



TOWN OF CLIFTON FORGE, VIRGINIA

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2011

TOWN OF CLIFTON FORGE, VIRGINIA

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2011

COUNCIL

Jimmie Houff, Mayor

Johnette Roberts, Vice-Mayor

Carl Brinkley

Gayle Hillert

Ralph Jackson

OFFICIALS

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

TOWN OF CLIFTON FORGE, VIRGINIA

FINANCIAL REPORT
YEAR ENDED JUNE 30, 2011

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ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

INDEPENDENT AUDITORS' REPORT

TO THE HONORABLE MEMBERS OF THE TOWN COUNCIL
TOWN OF CLIFTON FORGE, VIRGINIA
CLIFTON FORGE, VIRGINIA

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, 2011, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Clifton Forge, Virginia's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the financial statements, the Town of Clifton Forge, Virginia adopted the provisions of *GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions*, effective July 1, 2010.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2011, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedule of pension funding progress 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 management's discussion and analysis and schedule of funding progress 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 management's discussion and analysis and schedule of funding progress 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Clifton Forge, Virginia's financial statements as a whole. The combining and individual nonmajor fund financial statements and schedules, and statistical information are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The 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.

Robinson, Farmer Cox Associates
Charlottesville, Virginia
December 22, 2011

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, 2011. Please read it in conjunction with the Town's basic financial statements, which follow this section.

1-1 Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$7.1 million (*net assets*). Of this amount, \$2.2 million (*unrestricted net assets*) may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Town's total net assets increased by \$314,745, of which the governmental activities accounted for a \$182,197 increase while business-type activities accounted for a \$132,548 increase.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$272,093, an increase of \$146,793 in comparison with the prior year. 100% of this fund balance is *available for spending* at the Town's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$272,093, 9% of governmental fund expenditures less any capital outlay projects funded with bond proceeds.
- The Town's total debt decreased by \$365,061 during the current fiscal year. The key factor in this net decrease was payments of principal.

1-2 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 the financial statements. This report also contains 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 assets* presents information on all of the Town's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of how the financial position of the Town may be changing. Increases in net assets may indicate an improved financial position; however, even decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, (e.g., uncollected taxes and earned but unused vacation leave).

Government-wide financial statements: (Continued)

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

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 the 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 the financial statements can be found on pages 21 through 39 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 schedule of funding in progress relating to the Town's participation in its defined benefit pension plan. Required supplementary information can be found on pages 40 and 41 of this report.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets exceeded liabilities by \$7.1 million at the close of the most recent fiscal year. A large portion of the Town's net assets (\$5 million, 69% 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 Assets:

Town of Clifton Forge, Virginia
Summary of Net Assets
As of June 30, 2011

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 1,039,279	\$ 662,029	\$ 2,291,571	\$ 2,253,214	\$ 3,330,850	\$ 2,253,214
Capital assets	1,710,565	1,624,185	9,726,516	10,106,217	11,437,081	10,106,217
Total assets	<u>\$ 2,749,844</u>	<u>\$ 2,286,214</u>	<u>\$ 12,018,087</u>	<u>\$ 12,359,431</u>	<u>\$ 14,767,931</u>	<u>\$ 12,359,431</u>
Long-term liabilities outstanding	\$ 637,638	\$ 590,923	\$ 6,149,954	\$ 6,561,730	\$ 6,787,592	\$ 7,152,653
Other liabilities	728,833	494,115	84,167	146,283	813,000	640,398
Total liabilities	<u>\$ 1,366,471</u>	<u>\$ 1,085,038</u>	<u>\$ 6,234,121</u>	<u>\$ 6,708,013</u>	<u>\$ 7,600,592</u>	<u>\$ 7,793,051</u>
Net assets:						
Invested in capital assets, net of related debt	\$ 1,339,108	\$ 1,290,215	\$ 3,614,920	\$ 3,584,219	\$ 4,954,028	\$ 4,874,434
Unrestricted	44,265	(89,039)	2,169,046	2,067,199	2,213,311	1,978,160
Total net assets	<u>\$ 1,383,373</u>	<u>\$ 1,201,176</u>	<u>\$ 5,783,966</u>	<u>\$ 5,651,418</u>	<u>\$ 7,167,339</u>	<u>\$ 6,852,594</u>

- 1-3** At the end of the current fiscal year, the Town is able to report positive balances in both categories of net assets for the business-type activities. Governmental-activities reported a positive balance in net assets invested in capital assets, net of related debt, however, a positive balance of \$44,265 was reported in unrestricted net assets.

As noted previously, the Town's net assets increased by \$314,745 during the current fiscal year, generally due to increase in capital asset additions.

Government-Wide Financial Analysis: (Continued)

Governmental activities increased the Town's net assets by \$182,197. The following table summarizes the Town's Statement of Activities:

Town of Clifton Forge, Virginia
Changes in Net Assets
As of June 30, 2011

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues:						
Charges for services	\$ 70,891	\$ 91,232	\$ 2,152,912	\$ 2,113,781	\$ 2,223,803	\$ 2,205,013
Operating grants and contributions	921,231	720,419	-	-	921,231	720,419
Capital grants and contributions	-	-	32,864	180,290	32,864	180,290
General revenues:						
Property taxes	574,130	594,157	-	-	574,130	594,157
Other taxes	771,811	742,933	-	-	771,811	742,933
Unrestricted revenues from use of money and property	3,151	5,789	-	-	3,151	5,789
Miscellaneous	26,432	26,973	-	-	26,432	26,973
Grants and contributions not restricted to specific programs	436,076	437,012	-	-	436,076	437,012
Total revenues	<u>\$ 2,803,722</u>	<u>\$ 2,618,515</u>	<u>\$ 2,185,776</u>	<u>\$ 2,294,071</u>	<u>\$ 4,989,498</u>	<u>\$ 4,912,586</u>
Expenses:						
General government administration	\$ 522,019	\$ 410,290	\$ -	\$ -	\$ 522,019	\$ 410,290
Public safety	992,001	928,861	-	-	992,001	928,861
Public works	729,685	913,542	-	-	729,685	913,542
Health and welfare	6,425	6,387	-	-	6,425	6,387
Education	2,400	2,400	-	-	2,400	2,400
Parks, recreation and cultural	268,278	304,956	-	-	268,278	304,956
Community development	88,082	249,267	-	-	88,082	249,267
Interest on long-term debt	12,635	-	-	-	12,635	0
Water fund	-	-	923,244	930,702	923,244	930,702
Sewer fund	-	-	1,129,984	1,152,799	1,129,984	1,152,799
Total expenses	<u>\$ 2,621,525</u>	<u>\$ 2,815,703</u>	<u>\$ 2,053,228</u>	<u>\$ 2,083,501</u>	<u>\$ 4,674,753</u>	<u>\$ 4,899,204</u>
Increase in net assets	<u>\$ 182,197</u>	<u>\$ (197,188)</u>	<u>\$ 132,548</u>	<u>\$ 210,570</u>	<u>\$ 314,745</u>	<u>\$ 13,382</u>
Net assets - beginning of year	<u>\$ 1,201,176</u>	<u>\$ 1,398,364</u>	<u>\$ 5,651,418</u>	<u>\$ 5,440,848</u>	<u>\$ 6,852,594</u>	<u>\$ 6,839,212</u>
Net assets - end of year	<u>\$ 1,383,373</u>	<u>\$ 1,201,176</u>	<u>\$ 5,783,966</u>	<u>\$ 5,651,418</u>	<u>\$ 7,167,339</u>	<u>\$ 6,852,594</u>

1-4 Generally, net asset changes are for the difference between revenues and expenses. The key element of this increase was the increase in property tax revenue and state and federal revenues.

Business-type activities increased the Town's net assets by \$132,548. 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 *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Town's governmental fund reported an ending fund balance of \$272,093, an increase of \$146,793 in comparison with the prior year. The entire amount of this total is reported as unreserved, which is available for spending at the Town's discretion.

At the end of the current fiscal year, unreserved fund balance as well as total fund balance of the General Fund was \$272,093. As a measure of the General Fund's liquidity, the fund balance represents 9% of total General Fund expenditures.

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 assets of the proprietary funds were \$5.8 million, of which \$2.2 million was unrestricted and available for use at the Town's discretion. The total increase in net assets was \$132,548.

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, 2011, amounts to \$11.4 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:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Land	\$ 759,994	\$ 759,994	\$ 77,412	\$ 77,412	\$ 837,406	\$ 837,406
Buildings	234,187	258,389	-	-	234,187	258,389
Utility plant in service	-	-	9,649,104	10,028,805	9,649,104	10,028,805
Infrastructure	164,731	90,054			164,731	90,054
Machinery & Equipment	546,688	514,014	-	-	546,688	514,014
Contruction in progress	4,965	1,734	-	-	4,965	1,734
Total	\$ <u>1,710,565</u>	\$ <u>1,624,185</u>	\$ <u>9,726,516</u>	\$ <u>10,106,217</u>	\$ <u>11,437,081</u>	\$ <u>11,730,402</u>

Additional information on the Town's capital assets can be found in note 5 on pages 29 through 31 of this report.

Capital Asset and Debt Administration: (Continued)

Long-term debt: At the end of the current fiscal year, the Town had total outstanding debt of \$6.8 million and details are summarized in the following table:

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Bonds and Notes Payable:						
Capital leases	\$ 371,457	\$ 333,970	\$ -	\$ -	\$ 371,457	\$ 333,970
Revenue bonds	-	-	3,113,625	3,384,375	3,113,625	3,384,375
Revolving loan funds	-	-	2,997,971	3,137,623	2,997,971	3,137,623
Landfill closure and post-closure	150,000	157,500	-	-	150,000	157,500
Compensated absences	116,181	99,453	38,358	39,732	154,539	139,185
Total	<u>\$ 637,638</u>	<u>\$ 590,923</u>	<u>\$ 6,149,954</u>	<u>\$ 6,561,730</u>	<u>\$ 6,787,592</u>	<u>\$ 7,152,653</u>

Debt associated with governmental activities increased by \$46,715 and debt associated with business-type activities decreased by \$411,776. The key factor in the governmental increase was additional capital leases issuances and the business activities decrease was due to the payments of principal and interest on loans.

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 debt limitation as of June 30, 2011.

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

Economic Factors and Next Year's Budgets and Rates

Clifton Forge, once a booming railroad town, experienced a decline through the 1990's and into the new millennium. In 2001 because of the continuing decline and fiscal stress, Clifton Forge gave up its city status and reverted to a town.

Although the town still lacks an adequate reserve fund, The Town continues to serve the citizens of the Town and offers a myriad of services such as Police Department, Animal Control, Public Works, Parks and Library. The town's real estate tax remains at \$.21. The water and sewer rates remained the same in fiscal year 2011 to a total of \$65 per month for residential properties. The water fund is completing capital improvements to the Water Treatment Plant and installation of Water Meters. The Town is beginning repayment of two Virginia Resource Authority loans relating to the water fund capital improvements. The wastewater fund is currently repaying two Virginia Resource authority loans related to capital improvements at the wastewater plant.

Despite the downward trend of the 1980's and 1990's the town is slowly rebounding into an attractive community in which to live and work. The Town has adopted the Alleghany Highlands Comprehensive Economic Development strategy to address a multitude of goals including business development, business retention, tourism development and improvements in the region's quality of life.

The Town has several small businesses that have opened in the past two years.

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 government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town Manager, Town of Clifton Forge, 547 Main Street, Clifton Forge, VA 24422.

BASIC FINANCIAL STATEMENTS

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Government-wide Financial Statements

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Statement of Net Assets
June 30, 2011

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 305,566	\$ 2,100,026	\$ 2,405,592
Receivables (net of allowance for uncollectibles):			
Taxes receivable	617,754	-	617,754
Accounts receivable	67,972	186,583	254,555
Due from other governmental units	47,987	4,962	52,949
Capital assets (net of accumulated depreciation):			
Land	759,994	77,412	837,406
Buildings and improvements	234,187	-	234,187
Machinery and equipment	546,688	-	546,688
Infrastructure	164,731	9,649,104	9,813,835
Construction in progress	4,965	-	4,965
Total assets	\$ 2,749,844	\$ 12,018,087	\$ 14,767,931
LIABILITIES			
Accounts payable	\$ 34,893	\$ 61,394	\$ 96,287
Accrued payroll	50,000	16,912	66,912
Accrued interest payable	-	5,861	5,861
Due to other funds	13,341	-	13,341
Unearned revenue	630,599	-	630,599
Long-term liabilities:			
Due within one year	49,211	500,628	549,839
Due in more than one year	588,427	5,649,326	6,237,753
Total liabilities	\$ 1,366,471	\$ 6,234,121	\$ 7,600,592
NET ASSETS			
Invested in capital assets, net of related debt	\$ 1,339,108	\$ 3,614,920	\$ 4,954,028
Unrestricted (deficit)	44,265	2,169,046	2,213,311
Total net assets	\$ 1,383,373	\$ 5,783,966	\$ 7,167,339

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

TOWN OF CLIFTON FORGE, VIRGINIA

Statement of Activities

For the Year Ended June 30, 2011

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 522,019	\$ -	\$ -	\$ -
Public safety	992,001	64,525	215,954	-
Public works	729,685	244	668,473	-
Health and welfare	6,425	-	-	-
Education	2,400	-	-	-
Parks, recreation, and cultural	268,278	6,122	36,804	-
Community development	88,082	-	-	-
Interest on long-term debt	12,635	-	-	-
Total governmental activities	\$ 2,621,525	\$ 70,891	\$ 921,231	\$ -
Business-type activities:				
Water	\$ 923,244	\$ 906,876	\$ -	\$ 32,864
Sewer	1,129,984	1,246,036	-	-
Total business-type activities	\$ 2,053,228	\$ 2,152,912	\$ -	\$ 32,864
Total primary government	\$ 4,674,753	\$ 2,223,803	\$ 921,231	\$ 32,864
General revenues:				
General property taxes				
Other local taxes:				
Local sales and use tax				
Consumers' utility tax				
Business licenses tax				
Restaurant food tax				
Motor vehicle licenses				
Bank stock taxes				
Other local taxes				
Unrestricted revenues from use of money and property				
Miscellaneous				
Grants and contributions not restricted to specific programs				
Total general revenues				
Change in net assets				
Net assets - beginning				
Net assets - ending				

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

Exhibit 2

Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (522,019)	\$ -	\$ (522,019)
(711,522)	-	(711,522)
(60,968)	-	(60,968)
(6,425)	-	(6,425)
(2,400)	-	(2,400)
(225,352)	-	(225,352)
(88,082)	-	(88,082)
(12,635)	-	(12,635)
<u>\$ (1,629,403)</u>	<u>\$ -</u>	<u>\$ (1,629,403)</u>
\$ -	\$ 16,496	\$ 16,496
-	116,052	116,052
<u>\$ -</u>	<u>\$ 132,548</u>	<u>\$ 132,548</u>
<u>\$ (1,629,403)</u>	<u>\$ 132,548</u>	<u>\$ (1,496,855)</u>
\$ 574,130	\$ -	\$ 574,130
111,086	-	111,086
171,123	-	171,123
160,113	-	160,113
164,430	-	164,430
56,555	-	56,555
96,875	-	96,875
11,629	-	11,629
3,151	-	3,151
26,432	-	26,432
436,076	-	436,076
<u>\$ 1,811,600</u>	<u>\$ -</u>	<u>\$ 1,811,600</u>
\$ 182,197	\$ 132,548	\$ 314,745
1,201,176	5,651,418	6,852,594
<u>\$ 1,383,373</u>	<u>\$ 5,783,966</u>	<u>\$ 7,167,339</u>

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Fund Financial Statements

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Balance Sheet
 Governmental Funds
 June 30, 2011

	<u>General</u>
ASSETS	
Cash and cash equivalents	\$ 305,566
Receivables (net of allowance for uncollectibles):	
Taxes receivable	617,754
Accounts receivable	67,972
Due from other governmental units	<u>47,987</u>
Total assets	<u>\$ 1,039,279</u>
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	\$ 34,893
Accrued payroll	50,000
Due to other funds	13,341
Deferred revenue	<u>668,952</u>
Total liabilities	<u>\$ 767,186</u>
Fund balances:	
Unassigned, reported in:	
General fund	<u>\$ 272,093</u>
Total fund balances	<u>\$ 272,093</u>
Total liabilities and fund balances	<u>\$ 1,039,279</u>

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

Reconciliation of the Balance Sheet of Governmental Funds
 To the Statement of Net Assets
 June 30, 2011

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	272,093
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Capital assets	\$	3,669,773	
Less: accumulated depreciation		<u>(1,959,208)</u>	1,710,565

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	38,353
--	--------

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.

Compensated absences	\$	(116,181)	
Capital leases		(371,457)	
Landfill postclosure liability		<u>(150,000)</u>	<u>(637,638)</u>

Net assets of governmental activities	\$	<u><u>1,383,373</u></u>
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The notes to the financial statements are an integral part of this statement.

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2011

	<u>General</u>
REVENUES	
General property taxes	\$ 578,391
Other local taxes	771,811
Permits, privilege fees, and regulatory licenses	6,156
Fines and forfeitures	8,242
Revenue from the use of money and property	3,151
Charges for services	56,493
Miscellaneous	26,432
Recovered costs	145,225
Intergovernmental revenues:	
Commonwealth	1,356,833
Federal	474
Total revenues	<u>\$ 2,953,208</u>
EXPENDITURES	
Current:	
General government administration	\$ 277,385
Public safety	956,894
Public works	858,419
Health and welfare	6,425
Education	2,400
Parks, recreation, and cultural	281,446
Community development	190,721
Nondepartmental	210,165
Capital projects	39,912
Debt service:	
Principal retirement	72,471
Interest and other fiscal charges	12,635
Total expenditures	<u>\$ 2,908,873</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 44,335</u>
OTHER FINANCING SOURCES (USES)	
Issuance of capital leases	<u>\$ 102,458</u>
Net change in fund balances	<u>\$ 146,793</u>
Fund balances - beginning	<u>\$ 125,300</u>
Fund balances - ending	<u><u>\$ 272,093</u></u>

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

Reconciliation of Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended June 30, 2011

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

Net change in fund balances - total governmental funds	\$	146,793
--	----	---------

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.

Capital asset additions	\$	213,364	
Less: depreciation expense		<u>(126,984)</u>	86,380

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(4,261)
--	---------

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 assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Principal repayments	\$	64,971	
Issuance of Capital lease		(102,458)	
Decrease in landfill postclosure liability		<u>7,500</u>	(29,987)

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.	<u>(16,728)</u>
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Change in net assets of governmental activities	\$	<u><u>182,197</u></u>
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The notes to the financial statements are an integral part of this statement.

Statement of Net Assets
 Proprietary Funds
 June 30, 2011

	Enterprise Fund	Enterprise Fund	
	Water	Sewer	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,363,254	\$ 736,772	\$ 2,100,026
Accounts receivables, net of allowance for uncollectibles	77,017	109,566	186,583
Due from other governmental units	4,962	-	4,962
Total current assets	\$ 1,445,233	\$ 846,338	\$ 2,291,571
Noncurrent assets:			
Capital assets (net of accumulated depreciation):			
Land	\$ 27,362	\$ 50,050	\$ 77,412
Infrastructure	4,138,766	5,510,338	9,649,104
Total capital assets	\$ 4,166,128	\$ 5,560,388	\$ 9,726,516
Total noncurrent assets	\$ 4,166,128	\$ 5,560,388	\$ 9,726,516
Total assets	\$ 5,611,361	\$ 6,406,726	\$ 12,018,087
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 16,025	\$ 45,369	\$ 61,394
Accrued payroll	13,488	3,424	16,912
Accrued interest payable	5,861	-	5,861
Bonds payable - current portion	114,521	382,271	496,792
Compensated absences - current portion	3,233	603	3,836
Total current liabilities	\$ 153,128	\$ 431,667	\$ 584,795
Noncurrent liabilities:			
Bonds payable - net of current portion	\$ 2,771,929	\$ 2,842,875	\$ 5,614,804
Compensated absences	29,097	5,425	34,522
Total noncurrent liabilities	\$ 2,801,026	\$ 2,848,300	\$ 5,649,326
Total liabilities	\$ 2,954,154	\$ 3,279,967	\$ 6,234,121
NET ASSETS			
Invested in capital assets, net of related debt	\$ 1,279,678	\$ 2,335,242	\$ 3,614,920
Unrestricted	1,377,529	791,517	2,169,046
Total net assets	\$ 2,657,207	\$ 3,126,759	\$ 5,783,966

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

Statement of Revenues, Expenses, and Changes in Fund Net Assets
 Proprietary Funds
 For the Year Ended June 30, 2011

	Enterprise Fund	Enterprise Fund	
	Water	Sewer	Total
OPERATING REVENUES			
Charges for services:			
Water revenues	\$ 902,776	\$ -	\$ 902,776
Sewer revenues	-	1,242,136	1,242,136
Connection Fees	1,200	1,200	2,400
Other revenues	2,700	2,700	5,400
Miscellaneous	200	-	200
Total operating revenues	\$ 906,876	\$ 1,246,036	\$ 2,152,912
OPERATING EXPENSES			
Transmissional distribution	\$ 124,441	\$ -	\$ 124,441
Water filtration plant	428,230	-	428,230
Wastewater treatment plant	-	558,705	558,705
Sewage collection	-	54,318	54,318
Sewer I and I	-	75,186	75,186
Depreciation	211,164	309,587	520,751
Capital outlay	2,500	-	2,500
Total operating expenses	\$ 766,335	\$ 997,796	\$ 1,764,131
Operating income (loss)	\$ 140,541	\$ 248,240	\$ 388,781
NONOPERATING REVENUES (EXPENSES)			
Intergovernmental revenue			
Intergovernmental revenues:			
Commonwealth	\$ 5,813	\$ -	\$ 5,813
Federal	27,051	-	27,051
Contingencies	(119,764)	(130,244)	(250,008)
Interest expense	(37,145)	(1,944)	(39,089)
Total nonoperating revenues (expenses)	\$ (124,045)	\$ (132,188)	\$ (256,233)
Change in net assets	\$ 16,496	\$ 116,052	\$ 132,548
Total net assets - beginning	\$ 2,640,711	\$ 3,010,707	\$ 5,651,418
Total net assets - ending	\$ 2,657,207	\$ 3,126,759	\$ 5,783,966

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

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2011

	Enterprise Fund	Enterprise Fund	
	Water	Sewer	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 896,285	\$ 1,227,085	\$ 2,123,370
Payments to suppliers	(263,449)	(552,836)	(816,285)
Payments to employees	(390,379)	(100,079)	(490,458)
Net cash provided (used) by operating activities	\$ 242,457	\$ 574,170	\$ 816,627
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Additions to utility plant	\$ (69,518)	\$ (71,532)	\$ (141,050)
Intergovernmental capital receipts	32,864	-	32,864
Contingencies	(119,764)	(130,243)	(250,007)
Principal payments on bonds	(112,945)	(381,164)	(494,109)
Proceeds from indebtedness	83,707	-	83,707
Interest payments	(37,271)	(1,944)	(39,215)
Net cash provided (used) by capital and related financing activities	\$ (222,927)	\$ (584,883)	\$ (807,810)
Net increase (decrease) in cash and cash equivalents	\$ 19,530	\$ (10,713)	\$ 8,817
Cash and cash equivalents - beginning	\$ 1,343,724	\$ 747,485	\$ 2,091,209
Cash and cash equivalents - ending	\$ 1,363,254	\$ 736,772	\$ 2,100,026
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 140,541	\$ 248,240	\$ 388,781
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation expense	\$ 211,164	\$ 309,587	\$ 520,751
(Increase) decrease in accounts receivable	(5,629)	(18,951)	(24,580)
(Increase) decrease in intergovernmental receivables	(4,962)	-	(4,962)
Increase (decrease) in accounts payable	(86,976)	30,820	(56,156)
Increase (decrease) in retainage payable	(10,000)	-	(10,000)
(Increase) decrease in accrued payroll	2,504	1,663	4,167
(Increase) decrease accrued vacation leave payable	(4,185)	2,811	(1,374)
Total adjustments	\$ 101,916	\$ 325,930	\$ 427,846
Net cash provided (used) by operating activities	\$ 242,457	\$ 574,170	\$ 816,627

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

Statement of Fiduciary Net Assets
 Fiduciary Funds
 June 30, 2011

	<u>Private-Purpose Trusts</u>	<u>Agency Funds</u>
ASSETS		
Cash and cash equivalents	\$ 261,344	\$ 31,167
Due from other funds	<u>13,341</u>	<u>-</u>
Total assets	<u><u>\$ 274,685</u></u>	<u><u>\$ 31,167</u></u>
LIABILITIES		
Amounts held for others	\$ <u>-</u>	\$ <u>31,167</u>
Total liabilities	<u><u>\$ -</u></u>	<u><u>\$ 31,167</u></u>
NET ASSETS		
Held in trust for cemeteries	<u><u>\$ 274,685</u></u>	

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

Statement of Changes in Fiduciary Net Assets
 Fiduciary Funds
 For the Year Ended June 30, 2011

	<u>Private-Purpose Trust</u>
ADDITIONS	
Contributions:	
Sale of cemetery lots	\$ <u>3,600</u>
Total additions	\$ <u>3,600</u>
DEDUCTIONS	
Total deductions	\$ <u>-</u>
Change in net assets	\$ <u>3,600</u>
Net assets - beginning	\$ <u>271,085</u>
Net assets - ending	\$ <u><u>274,685</u></u>

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

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TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements As of June 30, 2011

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

The Town of Clifton Forge, Virginia (government) is a municipal corporation governed by an elected five-member Town Council. The accompanying financial statements present the 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 the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the government.

Blended Component Units - The Town has no blended component units for the fiscal year ended June 30, 2011.

Discretely Presented Component Units - The Town has no discretely presented component units for the fiscal year ended June 30, 2011.

Jointly Governed Organizations - The Town has no jointly governed organizations for the fiscal year ended June 30, 2011.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. 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.

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

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

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2011 (Continued)

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

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 Town applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989 unless these pronouncements conflict with or contradict GASB pronouncements.

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.

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

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 deferred 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 government reports the following major governmental funds:

The *General Fund* is the government'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 government reports the following major proprietary funds:

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2011 (Continued)

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

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

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.

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 as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expense, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Additionally, the government reports the following fund types:

Fiduciary funds account for assets held by the government in a trustee capacity or as agent or custodian for individuals, private organizations, other governmental units, or other funds. Agency funds include the Joint Development Investment Fund. Trust Funds, which consist of the Mountain View Cemetery and Crown Hill Cemetery Funds.

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

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

Investments for the government are reported at fair value. The State Treasurer's Local Government Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2011 (Continued)

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

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

2. Receivables and Payables

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

3. 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.

4. 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 \$56,441 at June 30, 2011 and is comprised of property taxes, refuse, and water and sewer accounts receivable.

5. 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.

6. 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 government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2011 (Continued)

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

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

6. Capital assets (continued)

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

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

Property, plant, and equipment of the primary government, is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	40
Structures, lines, and accessories	33
Machinery and equipment	3-10
Infrastructure	30

7. Compensated Absences

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

8. Long-term Obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, 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.

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2011 (Continued)

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

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

9. Fund Equity

Beginning with fiscal year 2011, the Town implemented GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

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

In accordance with GASB Statement 54, when fund balance resources are available for a specific purpose in more than one classification, it is the Town's policy to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed.

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

10. Net Assets

Net assets are the difference between assets and liabilities. Net assets invested in capital assets represent capital assets, less accumulated depreciation less any outstanding debt related to the acquisition, construction or improvement of those assets.

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2011 (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 March 30, 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 Equity

At June 30, 2011, there were no funds with deficit fund equity.

NOTE 3—DEPOSITS AND INVESTMENTS:

Deposits

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

Investments

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

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2011 (Continued)

NOTE 3—DEPOSITS AND INVESTMENTS: (CONTINUED)

Credit Risk of Debt Securities

The Town has no formal investment policy.

The Town's rated debt investments as of June 30, 2011 were rated by Standard & Poor's and the ratings are presented below using Standard & Poor's rating scale.

<u>Locality's Rated Debt Investments' Values</u>	
<u>Rated Debt Investments</u>	<u>Fair Quality Ratings</u>
	<u>AAA</u>
Money Market Mutual Fund	\$ 223,282
Total	\$ 223,282

NOTE 4—DUE FROM OTHER GOVERNMENTAL UNITS:

Amounts due from other governmental units at June 30, 2011, are as follows:

Governmental Activities:

Commonwealth of Virginia:

Rolling stock tax	\$ 20,386
Auto rental tax	309
Fire Programs Grant	12,384
Communications tax	14,908
Total due from the Commonwealth	\$ 47,987

Business-Type Activities:

Federal:

Preventive Health Block Grant	\$ 4,962
Total due from Federal Government	\$ 4,962
Grand Total	\$ 52,949

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2011 (Continued)

NOTE 5—CAPITAL ASSETS:

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2011.

Governmental Activities:

	<u>Balance</u> <u>July 1, 2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2011</u>
Capital assets not being depreciated:				
Land	\$ 759,994	\$ -	\$ -	\$ 759,994
Construction in progress	<u>1,734</u>	<u>3,231</u>	<u>-</u>	<u>4,965</u>
Total capital assets not being depreciated	\$ <u>761,728</u>	\$ <u>3,231</u>	\$ <u>-</u>	\$ <u>764,959</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 1,151,304	\$ -	\$ -	\$ 1,151,304
Infrastructure (1)	88,701	93,945	-	182,646
Machinery and equipment	<u>1,491,276</u>	<u>116,188</u>	<u>(36,600)</u>	<u>1,570,864</u>
Total capital assets being depreciated	\$ <u>2,731,281</u>	\$ <u>210,133</u>	\$ <u>(36,600)</u>	\$ <u>2,904,814</u>
Less: accumulated depreciation for:				
Buildings and improvements	\$ (892,915)	\$ (24,202)	\$ -	\$ (917,117)
Infrastructure	(11,827)	(6,088)	-	(17,915)
Machinery and equipment	<u>(964,082)</u>	<u>(96,694)</u>	<u>36,600</u>	<u>(1,024,176)</u>
Total accumulated depreciation	\$ <u>(1,868,824)</u>	\$ <u>(126,984)</u>	\$ <u>36,600</u>	\$ <u>(1,959,208)</u>
Total capital assets being depreciated, net	\$ <u>862,457</u>	\$ <u>83,149</u>	\$ <u>-</u>	\$ <u>945,606</u>
Net capital assets	<u>\$ 1,624,185</u>	<u>\$ 86,380</u>	<u>\$ -</u>	<u>\$ 1,710,565</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
As of June 30, 2011 (Continued)

NOTE 5—CAPITAL ASSETS: (CONTINUED)

Business-Type Activities:

	Balance July 1, 2010	Increases	Decreases	Balance June 30, 2011
Water Fund				
Capital assets not being depreciated:				
Land	\$ 27,362	\$ -	\$ -	\$ 27,362
Total capital assets not being depreciated	\$ 27,362	\$ -	\$ -	\$ 27,362
Capital assets being depreciated:				
Infrastructure	\$ 5,936,490	\$ 69,517	\$ -	\$ 6,006,007
Less: accumulated depreciation	(1,656,077)	(211,164)	-	(1,867,241)
Total capital assets being depreciated, net	\$ 4,280,413	\$ (141,647)	\$ -	\$ 4,138,766
Net capital assets	\$ 4,307,775	\$ (141,647)	\$ -	\$ 4,166,128
Sewer Fund				
Capital assets not being depreciated:				
Land	\$ 50,050	\$ -	\$ -	\$ 50,050
Total capital assets not being depreciated	\$ 50,050	\$ -	\$ -	\$ 50,050
Capital assets being depreciated:				
Infrastructure	\$ 12,029,122	\$ 71,534	\$ -	\$ 12,100,656
Less: accumulated depreciation	(6,280,731)	(309,587)	-	(6,590,318)
Total capital assets being depreciated, net	\$ 5,748,391	\$ (238,053)	\$ -	\$ 5,510,338
Net capital assets	\$ 5,798,441	\$ (238,053)	\$ -	\$ 5,560,388

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2011 (Continued)

NOTE 5—CAPITAL ASSETS: (CONTINUED)

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

Governmental activities:	
General government	\$ 6,553
Public safety	58,630
Public works	45,616
Parks, recreation, and cultural	16,185
Total depreciation expense-governmental activities	\$ 126,984
Business-type activities:	
Water Fund	\$ 211,164
Sewer Fund	309,587
Total depreciation expense-business type-activities	\$ 520,751

NOTE 6—LONG-TERM OBLIGATIONS:

Primary Government—Governmental Activity Long-term Obligations:

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

Year Ending June 30,	Capital Lease	
	Principal	Interest
2012	\$ 48,049	\$ 18,151
2013	42,235	15,342
2014	34,958	13,012
2015	36,893	10,977
2016	32,521	8,898
2017-2021	127,768	28,071
2022-2024	49,033	3,031
Total	\$ 371,457	\$ 97,482

The following is a summary of long-term obligation transactions of the Town for the year ended June 30, 2011.

	Balance June 30, 2010	Issuances	Retirements	Balance June 30, 2011
Capital lease	\$ 333,970	\$ 102,458	\$ 64,971	\$ 371,457
Accrued landfill and postclosure liability	157,500	-	7,500	150,000
Compensated absences	99,453	16,728	-	116,181
Total	\$ 590,923	\$ 119,186	\$ 72,471	\$ 637,638

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2011 (Continued)

NOTE 6—LONG-TERM OBLIGATIONS: (CONTINUED)

Primary Government—Governmental Activity Long-term Obligations: (Continued)

Details of Long-term Obligations:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
Capital leases:		
\$24,198 Capital lease dated May 27, 2009 with annual payments of \$8,625, including interest at 6.221%. Final installment due July 2, 2011.	\$ 8,105	\$ 8,105
\$75,103 Capital Lease dated October 12, 2010 with annual payments of \$16,702, including interest at 6.95%. Final installment due September 12, 2015.	65,834	12,520
\$27,355 Capital lease dated September 2, 2010 with annual payments of \$9,706.99, including interest at 6.60%. Final installment due September 2, 2012.	17,648	8,542
\$335,000 Capital lease dated December 15, 2008 with annual payments of \$31,799, including interest at 4.634%. Final installment due in 2024.	279,870	18,882
Total capital leases	\$ 371,457	\$ 48,049
Accrued landfill and postclosure liability	\$ 150,000	\$ -
Compensated absences	\$ 116,181	\$ 1,162
Total	<u>\$ 637,638</u>	<u>\$ 49,211</u>

The assets acquired through capital leases are as follows:

Asset:	
Equipment	\$ 635,566
Less: Accumulated depreciation	<u>(146,526)</u>
Total	<u>489,040</u>

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2011 (Continued)

NOTE 6—LONG-TERM OBLIGATIONS: (CONTINUED)**Primary Government-Enterprise Activity Long-term Obligations:**

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

Year Ending June 30,	Bonds	
	Principal	Interest
2012	\$ 496,792	\$ 35,627
2013	386,830	33,224
2014	388,437	31,617
2015	390,093	29,961
2016	391,801	28,253
2017-2021	1,986,506	113,761
2022-2026	1,090,163	62,481
2027-2031	521,819	9,443
2032-2036	318,933	-
2037-2041	140,222	-
Total	\$ <u>6,111,596</u>	\$ <u>344,367</u>

The following is a summary of long-term obligations transactions of the Town for the year ended June 30, 2011:

	Balance July 1, 2010	Additions	Reductions	Balance June 30, 2011
Revenue bonds	\$ 3,384,375	\$ -	\$ 270,750	\$ 3,113,625
Virginia revolving loan fund	3,137,623	83,707	223,359	2,997,971
Compensated absences	39,732	-	1,374	38,358
Total	\$ <u>6,561,730</u>	\$ <u>83,707</u>	\$ <u>495,483</u>	\$ <u>6,149,954</u>

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2011 (Continued)

NOTE 6—LONG-TERM OBLIGATIONS: (CONTINUED)

Primary Government-Enterprise Activity Long-term Obligations: (Continued)

Details of long-term obligations:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
<u>Revenue Bonds:</u>		
\$2,000,000 Sewer Revenue Bonds (VRA), maturing semi-annually with interest at 1%, maturing April 1, 2012.	\$ 111,521	\$ 111,521
\$5,415,000 Wastewater System Revenue Bond, Series 2000 (VRA), maturing semi-annually in equal payments of \$135,375 through September 1, 2022, 0% interest.	3,113,625	270,750
\$760,500 Water Revenue Bonds (VRA), maturing semi-annually in equal installments of \$12,675 through November 1, 2038, 0% interest.	697,125	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.	1,151,561	50,734
\$1,153,088 Water Revenue Bonds (VRA), maturing semi-annually in equal installments of \$19,218 through November 1, 2039, 0% interest.	1,037,764	38,437
Sub-total bonds payable	\$ 6,111,596	\$ 496,792
Compensated absences	\$ 38,358	\$ 3,836
Total	<u>\$ 6,149,954</u>	<u>\$ 500,628</u>

NOTE 7—DEFERRED REVENUE:

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. Deferred revenue is comprised of the following:

A. Deferred Property Tax Revenue

Deferred revenue representing deferred property tax revenues totaled \$614,885 at June 30, 2011.

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2011 (Continued)

NOTE 7—DEFERRED REVENUE: (CONTINUED)

B. Deferred Street and Highway Maintenance Revenue

Deferred revenue representing deferred State Street and Highway Maintenance revenues totaled \$54,067 at June 30, 2011.

NOTE 8—COMPENSATED ABSENCES:

Town employees earn sick leave based upon length of service. Upon termination of employment, employees are paid 25% of accumulated sick leave up to \$2,000. Maximum payout of sick leave at retirement is \$2,000. Vacation leave is earned at various rates depending on the date of employment and number of years of service. Vacation leave accrued above the maximum allowable must be taken by the end of the year or it will be lost. Upon separation or retirement, a full-time employee shall be paid for all accrued annual leave. The Town has outstanding accrued compensated absences totaling \$116,181 in the Primary Government, and \$38,358 in the Enterprise Funds.

NOTE 9—DEFINED BENEFIT PENSION PLAN:

A. Plan Description

Name of Plan:	Virginia Retirement System (VRS)
Identification of Plan:	Agent Employer Defined Benefit Plan
Administering Entity:	Virginia Retirement System (System)

All full-time, salaried permanent employees of participating employers are automatically covered by VRS upon employment. Benefits vest after five years of service credit. Members earn one month service credit for each month they are employed and their employer is paying into the VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as credit in their plan.

VRS administers two defined benefit plans for local government employees - Plan 1 and Plan 2:

Members hired before July 1, 2010 and who have service credits before July 1, 2010 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit early at age 55 with at least 10 years of service credit or age 50 with at least five years of service credit.

Members hired or rehired on or after July 1, 2010 and who have no service credits before July 1, 2010 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.

The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's average final compensation multiplied by the member's total service credit. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under Plan 2, average final compensation is the average of the member's 60 consecutive months of highest compensation. The retirement multiplier for non-hazardous duty members is 1.70%.

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2011 (Continued)

NOTE 9—DEFINED BENEFIT PENSION PLAN: (CONTINUED)

A. Plan Description (continued)

The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier for eligible political subdivision hazardous duty employees other than sheriffs and jail superintendents is 1.70 or 1.85% as elected by the employer. At retirement, members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option Payment (PLOP) or the Advance Pension Option. A retirement reduction factor is applied to the Basic Benefit amount for members electing the Survivor Option, PLOP or Advance Pension Option or those retiring with a reduced benefit.

Retirees are eligible for an annual cost-of-living adjustment (COLA) effective July 1 of the second calendar year of retirement. Under Plan 1, the COLA cannot exceed 5.00%; under Plan 2, the COLA cannot exceed 6.00%. During years of no inflation or deflation, the COLA is 0.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the report may be obtained from the VRS website at <http://www.varetire.org/PDF/Publications/2010-Annual-Report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their compensation toward their retirement. All or part of the 5% member contribution may be assumed by the employer. In addition, the Town is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The Town's contribution rate for the fiscal year ended 2011 was 8.88% of annual covered payroll.

C. Annual Pension Cost

For fiscal year 2011, the Town's annual pension cost of \$116,235 (does not include employee share of \$70,488 which was assumed by the Town) was equal to the Town's required and actual contributions.

Three-Year Trend Information			
Fiscal Year Ending	Annual Pension Cost (APC) ¹	Percentage of APC Contributed	Net Pension Obligation
June 30, 2009	114,092	100%	-
June 30, 2010	113,063	100%	-
June 30, 2011	116,235	100%	-

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2011 (Continued)

NOTE 9—DEFINED BENEFIT PENSION PLAN: (CONTINUED)

C. Annual Pension Cost (continued)

The fiscal year 2011 required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2009 included (a) 7.50% investment rate of return, (b) projected salary increases ranging from 3.75% to 5.60% per year, and (c) 2.50% per year cost-of-living adjustment. Both the investment rate of return and the projected salary increases included an inflation component of 2.50%. The actuarial value of the Town's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The Town's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2009 for the unfunded Actuarial Accrued Liability (UAAL) was 20 years.

D. Funded Status and Funding Progress

As of June 30, 2010, the most recent actuarial valuation date, the plan was 86.03% funded. The actuarial accrued liability for benefits was \$7,529,787, and the actuarial value of assets was \$6,477,714, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,052,073. The covered payroll (annual payroll of active employees covered by the plan) was \$1,465,288, and ratio of the UAAL to the covered payroll was 71.8%.

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability (AAL) for benefits.

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

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

NOTE 11—RISK MANAGEMENT:

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

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2011 (Continued)

NOTE 11—RISK MANAGEMENT: (CONTINUED)

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

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

NOTE 12—LITIGATION:

At June 30, 2011, there were no matters of litigation involving the Town or which would materially affect the Town's financial position should any court decisions on pending matters not be favorable to the Town.

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 \$150,000 reported as landfill postclosure care liability at June 30, 2011, represents the Town's estimate of its share of the postclosure monitoring costs based on the use of 100 percent of the estimated capacity of the landfill. Closure of the landfill site has been completed in prior years. The City of Covington is primarily responsible for postclosure costs and the Town of Clifton Forge pays the City its share of the costs. The Town of Clifton Forge's expected portion of these contracts is 12%. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

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

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

TOWN OF CLIFTON FORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2011 (Continued)

NOTE 15—SEGMENT INFORMATION-ENTERPRISE FUNDS:

The Town maintains two enterprise funds. The Water Fund and Sewer Fund account for the provision of basic utility services to all citizens. Selected segment information for the year ended June 30, 2011, is as follows:

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Operating revenues	\$ 906,876	\$ 1,246,036	\$ 2,152,912
Depreciation	211,164	309,587	520,751
Operating income (loss)	140,541	248,240	388,781
Net income	16,496	116,052	132,548
Capital assets additions	69,518	71,532	141,050
Net working capital	1,292,105	414,671	1,706,776
Total assets	5,611,361	6,406,726	12,018,087
Bonds payable	2,886,450	3,225,146	6,111,596
Total equity	2,657,207	3,126,759	5,783,966

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REQUIRED SUPPLEMENTARY INFORMATION

Note to Required Supplementary Information:

Presented budgets were prepared in accordance with accounting principles generally accepted in the United States of America.

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General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2011

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
General property taxes	\$ 587,000	\$ 587,000	\$ 578,391	\$ (8,609)
Other local taxes	830,500	830,500	771,811	(58,689)
Permits, privilege fees, and regulatory licenses	6,500	6,500	6,156	(344)
Fines and forfeitures	14,000	14,000	8,242	(5,758)
Revenue from the use of money and property	4,750	4,750	3,151	(1,599)
Charges for services	58,500	58,500	56,493	(2,007)
Miscellaneous	13,000	13,000	26,432	13,432
Recovered costs	48,255	206,367	145,225	(61,142)
Intergovernmental revenues:				
Commonwealth	1,055,299	1,077,145	1,356,833	279,688
Federal	-	-	474	474
Total revenues	\$ 2,617,804	\$ 2,797,762	\$ 2,953,208	\$ 155,446
EXPENDITURES				
Current:				
General government administration	\$ 268,685	\$ 289,085	\$ 277,385	\$ 11,700
Public safety	901,702	907,268	956,894	(49,626)
Public works	719,377	946,648	858,419	88,229
Health and welfare	-	-	6,425	(6,425)
Education	2,400	2,400	2,400	-
Parks, recreation, and cultural	306,703	308,295	281,446	26,849
Community development	115,780	217,300	190,721	26,579
Nondepartmental	191,050	241,050	210,165	30,885
Capital projects	107,107	107,107	39,912	67,195
Debt service:				
Principal retirement	5,000	5,000	72,471	(67,471)
Interest and other fiscal charges	-	-	12,635	(12,635)
Total expenditures	\$ 2,617,804	\$ 3,024,153	\$ 2,908,873	\$ 115,280
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ (226,391)	\$ 44,335	\$ 270,726
OTHER FINANCING SOURCES (USES)				
Issuance of capital leases	\$ -	\$ -	\$ 102,458	\$ 102,458
Net change in fund balances	\$ -	\$ (226,391)	\$ 146,793	\$ 373,184
Fund balances - beginning	-	226,391	125,300	(101,091)
Fund balances - ending	\$ -	\$ -	\$ 272,093	\$ 272,093

Virginia Retirement System
Schedule of Pension Funding Progress

Actuarial Valuation Date		Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Excess Funded) Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as % of Covered Payroll ((b-a)/c)
06/30/10	\$	6,477,714	\$ 7,529,787	\$ 1,052,073	86.03%	\$ 1,465,288	71.80%
06/30/09	\$	6,541,788	\$ 6,865,763	\$ 323,975	95.28%	\$ 1,466,437	22.09%
06/30/08		6,510,921	6,562,758	51,837	99.21%	1,259,920	4.11%

OTHER SUPPLEMENTARY INFORMATION

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Combining and Individual Fund Statements and Schedules

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Combining Statement of Fiduciary Net Assets
 Fiduciary Funds
 June 30, 2011

	Private-Purpose Trust Funds			Agency Funds
	Mountain View Cemetery	Crown Hill Cemetery	Total Private-Purpose Trust Funds	Joint Development Investment Fund
ASSETS				
Cash and cash equivalents	\$ 227,986	\$ 33,358	\$ 261,344	\$ 31,167
Due from other funds	13,341	-	13,341	-
Total assets	<u>\$ 241,327</u>	<u>\$ 33,358</u>	<u>\$ 274,685</u>	<u>\$ 31,167</u>
LIABILITIES				
Amounts held for others	\$ -	\$ -	\$ -	\$ 31,167
Total liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 31,167</u>
NET ASSETS				
Held in trust for cemeteries	<u>\$ 241,327</u>	<u>\$ 33,358</u>	<u>\$ 274,685</u>	

Combining Statement of Changes in Fiduciary Net Assets
 Fiduciary Funds
 For the Year Ended June 30, 2011

	Mountain View Cemetery Private-Purpose Trust	Crown Hill Cemetery Private-Purpose Trust	Total Private-Purpose Trust
ADDITIONS			
Contributions:			
Sale of cemetery lots	\$ 3,600	\$ -	\$ 3,600
Total additions	\$ 3,600	\$ -	\$ 3,600
DEDUCTIONS			
Total deductions	\$ -	\$ -	\$ -
Change in net assets	\$ 3,600	\$ -	\$ 3,600
Net assets - beginning	\$ 237,727	\$ 33,358	\$ 271,085
Net assets - ending	<u>\$ 241,327</u>	<u>\$ 33,358</u>	<u>\$ 274,685</u>

Statement of Changes in Assets and Liabilities
 Agency Funds
 For the Year Ended June 30, 2011

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Joint Development Investment Fund:				
ASSETS				
Cash and cash equivalents	\$ 30,843	\$ 324	\$ -	\$ 31,167
Total assets	<u>\$ 30,843</u>	<u>\$ 324</u>	<u>\$ -</u>	<u>\$ 31,167</u>
LIABILITIES				
Amounts held for others	\$ 30,843	\$ 324	\$ -	\$ 31,167
Total liabilities	<u>\$ 30,843</u>	<u>\$ 324</u>	<u>\$ -</u>	<u>\$ 31,167</u>
ASSETS				
Cash and cash equivalents	\$ 30,843	\$ 324	\$ -	\$ 31,167
Total assets	<u>\$ 30,843</u>	<u>\$ 324</u>	<u>\$ -</u>	<u>\$ 31,167</u>
LIABILITIES				
Amounts held for others	\$ 30,843	\$ 324	\$ -	\$ 31,167
Total liabilities	<u>\$ 30,843</u>	<u>\$ 324</u>	<u>\$ -</u>	<u>\$ 31,167</u>

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Supporting Schedules

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Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2011

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	\$ 324,000	324,000	300,168	\$ (23,832)
Real and personal public service corporation taxes	26,000	26,000	37,176	11,176
Personal property taxes	219,000	219,000	217,614	(1,386)
Machinery and tools taxes	500	500	4,560	4,060
Penalties	10,000	10,000	12,941	2,941
Interest	7,500	7,500	5,932	(1,568)
Total general property taxes	\$ 587,000	\$ 587,000	\$ 578,391	\$ (8,609)
Other local taxes:				
Local sales and use taxes	\$ 110,000	110,000	111,086	\$ 1,086
Consumers' utility taxes	260,000	260,000	171,123	(88,877)
Business license taxes	160,000	160,000	160,113	113
Franchise License tax	15,000	15,000	-	(15,000)
Motor vehicle licenses	60,500	60,500	56,555	(3,945)
Bank stock taxes	75,000	75,000	96,875	21,875
Restaurant food taxes	140,000	140,000	164,430	24,430
Tobacco tax	10,000	10,000	11,629	1,629
Total other local taxes	\$ 830,500	\$ 830,500	\$ 771,811	\$ (58,689)
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 1,500	\$ 1,500	\$ 1,318	\$ (182)
Building permits	5,000	5,000	4,838	(162)
Total permits, privilege fees, and regulatory licenses	\$ 6,500	\$ 6,500	\$ 6,156	\$ (344)
Fines and forfeitures:				
Court fines and forfeitures	\$ 14,000	\$ 14,000	\$ 8,242	\$ (5,758)
Revenue from use of money and property:				
Revenue from use of money	\$ 4,250	4,250	\$ 805	\$ (3,445)
Revenue from use of property	500	500	2,346	1,846
Total revenue from use of money and property	\$ 4,750	\$ 4,750	\$ 3,151	\$ (1,599)
Charges for services:				
Charges for fire protection	\$ 50,000	\$ 50,000	\$ 50,000	\$ -
Charges for animal protection	250	250	127	(123)
Charges for sanitation and waste removal	250	250	244	(6)
Charges for library	8,000	8,000	6,122	(1,878)
Total charges for services	\$ 58,500	\$ 58,500	\$ 56,493	\$ (2,007)
Miscellaneous revenue:				
Sale of cemetery lots	\$ 4,000	\$ 4,000	\$ 1,250	\$ (2,750)
Fire Depart. MWV Foundation	-	-	1,250	1,250
Friends of Library	2,000	2,000	3,918	1,918
Sale of Salvage/ Surplus	-	-	17,597	17,597
Cash Over/Short	-	-	218	218
Theatre for performing arts	2,000	2,000	125	(1,875)
Miscellaneous	5,000	5,000	2,074	(2,926)
Total miscellaneous revenue	\$ 13,000	\$ 13,000	\$ 26,432	\$ 13,432

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2011 (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	\$ 18,255	\$ 18,255	\$ 18,255	\$ -
Other costs	30,000	188,112	126,970	(61,142)
Total recovered costs	\$ 48,255	\$ 206,367	\$ 145,225	\$ (61,142)
Total revenue from local sources	\$ 1,562,505	\$ 1,720,617	\$ 1,595,901	\$ (124,716)
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicle rental tax	\$ -	\$ -	\$ 1,150	\$ 1,150
Rolling stock tax	20,000	20,000	20,386	386
Communications taxes	-	-	97,896	97,896
PPTRA Reimbursement	316,644	316,644	316,644	-
Total noncategorical aid	\$ 336,644	\$ 336,644	\$ 436,076	\$ 99,432
Other categorical aid:				
Virginia Commission for the Arts grant	\$ 5,000	\$ 5,000	\$ 5,000	\$ -
DJC Grants	197,555	197,555	195,236	(2,319)
Other state grants	-	475	-	(475)
Department of fire programs funds	11,600	14,335	12,384	(1,951)
Litter control grant	2,500	2,500	2,698	198
Street and highway maintenance funds	470,000	488,636	668,473	179,837
Library	32,000	32,000	31,330	(670)
Asset forfeiture	-	-	5,636	5,636
Total other categorical aid	\$ 718,655	\$ 740,501	\$ 920,757	\$ 180,256
Total categorical aid	\$ 718,655	\$ 740,501	\$ 920,757	\$ 180,256
Total revenue from the Commonwealth	\$ 1,055,299	\$ 1,077,145	\$ 1,356,833	\$ 279,688
Revenue from the Federal Government:				
Categorical aid:				
US forestry equipment grant	\$ -	\$ -	\$ 474	\$ 474
Total revenue from the federal government	\$ -	\$ -	\$ 474	\$ 474
Total General Fund	\$ 2,617,804	\$ 2,797,762	\$ 2,953,208	\$ 155,446

Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2011

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
General government administration:				
Legislative:				
Town Council	\$ 17,155	\$ 17,155	\$ 13,819	\$ 3,336
General and financial administration:				
Town manager	\$ 87,675	\$ 111,075	\$ 107,485	\$ 3,590
Legal services	7,000	7,000	7,134	(134)
Independent auditor	15,625	15,625	10,925	4,700
Finance	141,230	138,230	138,022	208
Total general and financial administration	\$ 251,530	\$ 271,930	\$ 263,566	\$ 8,364
Total general government administration	\$ 268,685	\$ 289,085	\$ 277,385	\$ 11,700
Public safety:				
Law enforcement and traffic control:				
Police department	\$ 666,019	\$ 662,893	\$ 688,747	\$ (25,854)
Fire and rescue services:				
Fire department	\$ 174,978	\$ 195,944	\$ 220,503	\$ (24,559)
Other protection:				
Animal control	\$ 60,705	\$ 48,431	\$ 47,644	\$ 787
Total public safety	\$ 901,702	\$ 907,268	\$ 956,894	\$ (49,626)
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Highways, streets, bridges and sidewalks	\$ 558,265	\$ 775,536	\$ 18,312	\$ 757,224
Administration	51,511	51,511	136,750	(85,239)
Eligible Streets	-	-	587,935	(587,935)
Total maintenance of highways, streets, bridges & sidewalks	\$ 609,776	\$ 827,047	\$ 742,997	\$ 84,050
Maintenance of general buildings and grounds:				
General properties	\$ 36,200	\$ 36,200	\$ 35,778	\$ 422
Cemeteries	73,401	83,401	79,644	3,757
Total maintenance of general buildings and grounds	\$ 109,601	\$ 119,601	\$ 115,422	\$ 4,179
Total public works	\$ 719,377	\$ 946,648	\$ 858,419	\$ 88,229
Health and welfare:				
Welfare:				
Tax relief for the elderly	\$ -	\$ -	\$ 6,425	\$ (6,425)

Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2011 (Continued)

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Education:				
Other instructional costs:				
Contributions to community colleges	\$ 2,400	\$ 2,400	\$ 2,400	\$ -
Parks, recreation, and cultural:				
Parks and recreation:				
Parks and grounds	\$ 112,446	\$ 105,926	\$ 104,440	\$ 1,486
Senior citizen center	31,180	31,180	18,550	12,630
Total parks and recreation	\$ 143,626	\$ 137,106	\$ 122,990	\$ 14,116
Cultural enrichment:				
Cultural enrichment	\$ 10,002	\$ 10,002	\$ 10,002	\$ -
Library:				
Library	\$ 153,075	\$ 161,187	\$ 148,454	\$ 12,733
Total parks, recreation, and cultural	\$ 306,703	\$ 308,295	\$ 281,446	\$ 26,849
Community development:				
Planning and community development:				
Planning Commission	\$ 8,550	\$ 8,550	\$ 6,093	\$ 2,457
Community development	99,230	200,750	175,961	24,789
Other Planning Community Dev.	8,000	8,000	8,667	(667)
Total planning and community development	\$ 115,780	\$ 217,300	\$ 190,721	\$ 26,579
Total community development	\$ 115,780	\$ 217,300	\$ 190,721	\$ 26,579
Nondepartmental:				
Nondepartmental	\$ 154,050	\$ 227,476	\$ 182,498	\$ 44,978
Contingencies	37,000	13,574	27,667	(14,093)
Total nondepartmental	\$ 191,050	\$ 241,050	\$ 210,165	\$ 30,885
Capital projects:				
Capital Outlay	\$ 107,107	\$ 107,107	\$ 39,912	\$ 67,195
Debt service:				
Principal retirement	\$ 5,000	\$ 5,000	\$ 72,471	\$ (67,471)
Interest and other fiscal charges	-	-	12,635	(12,635)
Total debt service	\$ 5,000	\$ 5,000	\$ 85,106	\$ (80,106)
Total General Fund	\$ 2,617,804	\$ 3,024,153	\$ 2,908,873	\$ 115,280

Schedule of Revenues, Expenses and Changes in Net Assets

Water Enterprise Fund

For the Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Operating Revenues:				
Sale of services, commodities and properties:				
Sale of water	\$ 523,000	\$ 523,000	\$ 429,319	\$ (93,681)
Connection fees	-	-	1,200	1,200
Administration fees	2,000	2,000	2,700	700
County water	400,000	400,000	453,583	53,583
Penalties	8,000	8,000	19,874	11,874
Miscellaneous	-	-	200	200
Total operating revenue	\$ 933,000	\$ 933,000	\$ 906,876	\$ (26,124)
Operating Expenses:				
Water filtration plant	\$ 454,941	\$ 454,941	\$ 428,230	\$ 26,711
Transmissional distribution	170,230	170,230	124,441	45,789
Depreciation	-	-	211,164	(211,164)
Capital outlay	44,000	44,000	2,500	41,500
Total operating expenses	\$ 669,171	\$ 669,171	\$ 766,335	\$ (97,164)
Net operating income	\$ 263,829	\$ 263,829	\$ 140,541	\$ (123,288)
Non-operating revenues (expenses):				
Intergovernmental revenue:				
Commonwealth	\$ -	\$ -	\$ 5,813	\$ 5,813
Federal	-	-	27,051	27,051
Interest expense	(149,303)	(149,303)	(37,145)	112,158
Contingencies	(114,526)	(114,526)	(119,764)	(5,238)
Net non-operating revenues (expenses)	\$ (263,829)	\$ (263,829)	\$ (124,045)	\$ 139,784
Net income (loss)	\$ -	\$ -	\$ 16,496	\$ 16,496

Schedule of Revenues, Expenses and Changes in Net Assets
 Sewer Enterprise Fund
 For the Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Operating Revenues:				
Sale of services, commodities and properties:				
Sewage treatment charges	\$ 1,050,000	\$ 1,050,000	\$ 1,095,983	\$ 45,983
Connection fees	-	-	1,200	1,200
Administration fees	2,000	2,000	2,700	700
County sewer	160,000	160,000	146,153	(13,847)
Penalties	6,000	6,000	-	(6,000)
Total operating revenue	\$ 1,218,000	\$ 1,218,000	\$ 1,246,036	\$ 28,036
Operating Expenses:				
Wastewater treatment plant	\$ 556,900	\$ 556,900	\$ 558,705	\$ (1,805)
Sewage collection	52,925	78,008	54,318	23,690
Sewer I and I	80,225	80,225	75,186	5,039
Depreciation	-	-	309,587	(309,587)
Capital improvements	10,000	10,000	-	10,000
Total operating expenses	\$ 700,050	\$ 725,133	\$ 997,796	\$ (272,663)
Net operating income	\$ 517,950	\$ 492,867	\$ 248,240	\$ (244,627)
Non-operating revenues (expenses):				
Contingencies	\$ (106,465)	\$ (91,465)	\$ (130,244)	\$ (38,779)
Capital Reserve	(27,560)	(17,477)	-	(17,477)
Interest expense	(383,925)	(383,925)	(1,944)	381,981
Net non-operating revenues (expenses)	\$ (517,950)	\$ (492,867)	\$ (132,188)	\$ 325,725
Net income (loss)	\$ -	\$ -	\$ 116,052	\$ 81,098

Other Statistical Information

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Government-wide Information

TOWN OF CLIFTON FORGE, VIRGINIA

Government-Wide Expenses by Function
Last Seven Fiscal Years (1)

Fiscal Year	General Government Administration	Public Safety	Public Works	Parks, Recreation, and Cultural	Community Development
2004-05	\$ 303,027	\$ 941,176	\$ 681,786	\$ 401,349	\$ 4,820
2005-06	292,945	953,817	934,516	447,848	29,907
2006-07	352,034	1,046,016	774,507	444,835	8,418
2007-08	347,715	961,637	597,751	299,743	24,061
2008-09	421,016	1,056,234	634,749	389,814	30,130
2009-10	390,193	928,861	913,542	304,956	249,267
2010-11	522,019	992,001	729,685	268,278	88,082

(1) Information has only been available for 7 years.

Table 1

Interest on Long- Term Debt		Other	Water Fund	Sewer Fund	Total
\$	4,105	\$ 4,378	\$ 678,462	\$ 1,152,973	\$ 4,172,076
	2,107	4,378	665,878	1,112,552	4,443,948
	5,702	6,509	716,525	1,067,395	4,421,941
	957	7,756	713,448	763,755	3,716,823
	-	10,031	946,697	1,181,826	4,670,497
	20,097	8,787	930,702	1,152,799	4,899,204
	12,635	8,825	923,244	1,129,984	4,674,753

TOWN OF CLIFTON FORGE, VIRGINIA

Government-Wide Revenues
Last Seven Fiscal Years (1)

PROGRAM REVENUES					
Fiscal Year	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	General Property Taxes	
2004-05	\$ 1,944,194	\$ 692,069	\$ 2,400	\$ 494,587	
2005-06	1,856,013	788,706	2,700	520,330	
2006-07	1,889,741	893,907	-	573,258	
2007-08	1,878,420	777,365	-	498,919	
2008-09	1,999,013	621,831	368,977	623,600	
2009-10	2,204,909	720,419	180,290	594,157	
2010-11	2,223,803	921,231	32,864	574,130	

(1) Information has only been available for 7 years.

Table 2

GENERAL REVENUES					
	Other Local Taxes	Unrestricted Investment Earnings	Miscellaneous	Grants and Contributions Not Restricted to Specific Programs	Total
\$	756,177	\$ 29,595	\$ 64,187	\$ 331,212	\$ 4,314,421
	804,928	28,004	17,598	340,636	4,358,915
	896,580	105,880	10,832	340,291	4,710,489
	838,669	78,079	26,980	336,829	4,435,261
	867,492	22,530	141,059	337,892	4,982,394
	742,933	5,789	26,973	437,012	4,912,482
	771,811	3,151	26,432	436,076	4,989,498

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Fund Information

TOWN OF CLIFTON FORGE, VIRGINIA

General Governmental Expenditures by Function (1)
Last Ten Fiscal Years

Fiscal Year	General Government Administration	Public Safety	Public Works	Parks, Recreation, and Cultural
2001-02	\$ 220,702	\$ 774,563	\$ 1,038,912	\$ 349,617
2002-03	191,202	864,694	654,663	325,962
2003-04	375,498	814,648	484,867	324,448
2004-05	347,198	892,678	672,548	392,269
2005-06	259,463	935,624	917,064	427,499
2006-07	286,748	968,469	836,447	435,492
2007-08	225,326	943,127	697,967	393,089
2008-09	278,951	971,663	659,116	380,012
2009-10	266,659	868,090	902,409	298,709
2010-11	277,385	956,894	858,419	281,446

(1) Includes General Fund of Primary Government.

(2) Clifton Forge became a town on July 1, 2001. Prior to that date the town had been a city and had expenditures for both health and welfare and education. Those expenditures have been removed from this table for the purpose of comparability.

Table 3

Community Development	Capital Projects	Non- Departmental	Debt Service	Other	Total
\$ 10,128	\$ 58,663	\$ -	\$ 128,473	\$ -	\$ 2,581,058
8,624	34,087	-	105,673	-	2,184,905
41,455	24,260	-	41,189	-	2,106,365
4,820	5,762	-	41,189	4,378	2,356,464
4,825	4,915	-	56,807	9,352	2,615,549
8,418	32,268	-	19,465	6,509	2,593,816
6,943	217,119	-	20,593	7,756	2,511,920
5,050	562,928	-	15,509	8,031	2,881,260
238,142	243,773	-	2,886	95,183	2,915,851
190,721	39,912	210,165	85,106	8,825	2,908,873

TOWN OF CLIFTON FORGE, VIRGINIA

General Governmental Revenues by Source (1) Last Ten Fiscal Years

Fiscal Year	General Property Taxes	Other Local Taxes	Permits, Privilege Fees, Regulatory Licenses	Fines and Forfeitures	Revenue from the Use of Money and Property
2001-02	\$ 531,284	\$ 751,672	\$ 788	\$ 6,796	\$ 28,478
2002-03	498,410	782,712	511	13,331	30,345
2003-04	553,854	774,270	776	12,892	25,676
2004-05	495,121	756,177	1,889	20,813	32,797
2005-06	509,995	804,928	1,943	15,485	28,004
2006-07	536,047	896,577	1,556	12,873	105,880
2007-08	544,255	838,669	2,113	7,659	78,079
2008-09	615,168	844,962	1,658	14,505	22,530
2009-10	670,058	742,933	4,848	11,685	5,789
2010-11	578,391	771,811	6,156	8,242	3,151

(1) Includes General Fund of the Primary Government.

(2) Clifton Forge became a town on July 1, 2001. Prior to that date they had operated as a city. The decrease in property tax revenue is attributable to that change.

Table 4

Charges for Services	Miscellaneous	Recovered Costs	Inter- governmental	Total (2)
\$ 6,351	\$ 126,181	\$ 18,665	\$ 1,292,812	\$ 2,763,027
11,358	92,718	13,665	1,002,591	2,445,641
20,043	20,860	24,461	856,236	2,289,068
21,728	64,187	57,243	1,070,328	2,520,283
21,266	17,598	83,592	1,122,619	2,605,430
29,324	10,832	58,780	1,220,968	2,872,837
26,148	26,980	283,826	1,047,725	2,855,454
26,376	141,059	63,384	959,723	2,689,365
74,699	26,973	121,327	1,157,431	2,815,743
56,493	26,432	145,225	1,357,307	2,953,208

Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy (1,3)	Current Tax (1) 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
2001-02	\$ 755,527	\$ 393,141	52.04%	\$ 100,534	493,675	65.34%	\$ 250,260	33.12%
2002-03	760,935	408,438	53.68%	58,595	467,033	61.38%	197,569	25.96%
2003-04	542,950	536,905	98.89%	27,415	564,320	103.94%	173,655	31.98%
2004-05	468,989	436,776	93.13%	28,972	465,748	99.31%	192,685	41.09%
2005-06	496,586	461,247	92.88%	20,196	481,443	96.95%	133,773	26.94%
2006-07	516,859	460,941	89.18%	24,262	485,203	93.88%	171,210	33.13%
2007-08	540,917	506,974	93.72%	17,645	524,619	96.99%	152,441	28.18%
2008-09	606,631	572,722	94.41%	20,528	593,250	97.79%	165,573	27.29%
2009-10	546,457	521,816	95.49%	81,812	603,628	110.46%	89,452	16.37%
2010-11	568,628	535,191	94.12%	24,326	559,517	98.40%	92,067	16.19%

(1) Exclusive of penalties and interest.

(2) Does not include land redemptions.

(3) Clifton Forge became a town on July 1, 2001. Prior to that date they had operated as a city. The decrease in levies is attributable to that change.

Assessed Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year	Real Estate (1)	Personal Property	Mobile Homes (3)	Public Utility (2)		Total
				Real Estate	Personal Property	
2001-02	\$ 126,252,900	\$ 8,625,536	\$ -	\$ 12,493,363	\$ 11,531	\$ 147,383,330
2002-03	105,492,800	8,311,656	-	13,821,949	8,850	127,635,255
2003-04	105,844,900	8,256,294	32,100	15,634,712	707,261	130,475,267
2004-05	106,031,400	7,523,173	32,100	13,469,757	31,117	127,087,547
2005-06	106,152,100	8,375,595	122,100	12,548,382	25,754	127,223,931
2006-07	106,205,200	8,451,319	39,200	11,607,909	23,433	126,327,061
2007-08	144,981,500	9,081,431	62,100	16,875,857	3,988	171,004,876
2008-09	144,390,500	9,009,054	48,900	12,151,874	3,637	165,603,965
2009-10	141,747,600	8,046,720	37,300	12,793,206	13,854	162,638,680
2010-11	145,606,800	8,289,201	32,400	17,325,209	15,947	171,269,557

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

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

(3) 2004 was the first year the Town assessed mobile home taxes.

Property Tax Rates (1)
Last Ten Fiscal Years

Fiscal Year	Real Estate (3)	Mobile Homes (2)	Personal Property	Machinery and Tools
2001-02	0.19	-	3.35	3.35
2002-03	0.18	-	6.70	6.70
2003-04	0.23	0.23	6.70	6.70
2004-05	0.23	0.23	6.70	6.70
2005-06	0.23	0.23	6.70	6.70
2006-07	0.23	0.23	6.70	6.70
2007-08	0.17	0.23	6.70	6.70
2008-09	0.21	0.21	6.70	6.70
2009-10	0.21	0.21	6.70	6.70
2010-11	0.21	0.21	6.70	6.70

(1) Per \$100 of assessed value.

(2) 2004 was the first year the Town assessed mobile home taxes.

(3) Clifton Forge became a town on July 1, 2001. Prior to that date they had operated as a city. The decrease in the real estate tax rate is attributable to this change.

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

Fiscal Year	Population (1)	Assessed Value (2)	Gross Bonded Debt (3)	Less:		Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
				Debt Service Monies Available	Debt Payable from Enterprise Activities			
2001-02	4,289	147,383,330	6,126,553	-	5,939,313	187,240	0.13%	44
2002-03	4,289	148,802,003	6,612,702	-	6,501,349	111,353	0.07%	26
2003-04	4,289	130,475,267	6,203,053	-	6,126,887	76,166	0.06%	18
2004-05	4,289	127,087,547	5,540,468	-	5,501,386	39,082	0.03%	9
2005-06	4,289	127,223,931	5,124,833	-	5,124,833	-	0.00%	-
2006-07	4,289	126,327,061	4,747,222	-	4,747,222	-	0.00%	-
2007-08	4,289	171,004,876	4,368,538	-	4,368,538	-	0.00%	-
2008-09	4,289	165,603,965	6,089,438	-	6,089,438	-	0.00%	-
2009-10	4,289	162,638,680	6,521,998	-	6,521,998	-	0.00%	-
2010-11	4,289	171,269,557	6,111,596	-	6,111,596	-	0.00%	-

(1) Center for Public Service at the University of Virginia.

(2) From Table 6

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

Computation of Legal Debt Margin
At June 30, 2011

Total Assessed Value of Real Estate	\$ <u>145,606,800</u>
Legal Debt Margin:	\$ 14,560,680
Less: Gross Indebtedness	\$ <u>-</u>
Legal Margin for Creation of Additional Debt	\$ <u>14,560,680</u>

Compliance

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ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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 TOWN COUNCIL
TOWN OF CLIFTON FORGE, VIRGINIA
CLIFTON FORGE, VIRGINIA

We have audited 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, 2011, which collectively comprise the Town of Clifton Forge, Virginia's basic financial statements and have issued our report thereon dated December 22, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Clifton Forge, Virginia's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Clifton Forge, Virginia's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of management, Town Council, and others within the entity and is not intended to be and should not be used by anyone other than these specified parties.

Robinson, Farmer, Cox Associates
Charlottesville, Virginia
December 22, 2011