USES)				
Issuance of capital leases	\$ -	\$ -	\$ 129,569	\$ 129,569
Total other financing sources (uses)	\$ -	\$ -	\$ 129,569	\$ 129,569
Net change in fund balances	\$ -	\$ -	\$ (90,449)	\$ (90,449)
Fund balances - beginning	-	-	(4,469)	(4,469)
Fund balances - ending	\$ -	\$ -	\$ (94,918)	\$ (94,918)

Schedule of Changes in Net Pension Liability and Related Ratios
For the Measurement Dates of June 30, 2014 through June 30, 2020

	2020	2019	2018	2017	2016	2015	2014
Total pension liability							
Service cost	\$ 155,307	\$ 176,119	\$ 174,972	\$ 174,151	\$ 187,272	\$ 185,703	\$ 193,371
Interest	696,267	667,083	656,629	623,944	634,081	618,539	589,737
Differences between expected and actual experience	(71,917)	271,417	(159,012)	113,352	(591,579)	(222,902)	-
Changes in assumptions	-	282,879	-	3,698	-	-	-
Benefit payments, including refunds of employee contributions	(674,204)	(550,180)	(496,317)	(400,109)	(349,066)	(369,558)	(373,742)
Net change in total pension liability	\$ 105,453	\$ 847,318	\$ 176,272	\$ 515,036	\$ (119,292)	\$ 211,782	\$ 409,366
Total pension liability - beginning	10,652,168	9,804,850	9,628,578	9,113,542	9,232,834	9,021,052	8,611,686
Total pension liability - ending (a)	<u>\$ 10,757,621</u>	<u>\$ 10,652,168</u>	<u>\$ 9,804,850</u>	<u>\$ 9,628,578</u>	<u>\$ 9,113,542</u>	<u>\$ 9,232,834</u>	<u>\$ 9,021,052</u>
Plan fiduciary net position							
Contributions - employer	\$ 143,746	\$ 157,111	\$ 143,407	\$ 142,505	\$ 252,404	\$ 251,356	\$ 152,529
Contributions - employee	61,140	66,422	67,280	81,055	72,377	72,543	72,619
Net investment income	177,041	597,230	640,045	964,912	138,130	345,854	1,044,749
Benefit payments, including refunds of employee contributions	(674,204)	(550,180)	(496,317)	(400,109)	(349,066)	(369,558)	(373,742)
Administrative expense	(6,325)	(6,118)	(5,649)	(5,632)	(4,853)	(4,715)	(5,703)
Other	(205)	(374)	(566)	(857)	(58)	(73)	55
Net change in plan fiduciary net position	\$ (298,807)	\$ 264,091	\$ 348,200	\$ 781,874	\$ 108,934	\$ 295,407	\$ 890,507
Plan fiduciary net position - beginning	9,378,154	9,114,063	8,765,863	7,983,989	7,875,055	7,579,648	6,689,141
Plan fiduciary net position - ending (b)	<u>\$ 9,079,347</u>	<u>\$ 9,378,154</u>	<u>\$ 9,114,063</u>	<u>\$ 8,765,863</u>	<u>\$ 7,983,989</u>	<u>\$ 7,875,055</u>	<u>\$ 7,579,648</u>
Town's net pension liability - ending (a) - (b)	\$ 1,678,274	\$ 1,274,014	\$ 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	84.40%	88.04%	92.95%	91.04%	87.61%	85.29%	84.02%
Covered payroll	\$ 1,288,474	\$ 1,397,113	\$ 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	130.25%	91.19%	49.32%	62.35%	76.43%	92.71%	99.21%

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

Schedule of Employer Contributions - Pension Plan
 For the Years Ended June 30, 2012 through June 30, 2021

Date	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
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%
2013	145,724	208,177	(62,453)	1,387,844	15.00%
2012	117,929	117,929	-	1,328,027	8.88%

Notes to Required Supplementary Information - Pension Plan
For the Year Ended June 30, 2021

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, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, 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)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60.00% to 45.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

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, 2020

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)
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, 2012 through June 30, 2021

Date	Contributions in Relation to			Contributions	
	Contractually Required Contribution (1)	Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	as a % of Covered Payroll (5)
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%
2013	6,662	6,662	-	1,387,844	0.48%
2012	3,718	3,718	-	1,328,027	0.28%

Notes to Required Supplementary Information
 Group Life Insurance (GLI) Plan
 For the Year Ended June 30, 2021

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, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, 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)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

Non-Largest Ten Locality Employers - Hazardous Duty Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60.00% to 45.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

Other Supplementary Information

Combining and Individual Fund Statements and Schedules

Combining Statement of Fiduciary Net Position
 Fiduciary Funds
 June 30, 2021

	Private-Purpose Trust Funds		
	Mountain View Cemetery	Crown Hill Cemetery	Total Private-Purpose Trust Funds
ASSETS			
Cash and cash equivalents	\$ 210,827	\$ 52,858	\$ 263,685
Due from other funds	12,899	-	12,899
Total assets	\$ 223,726	\$ 52,858	\$ 276,584
NET POSITION			
Held in trust for cemeteries	\$ 223,726	\$ 52,858	\$ 276,584

Combining Statement of Changes in Fiduciary Net Position

Fiduciary Funds

For the Year Ended June 30, 2021

	Private-Purpose Trust Funds		
	Mountain View Cemetery	Crown Hill Cemetery	Total Private-Purpose Trust Funds
ADDITIONS			
Contributions:			
Sale of cemetery lots	\$ 6,599	\$ -	\$ 6,599
Total contributions	\$ 6,599	\$ -	\$ 6,599
 Total additions	\$ 6,599	\$ -	\$ 6,599
 Change in net position	\$ 6,599	\$ -	\$ 6,599
 Net position - beginning	\$ 217,127	\$ 52,858	\$ 269,985
 Net position - ending	\$ 223,726	\$ 52,858	\$ 276,584

Supporting Schedules

Schedule of Revenues - Budget and Actual
Governmental Fund
For the Year Ended June 30, 2021

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	\$ 379,316	\$ 39,316
Real and personal public service corporation taxes	38,750	38,750	51,531	12,781
Personal property taxes	296,500	296,500	312,566	16,066
Machinery and tools taxes	2,000	2,000	3,892	1,892
Penalties	7,000	7,000	9,892	2,892
Interest	6,000	6,000	13,699	7,699
Total general property taxes	\$ 690,250	\$ 690,250	\$ 770,896	\$ 80,646
Other local taxes:				
Local sales and use taxes	\$ 108,000	\$ 108,000	\$ 143,349	\$ 35,349
Consumers' utility taxes	150,000	150,000	165,300	15,300
Business license taxes	161,500	161,500	181,967	20,467
Motor vehicle licenses	-	-	756	756
Bank stock taxes	75,000	75,000	96,900	21,900
Transient occupancy taxes	10,000	10,000	4,023	(5,977)
Restaurant food taxes	350,000	350,000	399,558	49,558
Tobacco tax	10,000	10,000	7,176	(2,824)
Total other local taxes	\$ 864,500	\$ 864,500	\$ 999,029	\$ 134,529
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 900	\$ 900	\$ 580	\$ (320)
Zoning Fees	500	500	770	270
Total permits, privilege fees, and regulatory licenses	\$ 1,400	\$ 1,400	\$ 1,350	\$ (50)
Fines and forfeitures:				
Court fines and forfeitures	\$ 10,750	\$ 10,750	\$ 13,103	\$ 2,353
Revenue from use of money and property:				
Revenue from use of money	\$ 11,250	\$ 11,250	\$ 4,080	\$ (7,170)
Revenue from use of property	30,616	30,616	26,277	(4,339)
Total revenue from use of money and property	\$ 41,866	\$ 41,866	\$ 30,357	\$ (11,509)
Charges for services:				
Charges for fire protection	\$ 56,000	\$ 56,000	\$ 56,000	\$ -
Charges for first responders	21,000	21,000	24,000	3,000
Charges for sanitation and waste removal	250	250	600	350
Charges for library	5,000	5,000	2,673	(2,327)
Total charges for services	\$ 82,250	\$ 82,250	\$ 83,273	\$ 1,023
Miscellaneous:				
Cemetery income	\$ 15,200	\$ 15,200	\$ 20,100	\$ 4,900
Friends of Library	4,000	4,000	2,371	(1,629)
Sale of Salvage/Surplus	5,000	5,000	44,081	39,081
Donations	3,000	3,000	24,814	21,814
Miscellaneous	1,500	1,500	16,261	14,761
Total miscellaneous	\$ 28,700	\$ 28,700	\$ 107,627	\$ 78,927

Schedule of Revenues - Budget and Actual
Governmental Fund
For the Year Ended June 30, 2021 (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	\$ 25,225	\$ -
Other costs	-	-	17,988	17,988
Total recovered costs	\$ 25,225	\$ 25,225	\$ 43,213	\$ 17,988
Total revenue from local sources	\$ 1,744,941	\$ 1,744,941	\$ 2,048,848	\$ 303,907
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Rolling stock tax	\$ 6,000	\$ 6,000	\$ 5,861	\$ (139)
Communications taxes	90,000	90,000	69,184	(20,816)
PPTRA Reimbursement	316,644	316,644	316,644	-
Total noncategorical aid	\$ 412,644	\$ 412,644	\$ 391,689	\$ (20,955)
Categorical aid:				
Virginia Commission for the Arts grant	\$ 4,500	\$ 4,500	\$ 4,500	\$ -
DCJ Grants	194,445	194,445	215,556	21,111
Department of fire programs funds	14,146	14,146	15,000	854
Litter control grant	2,500	2,500	2,535	35
Street and highway maintenance funds	620,000	620,000	631,988	11,988
Library	47,065	47,065	46,217	(848)
Other state grants	2,500	2,500	3,544	1,044
Total categorical aid	\$ 885,156	\$ 885,156	\$ 919,340	\$ 34,184
Total revenue from the Commonwealth	\$ 1,297,800	\$ 1,297,800	\$ 1,311,029	\$ 13,229
Revenue from the Federal Government:				
Noncategorical aid:				
CARES Act - Coronavirus Relief Fund	\$ -	\$ -	\$ 227,692	\$ 227,692
Total noncategorical aid	\$ -	\$ -	\$ 227,692	\$ 227,692
Categorical aid:				
TEA - Highway planning and construction	\$ -	\$ -	\$ 229,698	\$ 229,698
Total categorical aid	\$ -	\$ -	\$ 229,698	\$ 229,698
Total revenue from the Federal Government	\$ -	\$ -	\$ 457,390	\$ 457,390
Total General Fund	\$ 3,042,741	\$ 3,042,741	\$ 3,817,267	\$ 774,526

Schedule of Expenditures - Budget and Actual
 Governmental Fund
 For the Year Ended June 30, 2021

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
General government administration:				
Legislative:				
Town Council	\$ 13,500	\$ 13,500	\$ 12,035	\$ 1,465
General and financial administration:				
Town manager	\$ 111,851	\$ 108,638	\$ 500,329	\$ (391,691)
Legal services	10,496	10,496	4,646	5,850
Accounting and auditing services	17,400	18,981	13,139	5,842
Finance	152,406	155,009	193,464	(38,455)
Total general and financial administration	\$ 292,153	\$ 293,124	\$ 711,578	\$ (418,454)
Total general government administration	\$ 305,653	\$ 306,624	\$ 723,613	\$ (416,989)
Public safety:				
Law enforcement and traffic control:				
Police department	\$ 827,004	\$ 827,004	\$ 791,409	\$ 35,595
Fire and rescue services:				
Fire department	\$ 235,159	\$ 235,159	\$ 231,256	\$ 3,903
Total public safety	\$ 1,062,163	\$ 1,062,163	\$ 1,022,665	\$ 39,498
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Highways, streets, bridges and sidewalks	\$ 729,935	\$ 729,935	\$ 297,575	\$ 432,360
Administration	40,255	93,241	94,617	(1,376)
Eligible Streets	-	-	530,845	(530,845)
Total maintenance of highways, streets, bridges and sidewalks	\$ 770,190	\$ 823,176	\$ 923,037	\$ (99,861)
Maintenance of general buildings and grounds:				
General properties	\$ 32,895	\$ 27,998	\$ 29,998	\$ (2,000)
Cemeteries	59,697	78,812	83,172	(4,360)
Total maintenance of general buildings and grounds	\$ 92,592	\$ 106,810	\$ 113,170	\$ (6,360)
Total public works	\$ 862,782	\$ 929,986	\$ 1,036,207	\$ (106,221)
Health and welfare:				
Welfare:				
Tax relief for the elderly	\$ -	\$ -	\$ 7,546	\$ (7,546)

Schedule of Expenditures - Budget and Actual
Governmental Fund
For the Year Ended June 30, 2021 (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	\$ 161,655	\$ 114,071	\$ 148,827	\$ (34,756)
Cultural enrichment:				
Cultural enrichment	\$ 9,000	\$ 9,000	\$ 6,400	\$ 2,600
Masonic Theatre preservation	10,000	10,000	10,000	-
Total cultural enrichment	\$ 19,000	\$ 19,000	\$ 16,400	\$ 2,600
Library:				
Library	\$ 202,512	\$ 202,512	\$ 190,039	\$ 12,473
Total parks, recreation, and cultural	\$ 383,167	\$ 335,583	\$ 355,266	\$ (19,683)
Community development:				
Planning and community development:				
Community development	\$ 18,370	\$ 18,562	\$ 19,307	\$ (745)
Contributions local civic organizations	9,500	10,750	10,750	-
Roanoke Valley-Alleghany Regional Commission	3,700	3,508	3,508	-
Other planning community development	8,100	7,660	191,622	(183,962)
Total planning and community development	\$ 39,670	\$ 40,480	\$ 225,187	\$ (184,707)
Total community development	\$ 39,670	\$ 40,480	\$ 225,187	\$ (184,707)
Nondepartmental:				
Nondepartmental	\$ 194,603	\$ 193,794	\$ 190,162	\$ 3,632
Contingencies	60,143	39,551	16,322	23,229
Total nondepartmental	\$ 254,746	\$ 233,345	\$ 206,484	\$ 26,861
Capital projects:				
Capital projects - grants	\$ -	\$ -	\$ 291,610	\$ (291,610)
Total capital projects	\$ -	\$ -	\$ 291,610	\$ (291,610)
Debt service:				
Principal retirement	\$ 134,560	\$ 134,560	\$ 147,824	\$ (13,264)
Interest and other fiscal charges	-	-	20,883	(20,883)
Total debt service	\$ 134,560	\$ 134,560	\$ 168,707	\$ (34,147)
Total General Fund	\$ 3,042,741	\$ 3,042,741	\$ 4,037,285	\$ (994,544)

Schedule of Revenues, Expenses, and Changes in Net Position - Budget and Actual
 Water Enterprise Fund
 For the Year Ended June 30, 2021

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Operating Revenues:				
Sale of services, commodities and properties:				
Sale of water	\$ 874,000	\$ 874,000	\$ 818,683	\$ (55,317)
Connection fees	2,000	2,000	-	(2,000)
Administration fees	2,000	2,000	1,588	(412)
County water	600,000	600,000	635,875	35,875
Penalties	12,000	12,000	9,564	(2,436)
Total operating revenues	<u>\$ 1,490,000</u>	<u>\$ 1,490,000</u>	<u>\$ 1,465,710</u>	<u>\$ (24,290)</u>
Operating Expenses:				
Water filtration plant	\$ 465,400	\$ 465,400	\$ 451,803	\$ 13,597
Transmissional distribution	207,400	207,400	230,207	(22,807)
Other costs	152,309	152,309	132,417	19,892
Depreciation	-	-	211,820	(211,820)
Capital outlay	469,500	469,500	-	469,500
Total operating expenses	<u>\$ 1,294,609</u>	<u>\$ 1,294,609</u>	<u>\$ 1,026,247</u>	<u>\$ 268,362</u>
Net operating income (loss)	<u>\$ 195,391</u>	<u>\$ 195,391</u>	<u>\$ 439,463</u>	<u>\$ 244,072</u>
Nonoperating revenues (expenses):				
Intergovernmental revenue:				
Federal	\$ -	\$ -	\$ 1,362,510	\$ 1,362,510
Interest expense	<u>(321,878)</u>	<u>(321,878)</u>	<u>(91,992)</u>	<u>229,886</u>
Net nonoperating revenues (expenses)	<u>\$ (321,878)</u>	<u>\$ (321,878)</u>	<u>\$ 1,270,518</u>	<u>\$ 1,592,396</u>
Income (loss) before operating transfers	<u>\$ (126,487)</u>	<u>\$ (126,487)</u>	<u>\$ 1,709,981</u>	<u>\$ 1,836,468</u>
Transfer from reserve	<u>\$ 126,487</u>	<u>\$ 126,487</u>	<u>\$ -</u>	<u>\$ (126,487)</u>
Change in net position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,709,981</u>	<u>\$ 1,709,981</u>

Schedule of Revenues, Expenses, and Changes in Net Position - Budget and Actual
 Sewer Enterprise Fund
 For the Year Ended June 30, 2021

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Operating Revenues:				
Sale of services, commodities and properties:				
Sewage treatment charges	\$ 1,500,000	\$ 1,500,000	\$ 1,604,137	\$ 104,137
Sewer lateral line fee	-	-	311	311
Connection fees	-	-	600	600
Administration fees	2,000	2,000	1,588	(412)
Penalties	22,000	22,000	17,761	(4,239)
Total operating revenues	<u>\$ 1,524,000</u>	<u>\$ 1,524,000</u>	<u>\$ 1,624,397</u>	<u>\$ 100,397</u>
Operating Expenses:				
Wastewater treatment plant	\$ 1,168,000	\$ 1,168,000	\$ 1,095,227	\$ 72,773
Sewage collection	113,550	112,914	50,867	62,047
Sewer I and I	23,000	23,636	15,237	8,399
Other costs	117,872	117,872	103,792	14,080
Depreciation	-	-	244,764	(244,764)
Total operating expenses	<u>\$ 1,422,422</u>	<u>\$ 1,422,422</u>	<u>\$ 1,509,887</u>	<u>\$ (87,465)</u>
Net operating income	<u>\$ 101,578</u>	<u>\$ 101,578</u>	<u>\$ 114,510</u>	<u>\$ 12,932</u>
Nonoperating Revenues (Expenses):				
Interest expense	<u>\$ (208,529)</u>	<u>\$ (208,529)</u>	<u>\$ (10,015)</u>	<u>\$ 198,514</u>
Net nonoperating revenues (expenses)	<u>\$ (208,529)</u>	<u>\$ (208,529)</u>	<u>\$ (10,015)</u>	<u>\$ 198,514</u>
Income (loss) before operating transfers	<u>\$ (106,951)</u>	<u>\$ (106,951)</u>	<u>\$ 104,495</u>	<u>\$ 211,446</u>
Transfer from reserve	<u>\$ 106,951</u>	<u>\$ 106,951</u>	<u>\$ -</u>	<u>\$ (106,951)</u>
Change in net position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 104,495</u>	<u>\$ 104,495</u>

Other Statistical Information

Government-wide Information

TOWN OF CLIFTON FORGE, VIRGINIA

Government-wide Expenses by Function
Last Ten Fiscal Years

Fiscal Year	General Government Administration	Public Safety	Public Works	Parks, Recreation, and Cultural
2011-12	\$ 522,765	\$ 982,527	\$ 737,596	\$ 277,107
2012-13	520,236	1,048,094	807,040	275,235
2013-14	590,768	1,167,341	928,631	329,347
2014-15	475,226	1,023,906	660,928	594,200
2015-16	405,327	1,035,099	998,874	833,947
2016-17	382,151	978,824	555,605	409,685
2017-18	358,116	1,007,657	952,033	398,343
2018-19	421,771	1,102,469	1,321,651	410,157
2019-20	647,212	1,210,544	1,075,072	437,684
2020-21	540,294	1,187,581	1,116,264	714,914

Table 1

Community Development	Interest on Long- term Debt	Other	Water Fund	Sewer Fund	Total
\$ 89,307	\$ 16,528	\$ 6,447	\$ 1,111,478	\$ 1,428,145	\$ 5,171,900
127,727	18,702	7,117	1,004,570	1,221,660	5,030,381
129,521	42,944	6,282	1,100,685	1,351,775	5,647,294
138,854	26,842	7,339	965,997	1,389,447	5,282,739
393,010	21,510	8,164	932,505	4,224,181	8,852,617
589,430	23,140	8,898	840,885	1,435,860	5,224,478
536,792	25,308	7,762	949,612	1,421,998	5,657,621
551,885	27,188	6,228	1,008,244	2,062,011	6,911,604
69,602	22,095	6,586	1,073,705	1,603,581	6,146,081
227,634	19,651	7,546	1,118,239	1,519,902	6,452,025

TOWN OF CLIFTON FORGE, VIRGINIA

Government-wide Revenues
Last Ten Fiscal Years

PROGRAM REVENUES			
Fiscal Year	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
2011-12	\$ 2,713,934	\$ 757,442	\$ 19,223
2012-13	2,603,083	910,554	15,188
2013-14	2,750,398	899,149	14,785
2014-15	2,641,003	894,274	1,286,659
2015-16	2,635,889	1,200,250	594,103
2016-17	3,173,977	1,189,138	506,250
2017-18	3,352,230	1,046,581	2,057,701
2018-19	3,239,015	1,312,584	48,563
2019-20	3,163,951	901,414	72,376
2020-21	3,187,833	919,340	1,592,208

Table 2

GENERAL REVENUES						
General Property Taxes	Other Local Taxes	Unrestricted Investment Earnings	Miscellaneous	Grants and Contributions Not Restricted to Specific Programs	Transfers	Total
\$ 638,317	\$ 783,193	\$ 9,010	\$ 23,289	\$ 422,021	\$ -	\$ 5,366,429
536,411	772,556	10,845	77,034	420,338	-	5,346,009
662,508	818,958	17,927	21,105	418,651	-	5,603,481
602,480	838,486	16,106	381,559	418,442	-	7,079,009
585,139	914,881	16,271	409,998	415,280	10,000	6,781,811
597,153	901,126	18,163	306,253	412,783	-	7,104,843
588,575	964,716	41,930	77,912	409,754	15,000	8,554,399
618,302	1,077,693	49,071	176,598	396,689	-	6,918,515
620,791	1,018,502	41,043	116,132	408,318	-	6,342,527
763,790	999,029	30,357	107,627	619,381	-	8,219,565

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Fund Information

TOWN OF CLIFTON FORGE, VIRGINIA

General Governmental Expenditures by Function
Last Ten Fiscal Years

Fiscal Year		General Government Administration		Public Safety		Public Works		Parks, Recreation, and Cultural
2011-12	\$	263,094	\$	914,198	\$	815,527	\$	280,794
2012-13		269,640		1,001,607		812,979		286,893
2013-14		278,136		1,033,675		870,189		328,276
2014-15		289,287		1,009,379		631,237		606,841
2015-16		296,571		1,026,178		927,495		425,897
2016-17		311,771		1,011,462		584,096		431,323
2017-18		293,687		1,050,389		987,940		418,239
2018-19		324,933		1,081,609		1,288,669		367,372
2019-20		339,564		1,037,935		994,008		351,607
2020-21		723,613		1,022,665		1,036,207		355,266

Table 3

	<u>Community Development</u>		<u>Capital Projects</u>		<u>Non- departmental</u>		<u>Debt Service</u>		<u>Other</u>		<u>Total</u>
\$	127,224	\$	197,206	\$	239,566	\$	72,078	\$	6,447	\$	2,916,134
	134,365		275,038		233,582		100,230		7,117		3,121,451
	122,887		176,244		266,948		410,218		6,282		3,492,855
	148,878		737,495		184,872		125,123		7,339		3,740,451
	144,171		1,253,858		215,575		106,662		8,164		4,404,571
	104,721		1,105,844		142,481		131,507		8,898		3,832,103
	84,119		1,793,968		188,202		138,318		7,762		4,962,624
	112,197		569,035		184,143		150,419		6,228		4,084,605
	58,408		244,699		273,135		150,035		6,586		3,455,977
	225,187		291,610		206,484		168,707		7,546		4,037,285

TOWN OF CLIFTON FORGE, VIRGINIA

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
2011-12	\$	588,602	\$	783,193	\$	8,951	\$	11,966	\$	9,010
2012-13		610,187		772,556		4,780		8,072		10,783
2013-14		604,824		818,958		7,702		16,461		16,972
2014-15		610,843		838,486		9,824		14,377		15,958
2015-16		584,409		914,881		4,210		9,336		16,271
2016-17		583,768		901,126		21,355		9,032		18,139
2017-18		592,333		964,716		4,004		13,402		41,930
2018-19		623,765		1,077,693		1,414		11,394		47,922
2019-20		621,647		1,018,502		1,890		17,847		40,227
2020-21		770,896		999,029		1,350		13,103		30,357

Table 4

Charges for Services		Miscellaneous	Recovered Costs		Inter- governmental	Total			
\$	59,413	\$	23,289	\$	100,080	\$	1,179,463	\$	2,763,967
	56,078		77,034		75,945		1,330,892		2,946,327
	57,097		21,105		96,636		1,313,700		2,953,455
	67,517		381,559		78,110		1,589,617		3,606,291
	59,141		409,998		174,734		1,963,038		4,136,018
	70,969		306,253		52,813		2,084,009		4,047,464
	72,950		77,912		119,757		2,846,512		4,733,516
	75,183		174,807		119,526		1,749,522		3,881,226
	83,869		116,132		77,360		1,382,108		3,359,582
	83,273		107,627		43,213		1,768,419		3,817,267

Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy (1,3)	Current Tax (1,3) Collections	Percent of Levy Collected	Delinquent Tax (1,2) Collections	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (1,2)	Percent of Delinquent Taxes to Tax Levy
2011-12	\$ 596,623	\$ 551,944	92.51%	\$ 22,982	\$ 574,926	96.36%	\$ 106,660	17.88%
2012-13	612,146	571,025	93.28%	26,146	597,171	97.55%	118,992	19.44%
2013-14	616,167	563,247	91.41%	27,724	590,971	95.91%	106,881	17.35%
2014-15	616,253	559,856	90.85%	35,518	595,374	96.61%	99,024	16.07%
2015-16	599,401	551,035	91.93%	28,778	579,813	96.73%	99,070	16.53%
2016-17	593,548	545,112	91.84%	26,860	571,972	96.36%	112,202	18.90%
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%

(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 Personal Property (3)						Public Utility (2)		Total
	Real Estate (1)	Mobile Homes	Real Estate	Personal Property					
2011-12	\$ 146,306,600	\$ 8,604,873	\$ 49,900	\$ 18,970,801	\$ 23,007	\$ 173,955,181			
2012-13	146,111,800	8,905,432	53,900	18,310,728	15,307	173,397,167			
2013-14	142,806,600	9,044,173	24,700	15,315,207	15,307	167,205,987			
2014-15	142,925,700	8,649,145	44,700	14,435,672	4,990	166,060,207			
2015-16	143,019,900	8,730,534	44,700	14,338,130	8,175	166,141,439			
2016-17	142,907,600	8,744,459	23,200	14,115,119	24,578	165,814,956			
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			

(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
2011-12	\$ 0.21	\$ 0.21	\$ 6.70	\$ 6.70
2012-13	0.21	0.21	6.70	6.70
2013-14	0.21	0.21	6.70	6.70
2014-15	0.21	0.21	6.70	6.70
2015-16	0.21	0.21	6.70	6.70
2016-17	0.21	0.21	6.70	6.70
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

(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			
2011-12	3,903	\$ 173,955,181	\$ 5,822,539	\$ -	\$ 5,672,539	\$ 150,000	0.09%	38
2012-13	3,880	173,397,167	7,793,970	-	5,285,776	2,508,194	1.45%	646
2013-14	3,869	167,205,987	7,422,908	-	7,016,451	406,457	0.24%	105
2014-15	3,790	166,060,207	6,733,317	-	6,391,503	341,814	0.21%	90
2015-16	3,740	166,141,439	6,688,922	-	6,198,705	490,217	0.30%	131
2016-17	3,715	165,814,956	6,250,738	-	5,705,880	544,858	0.33%	147
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

(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, 2021

Total Assessed Value of Real Estate	\$ <u>163,826,969</u>
Legal Debt Margin - 10% of assessed value of real estate	\$ 16,382,697
Less: Applicable gross indebtedness	<u>3,313,736</u>
Legal margin for creation of additional debt	\$ <u>13,068,961</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, 2021, 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 February 15, 2022.

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 the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Clifton Forge, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Clifton Forge, Virginia's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Clifton Forge, Virginia's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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
February 15, 2022



**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

We have audited the Town of Clifton Forge, Virginia's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Town of Clifton Forge, Virginia's major federal programs for the year ended June 30, 2021. Town of Clifton Forge, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Town of Clifton Forge, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Robinson, Farmer, Cox Associates

Charlottesville, Virginia
February 15, 2022

TOWN OF CLIFTON FORGE, VIRGINIA

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

Federal Grantor/State Pass-through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures
United States Department of Agriculture:			
Direct Payments:			
Water and Waste Disposal Systems for Rural Communities	10.760	N/A	\$ 2,792,363
Total United States Department of Agriculture			\$ 2,792,363
Department of Transportation:			
Pass-through Payments:			
Virginia Department of Transportation:			
Highway Planning and Construction Cluster:			
Highway Planning and Construction	20.205	5014510 / 5014310	\$ 229,698
Total Department of Transportation			\$ 229,698
United States Department of the Treasury:			
Pass-through Payments:			
County of Alleghany, Virginia:			
COVID-19 - Coronavirus Relief Fund	21.019	unknown	\$ 227,692
Total United States Department of the Treasury			\$ 227,692
Total Expenditures of Federal Awards			\$ 3,249,753

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, 2021

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, 2021. 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	\$ 457,390
Water Fund:	
Grant revenue	1,362,510
Loan proceeds	<u>1,429,853</u>
Total federal expenditures per basic financial statements	\$ <u>3,249,753</u>
Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$ <u><u>3,249,753</u></u>

TOWN OF CLIFTON FORGE, VIRGINIA

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2021

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) indentified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant Deficiency(ies) indentified?	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>
10.760	Water and Waste Disposal Systems for Rural Communities

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.

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