

TOWN OF BLACKSTONE, VIRGINIA



ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

TOWN OF BLACKSTONE, VIRGINIA

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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TOWN OF BLACKSTONE, VIRGINIA

TOWN COUNCIL

L. Benjamin Green
Eric M. Nash
Barbara Thompson

William D. Coleburn, Mayor

Wade Hammer
Alfred V. Tucker
Sam Moncure
Lee F. Scott, Jr.

OTHER OFFICIALS

Town Manager
Town Clerk
Chief of Police
Town Attorney

Philip Vannoorbeeck
Jennifer Daniel
Nicholas C. Kuzmiak
Tessie O. Barnes Bacon

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TOWN OF BLACKSTONE, VIRGINIA
FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2016

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TOWN OF BLACKSTONE, VIRGINIA
FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2016

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ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

To the Honorable Members of the Town Council
Town of Blackstone
Blackstone, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Blackstone, Virginia, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Blackstone, Virginia, as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 1 to the financial statements, the Town adopted new accounting guidance, GASB Statement Nos. 72 Fair Value Measurement and Application, 79 Certain External Investment Pools and Pool Participants, and 82 Pension Issues - an amendment of GASB Statement No. 67, No. 68, and No. 73. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information and schedules related to pension funding on pages 59-60 and 61-63 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

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

Other Information (Continued)

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2016, on our consideration of Town of Blackstone, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Blackstone, Virginia's internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to read "D. F. Clark", followed by a long horizontal line.

Richmond, Virginia
September 19, 2016

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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Town of Blackstone, Virginia
Statement of Net Position
June 30, 2016

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,111,485	\$ 1,788,006	\$ 2,899,491
Receivables (net of allowance for uncollectibles):			
Taxes receivable	79,269	-	79,269
Accounts receivable	122,440	508,051	630,491
Due from other governmental units	197,293	111,124	308,417
Prepaid items	51,241	-	51,241
Net pension asset	209,987	74,408	284,395
Capital assets (net of accumulated depreciation):			
Land	1,192,822	249,575	1,442,397
Buildings and improvements	5,962,093	-	5,962,093
Utility plant in service	-	11,725,248	11,725,248
Machinery and equipment	1,466,004	157,369	1,623,373
Infrastructure	818,094	-	818,094
Construction in progress	24,479	17,673	42,152
Total assets	<u>\$ 11,235,207</u>	<u>\$ 14,631,454</u>	<u>\$ 25,866,661</u>
DEFERRED OUTFLOW OF RESOURCES			
Accumulated decrease in fair value of interest rate swap agreement	\$ 31,130	\$ -	\$ 31,130
Pension contribution subsequent to measurement date	85,779	34,644	120,423
Total deferred outflow of resources	<u>\$ 116,909</u>	<u>\$ 34,644</u>	<u>\$ 151,553</u>
LIABILITIES			
Accounts payable	\$ 382,288	\$ 314,850	\$ 697,138
Accrued interest payable	-	64,750	64,750
Customer deposits payable	-	163,384	163,384
Long-term liabilities:			
Due within one year	278,623	469,670	748,293
Due in more than one year	815,187	7,820,570	8,635,757
Total liabilities	<u>\$ 1,476,098</u>	<u>\$ 8,833,224</u>	<u>\$ 10,309,322</u>
DEFERRED INFLOW OF RESOURCES			
Deferred revenue - property taxes	\$ 2,406	\$ -	\$ 2,406
Items related to measurement of net pension asset	175,321	51,825	227,146
Total deferred inflow of resources	<u>\$ 177,727</u>	<u>\$ 51,825</u>	<u>\$ 229,552</u>
NET POSITION			
Net investment in capital assets	\$ 8,505,442	\$ 3,941,433	\$ 12,446,875
Unrestricted	1,192,849	1,839,616	3,032,465
Total net position	<u>\$ 9,698,291</u>	<u>\$ 5,781,049</u>	<u>\$ 15,479,340</u>

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

Town of Blackstone, Virginia
Statement of Activities
For the Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
PRIMARY GOVERNMENT:							
Governmental activities:							
General government administration	\$ 281,371	\$ -	\$ 1,846	\$ -	\$ (279,525)		\$ (279,525)
Public safety	1,360,570	36,080	115,014	-	(1,209,476)		(1,209,476)
Public works	2,449,110	920,778	1,054,373	-	(473,959)		(473,959)
Health and welfare	63,637	-	43,343	-	(20,294)		(20,294)
Parks, recreation, and cultural	68,554	-	-	-	(68,554)		(68,554)
Community development	1,104,329	30,276	365,736	531,195	(177,122)		(177,122)
Interest on long-term debt	29,863	-	-	-	(29,863)		(29,863)
Total governmental activities	\$ 5,357,434	\$ 987,134	\$ 1,580,312	\$ 531,195	\$ (2,258,793)		\$ (2,258,793)
Business-type activities:							
Electric Fund	\$ 3,826,760	\$ 4,407,192	\$ -	\$ -		\$ 580,432	\$ 580,432
Water and Sewer Fund	2,173,306	2,229,055	-	-		55,749	55,749
Total business-type activities	\$ 6,000,066	\$ 6,636,247	\$ -	\$ -		\$ 636,181	\$ 636,181
Total primary government	\$ 11,357,500	\$ 7,623,381	\$ 1,580,312	\$ 531,195			\$ (1,622,612)
General revenues:							
General property taxes					\$ 478,623	\$ -	\$ 478,623
Other local taxes:							
Local sales and use tax					194,458	-	194,458
Business license tax					169,254	-	169,254
Restaurant food tax					574,843	-	574,843
Other local taxes					328,901	-	328,901
Unrestricted revenues from use of money and property					301,529	-	301,529
Miscellaneous					102,418	35,528	137,946
Grants and contributions not restricted to specific programs					66,773	-	66,773
Total general revenues					\$ 2,216,799	\$ 35,528	\$ 2,252,327
Change in net position					\$ (41,994)	\$ 671,709	\$ 629,715
Net position - beginning					9,740,285	5,109,340	14,849,625
Net position - ending					\$ 9,698,291	\$ 5,781,049	\$ 15,479,340

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

FUND FINANCIAL STATEMENTS

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Town of Blackstone, Virginia
Balance Sheet
Governmental Funds
June 30, 2016

	<u>General</u>	<u>Capital Projects</u>	<u>Special Revenue</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 291,838	\$ 397,222	\$ 422,425	\$ 1,111,485
Receivables (net of allowance for uncollectibles):				
Taxes receivable	79,269	-	-	79,269
Accounts receivable	109,636	12,804	-	122,440
Due from other governmental units	51,432	114,334	31,527	197,293
Prepaid items	-	51,241	-	51,241
Total assets	<u>\$ 532,175</u>	<u>\$ 575,601</u>	<u>\$ 453,952</u>	<u>\$ 1,561,728</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 154,225	\$ 207,872	\$ 20,191	\$ 382,288
Total liabilities	<u>\$ 154,225</u>	<u>\$ 207,872</u>	<u>\$ 20,191</u>	<u>\$ 382,288</u>
Deferred inflows of resources:				
Unavailable revenue - property taxes	\$ 77,293	\$ -	\$ -	\$ 77,293
Total deferred inflows of resources	<u>\$ 77,293</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 77,293</u>
Fund balances:				
Nonspendable	\$ -	\$ 51,241	\$ 222,894	\$ 274,135
Restricted	20,189	-	210,867	231,056
Committed	-	316,488	-	316,488
Assigned	49,846	-	-	49,846
Unassigned	230,622	-	-	230,622
Total fund balances	<u>\$ 300,657</u>	<u>\$ 367,729</u>	<u>\$ 433,761</u>	<u>\$ 1,102,147</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 532,175</u>	<u>\$ 575,601</u>	<u>\$ 453,952</u>	<u>\$ 1,561,728</u>

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

Town of Blackstone, Virginia
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2016

Amounts reported for governmental activities in the Statement of Net Position are different because:

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds		\$ 1,102,147
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		9,463,492
The net pension asset is not an available resource and, therefore, is not reported in the funds.		209,987
Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.		
Unavailable revenue - property taxes	\$ 74,887	
Items related to measurement of net pension asset	(175,321)	(100,434)
Pension contributions subsequent to the measurement date will be a reduction to/increase in the net pension liability/asset in the next fiscal year and, therefore, are not reported in the funds.		85,779
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. The following is a summary of items supporting this adjustment:		
Compensated absences	\$ (104,630)	
General obligation bond and USDA loan	(856,160)	
Capital leases	(101,890)	(1,062,680)
Net position of governmental activities		<u>\$ 9,698,291</u>

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

Town of Blackstone, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2016

	<u>General</u>	<u>Capital Projects</u>	<u>Special Revenue</u>	<u>Total</u>
REVENUES				
General property taxes	\$ 474,365	\$ -	\$ -	\$ 474,365
Other local taxes	1,267,456	-	-	1,267,456
Permits, privilege fees, and regulatory licenses	2,740	-	-	2,740
Fines and forfeitures	26,281	-	-	26,281
Revenue from the use of money and property	20,620	279,977	932	301,529
Charges for services	927,837	-	30,276	958,113
Miscellaneous	62,060	37,403	2,955	102,418
Recovered costs	677,482	1,066	91,757	770,305
Intergovernmental:				
Commonwealth	1,208,482	1,846	89,841	1,300,169
Federal	80,021	531,195	266,895	878,111
Total revenues	<u>\$ 4,747,344</u>	<u>\$ 851,487</u>	<u>\$ 482,656</u>	<u>\$ 6,081,487</u>
EXPENDITURES				
Current:				
General government administration	\$ 805,130	\$ -	\$ -	\$ 805,130
Public safety	1,595,748	-	-	1,595,748
Public works	2,412,202	-	-	2,412,202
Parks, recreation, and cultural	25,484	-	-	25,484
Community development	4,973	-	496,828	501,801
Capital projects	138,701	720,586	-	859,287
Debt service:				
Principal retirement	31,568	220,000	-	251,568
Interest and other fiscal charges	5,885	23,978	-	29,863
Total expenditures	<u>\$ 5,019,691</u>	<u>\$ 964,564</u>	<u>\$ 496,828</u>	<u>\$ 6,481,083</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (272,347)</u>	<u>\$ (113,077)</u>	<u>\$ (14,172)</u>	<u>\$ (399,596)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 31,448	\$ 107,774	\$ -	\$ 139,222
Transfers out	(107,774)	(15,942)	(15,506)	(139,222)
Issuance of USDA loan	125,657	-	-	125,657
Total other financing sources (uses)	<u>\$ 49,331</u>	<u>\$ 91,832</u>	<u>\$ (15,506)</u>	<u>\$ 125,657</u>
Net change in fund balances	\$ (223,016)	\$ (21,245)	\$ (29,678)	\$ (273,939)
Fund balances - beginning	523,673	388,974	463,439	1,376,086
Fund balances - ending	<u>\$ 300,657</u>	<u>\$ 367,729</u>	<u>\$ 433,761</u>	<u>\$ 1,102,147</u>

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

Town of Blackstone, Virginia
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, 2016

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

Net change in fund balances - total governmental funds \$ (273,939)

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the depreciation exceeded capital outlays in the current period. The following is a summary of items supporting this adjustment:

Capital asset additions	\$ 589,366	
Depreciation expense	<u>(606,052)</u>	(16,686)

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

Increase (decrease) in unavailable property taxes	\$ 4,258	
Increase (decrease) in deferred inflows related to the measurement of net pension liability/asset	<u>118,860</u>	123,118

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on Net Position. A summary of items supporting this adjustment is as follows:

Principal retirement on capital leases	\$ 27,071	
Issuance of USDA loan	(125,657)	
Principal retirement on USDA loan	4,497	
Principal retirement on general obligation bond	<u>220,000</u>	125,911

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. The following is a summary of items supporting this adjustment:

(Increase) decrease in compensated absences	\$ 23,701	
Increase (decrease) in net pension asset	(25,644)	
Increase (decrease) in deferred outflows related to pension payments subsequent to the measurement date	<u>1,545</u>	(398)

Change in net position of governmental activities	<u>\$ (41,994)</u>	
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The notes to financial statements are an integral part of this statement.

Town of Blackstone, Virginia
Statement of Net Position
Proprietary Funds
June 30, 2016

	Enterprise Funds		
	Water and		
	<u>Electric</u>	<u>Sewer</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,739,762	\$ 48,244	\$ 1,788,006
Accounts receivables, net of allowance for uncollectibles	357,203	150,848	508,051
Due from other governmental units	-	111,124	111,124
Total current assets	\$ 2,096,965	\$ 310,216	\$ 2,407,181
Other assets:			
Net pension asset	\$ 35,552	\$ 38,856	\$ 74,408
Total other assets	\$ 35,552	\$ 38,856	\$ 74,408
Noncurrent assets:			
Capital assets:			
Land	\$ 238,213	\$ 11,362	\$ 249,575
Utility plant in service	814,291	10,910,957	11,725,248
Machinery and equipment	60,438	96,931	157,369
Construction in progress	-	17,673	17,673
Total capital assets	\$ 1,112,942	\$ 11,036,923	\$ 12,149,865
Total noncurrent assets	\$ 1,112,942	\$ 11,036,923	\$ 12,149,865
Total assets	\$ 3,245,459	\$ 11,385,995	\$ 14,631,454
DEFERRED OUTFLOWS OF RESOURCES			
Pension contributions subsequent to measurement date	\$ 16,537	\$ 18,107	\$ 34,644
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 252,173	\$ 62,677	\$ 314,850
Accrued interest payable	-	64,750	64,750
Customer deposits payable	-	163,384	163,384
Compensated absences - current portion	1,819	6,362	8,181
Bonds payable - current portion	-	461,489	461,489
Total current liabilities	\$ 253,992	\$ 758,662	\$ 1,012,654
Noncurrent liabilities:			
Bonds payable - net of current portion	\$ -	\$ 7,746,943	\$ 7,746,943
Compensated absences - net of current portion	16,370	57,257	73,627
Total noncurrent liabilities	\$ 16,370	\$ 7,804,200	\$ 7,820,570
Total liabilities	\$ 270,362	\$ 8,562,862	\$ 8,833,224
DEFERRED INFLOWS OF RESOURCES			
Items related to measurement of net pension asset	\$ 25,024	\$ 26,801	\$ 51,825
NET POSITION			
Net investment in capital assets	\$ 1,112,942	\$ 2,828,491	\$ 3,941,433
Unrestricted	1,853,668	(14,052)	1,839,616
Total net position	\$ 2,966,610	\$ 2,814,439	\$ 5,781,049

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

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

	Enterprise Funds		
	<u>Electric</u>	<u>Water and Sewer</u>	<u>Total</u>
OPERATING REVENUES			
Charges for services:			
Water and sewer revenues	\$ -	\$ 2,204,185	\$ 2,204,185
Electricity	4,402,912	-	4,402,912
Miscellaneous	23,603	11,925	35,528
Total operating revenues	<u>\$ 4,426,515</u>	<u>\$ 2,216,110</u>	<u>\$ 6,642,625</u>
OPERATING EXPENSES			
Personnel services	\$ 337,871	\$ 392,172	\$ 730,043
Fringe benefits	83,655	102,226	185,881
Contractual services	23,894	215,372	239,266
Electric power purchased	2,352,513	-	2,352,513
Other supplies and expenses	904,624	636,156	1,540,780
Depreciation	124,203	673,476	797,679
Total operating expenses	<u>\$ 3,826,760</u>	<u>\$ 2,019,402</u>	<u>\$ 5,846,162</u>
Operating income (loss)	<u>\$ 599,755</u>	<u>\$ 196,708</u>	<u>\$ 796,463</u>
NONOPERATING REVENUES (EXPENSES)			
Connection/reconnection fees	\$ 4,280	\$ 24,870	\$ 29,150
Interest expense	-	(153,904)	(153,904)
Total nonoperating revenues (expenses)	<u>\$ 4,280</u>	<u>\$ (129,034)</u>	<u>\$ (124,754)</u>
Change in net position	<u>\$ 604,035</u>	<u>\$ 67,674</u>	<u>\$ 671,709</u>
Total net position - beginning	2,362,575	2,746,765	5,109,340
Total net position - ending	<u><u>\$ 2,966,610</u></u>	<u><u>\$ 2,814,439</u></u>	<u><u>\$ 5,781,049</u></u>

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

Town of Blackstone, Virginia
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2016

	Enterprise Funds		
	Water and		
	<u>Electric</u>	<u>Sewer</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 4,426,448	\$ 2,229,211	\$ 6,655,659
Payments for operating expenses	(3,337,772)	(989,038)	(4,326,810)
Payments to and for employees	(422,486)	(518,580)	(941,066)
Net cash provided by (used for) operating activities	\$ 666,190	\$ 721,593	\$ 1,387,783
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	\$ (7,190)	\$ (27,328)	\$ (34,518)
Principal payments on bonds and capital leases	-	(457,490)	(457,490)
Connection fees	4,280	24,870	29,150
Capital contributions and construction grants	-	(55,015)	(55,015)
Interest payments	-	(158,386)	(158,386)
Net cash provided by (used for) capital and related financing activities	\$ (2,910)	\$ (673,349)	\$ (676,259)
Net increase (decrease) in cash and cash equivalents	\$ 663,280	\$ 48,244	\$ 711,524
Cash and cash equivalents - beginning	1,076,482	-	1,076,482
Cash and cash equivalents - ending	\$ 1,739,762	\$ 48,244	\$ 1,788,006
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ 599,755	\$ 196,708	\$ 796,463
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	124,203	673,476	797,679
(Increase) decrease in accounts receivable	(67)	(2,935)	(3,002)
(Increase) decrease in net pension asset	5,717	6,411	12,128
(Increase) decrease in deferred outflows of resources	1,351	1,515	2,866
Increase (decrease) in customer deposits payable	-	16,036	16,036
Increase (decrease) in accounts payable	(37,312)	(141)	(37,453)
Increase (decrease) in deferred inflows of resources	(26,497)	(29,713)	(56,210)
Increase (decrease) in compensated absences	(960)	(2,395)	(3,355)
Increase (decrease) in reconciled overdraft payable	-	(137,369)	(137,369)
Total adjustments	\$ 66,435	\$ 524,885	\$ 591,320
Net cash provided by (used for) operating activities	\$ 666,190	\$ 721,593	\$ 1,387,783

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

Town of Blackstone, Virginia
Statement of Fiduciary Net Position
Fiduciary Fund
June 30, 2016

Agency
Fund

ASSETS

Cash and cash equivalents

\$ -

LIABILITIES

Amounts held for others

\$ -

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

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

Note 1—Summary of Significant Accounting Policies:

Town of Blackstone, Virginia (the "Town") is governed by an elected seven member Council and an elected Mayor. The Town provides a full range of services for its citizens. These services include police and fire protection, sanitation services, utilities, and bus services.

The financial statements of Town of Blackstone, Virginia have been prepared in conformity with the specifications promulgated by the accounting principles generally accepted in the United States as specified by the Governmental Accounting Standards Board, and the Auditor of Public Accounts (APA) of the Commonwealth of Virginia. The more significant of the Town's accounting policies are described below.

Financial Statement Presentation - The Town's financial report is prepared in accordance with GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*.

Management's Discussion and Analysis - GASB Statement No. 34 requires the financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of "Management's Discussion and Analysis" (MD&A). The Town has chosen not to present a Management's Discussion and Analysis.

Government-wide and Fund Financial Statements

Government-wide financial statements - The reporting model includes financial statements prepared using full accrual accounting for all of the government's activities. This approach includes not just current assets and liabilities but also capital assets and long-term liabilities (such as buildings and general obligation debt).

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government 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. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2016

Note 1—Summary of Significant Accounting Policies: (Continued)

Government-wide and Fund Financial Statements (Continued)

Statement of Activities - The government-wide statement of activities reports expenses and revenues in a format that focuses on the cost of each of the government's functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).

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

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

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

A. Financial Reporting Entity

The basic criterion for determining whether a governmental department, agency, institution, commission, public authority, or other governmental organization should be included in a primary governmental unit's reporting entity for the basic financial statements is financial accountability. Financial accountability includes the appointment of a voting majority of the organization's governing body and the ability of the primary government to impose its will on the organization or if there is a financial benefit/burden relationship. In addition, an organization which is fiscally dependent on the primary government should be included in its reporting entity. These financial statements present Town of Blackstone (the primary government) and its component units. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Each discretely presented component unit, on the other hand, is reported in a separate column in the combined financial statements to emphasize that it is legally separate from the government.

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2016

Note 1—Summary of Significant Accounting Policies: (Continued)

B. Individual Component Unit Disclosures

Blended Component Units. The Town has no blended component units at June 30, 2016.

Discretely Presented Component Units. The Town has no discretely presented component units at June 30, 2016.

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

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Revenues are recognized 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. All other revenue items are considered to be measurable and available only when cash is received by the government. 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.

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

Note 1—Summary of Significant Accounting Policies: (Continued)

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

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

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

1. Governmental Funds

Governmental Funds are those through which most governmental functions typically are financed. The Town reports the following governmental funds.

a. General Fund

The General Fund is the primary operating fund of the Town. This fund is used to account for and report all financial resources except those required to be accounted for and reported in another fund. Revenues are derived primarily from property and other local taxes, state and federal distributions, licenses, permits, charges for service, and interest income. The General Fund is considered a major fund for reporting purposes.

b. Special Revenue Fund

The Special Revenue Fund accounts for and reports the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The operations of the cemetery and the Bus Program are reported in the Special Revenue Fund. The Special Revenue Fund is considered a major fund.

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2016

Note 1—Summary of Significant Accounting Policies: (Continued)

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

c. Capital Projects Fund

The Capital Projects Fund accounts for and reports financial resources that are restricted, committed, or assigned to expenditure for capital outlays, except for those financed by proprietary funds or for assets held in trust for individuals, private organizations, or other governments. The Capital Projects Fund is considered a major fund.

2. Proprietary Funds

Proprietary Funds account for operations that are financed in a manner similar to those found in private business enterprises. The measurement focus is upon determination of net income, financial position, and changes in financial position. Proprietary Funds consist of Enterprise Funds.

a. Enterprise Funds

Enterprise Funds account for the financing of services to the general public where all or most of the operating expenses involved are recorded in the form of charges to users of such services. Enterprise Funds consist of the Electric Fund and the Water and Sewer Fund.

3. Fiduciary Funds (Trust and Agency Funds)

Fiduciary Funds (Trust and Agency Funds) account for assets held by the Town in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. These funds include Agency Funds. Agency Funds utilize the accrual basis of accounting but have no measurement focus. Fiduciary funds are not included in the government-wide financial statements. The Town's Agency Funds include amounts held for others in a fiduciary capacity, which includes the Blackstone Memorial Center Committee.

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 consist of charges to customers for sales and services. Operating expenses include the costs of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with an original maturity date within three months of the date acquired by the Town.

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 1—Summary of Significant Accounting Policies: (Continued)

E. Investments

State statutes authorize the government to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds and repurchase agreements.

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

F. Prepaid Items

Certain payments to vendors represent costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

G. 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 “due to/from other funds” (i.e. the current portions of the interfund loans). All other outstanding balances between funds are reported as “advances to/from other funds” (i.e. the noncurrent portion of interfund loans).

All trade and property tax receivables are shown net of an allowance for uncollectibles. The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$377,369 at June 30, 2016 and is comprised of property taxes of \$7,239, electric revenues of \$260,233, and water and sewer charges of \$109,897.

Real and Personal Property Tax Data:

The tax calendars for real and personal property taxes are summarized below.

	<u>Real Property</u>	<u>Personal Property</u>
Levy	January 1	January 1
Due Date	December 15	December 15
Lien Date	January 1	January 1

The Town bills and collects its own property taxes.

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2016

Note 1—Summary of Significant Accounting Policies: (Continued)

H. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure, are reported in the applicable governmental or business-type activity column in the government-wide financial statements. Capital assets are defined by the Town as land, buildings, and equipment with an initial individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs 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.

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

Assets	Years
Buildings and Improvements	10-40
Machinery and Equipment	5-10
Infrastructure	20-40
Utility Plant	20-40

I. 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 as an expense in the Statement of Activities and a long-term obligation in the Statement of Net Position. In accordance with the provisions of Governmental Accounting Standards Board Statement 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 accumulated sick leave benefits that is estimated will be taken as "terminal leave" prior to retirement.

J. Use of Estimates

The preparation of financial statements in conformity with U.S. 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.

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2016

Note 1—Summary of Significant Accounting Policies: (Continued)

K. Net Position

Net position is the difference between a) assets and deferred outflows of resources and b) liabilities and deferred inflows of resources. Net investment in capital assets represent capital assets, less accumulated depreciation, less any outstanding debt related to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.

L. Net Position Flow Assumption

Sometimes the Town will fund outlays for a particular purpose from both restricted (e.g. restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

M. Long-term Obligations

In the government-wide financial statements, long-term obligations are reported as liabilities in the applicable governmental activities. Bonds payable are reported net of the applicable bond premium or discount.

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

N. Fund Equity

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

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

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 1—Summary of Significant Accounting Policies: (Continued)

N. Fund Equity (Continued)

- Assigned fund balance - amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- Unassigned fund balance - amounts that are available for any purpose; positive amounts are only reported in the general fund. Governmental funds might report a negative balance in this classification, as the result of overspending for specific purposes for which amounts had been restricted, committed or assigned.

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).

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TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 1—Summary of Significant Accounting Policies: (Continued)

N. Fund Equity (Continued)

The details of governmental fund balances, as presented in aggregate on Exhibit 3, are as follows:

	General	Capital Projects	Special Revenue	Total
Fund balances:				
Nonspendable:				
Cemetery perpetual care	\$ -	\$ -	\$ 222,894	\$ 222,894
Prepaid items	-	51,241	-	51,241
Total nonspendable fund balance	<u>\$ -</u>	<u>\$ 51,241</u>	<u>\$ 222,894</u>	<u>\$ 274,135</u>
Restricted:				
Cemetery	\$ -	\$ -	\$ 86,892	\$ 86,892
Bus	-	-	123,975	123,975
Asset forfeiture	4,970	-	-	4,970
Youth donations	5,114	-	-	5,114
National night out	89	-	-	89
Special donations	2,241	-	-	2,241
Neighborhood cookouts	1,070	-	-	1,070
Benefit bass tournament	4,275	-	-	4,275
Shop with a Cop Program	2,430	-	-	2,430
Total restricted fund balance	<u>\$ 20,189</u>	<u>\$ -</u>	<u>\$ 210,867</u>	<u>\$ 231,056</u>
Committed:				
Capital projects	\$ -	\$ 316,488	\$ -	\$ 316,488
Total committed fund balance	<u>\$ -</u>	<u>\$ 316,488</u>	<u>\$ -</u>	<u>\$ 316,488</u>
Assigned:				
Airport fuel farm	\$ 49,846	\$ -	\$ -	\$ 49,846
Total assigned fund balance	<u>\$ 49,846</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 49,846</u>
Unassigned	\$ 230,622	\$ -	\$ -	\$ 230,622
Total fund balances	<u><u>\$ 300,657</u></u>	<u><u>\$ 367,729</u></u>	<u><u>\$ 433,761</u></u>	<u><u>\$ 1,102,147</u></u>

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Note 1—Summary of Significant Accounting Policies: (Continued)

O. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town has two items that qualify for reporting in this category. One is the accumulated decrease in the fair market value of the interest rate swap agreement in the government-wide statement of net position. The fair market value of the interest rate swap agreement is adjusted annually. The other item is comprised of contributions to the pension plan made during the current year and subsequent to the net pension liability (asset) measurement date, which will be recognized as an increase to or a reduction of the net pension asset or liability next fiscal year. For more detailed information on these items, reference the pension note.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has two types of items that qualify for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30, and amounts prepaid and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis amounts prepaid are reported as deferred inflows of resources. In addition, certain items related to the measurement of the net pension liability (asset) are reported as deferred inflows of resources. These include differences between expected and actual experience, change in assumptions, the net difference between projected and actual earnings on pension plan investments and changes in proportion and differences between employer contributions and proportionate share of contributions. For more detailed information on these items, reference the pension note.

P. Adoption of Accounting Principles

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

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

Note 1—Summary of Significant Accounting Policies: (Continued)

P. Adoption of Accounting Principles (Continued)

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

The Town implemented the provisions of the above Statement during the fiscal year ended June 30, 2016. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. There was no material impact on the Town's financial statement as a result of the implementation of Statement No. 79. All required disclosures are located in Note 15.

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

The Town early implemented provisions of the above Statement during the fiscal year ended June 30, 2016. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. No restatement was required as a result of this implementation.

Note 2—Stewardship, Compliance, and Accounting:

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

1. Prior to June 1, the Town Manager submits to the Town Council a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.
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 department or category level. The appropriation for each department or category can be revised only by the Town Council. The Town Manager is authorized to transfer budgeted amounts within general government departments.

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2016

Note 2—Stewardship, Compliance, and Accounting: (Continued)

5. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
6. Appropriations lapse on June 30, every year.
7. All budgetary data presented in the accompanying financial statements is from the revised budget as of June 30, 2016, as adopted, appropriated and legally amended.

Expenditures and Appropriations

Expenditures did not exceed appropriations in any fund at June 30, 2016.

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).

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TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 3—Deposits and Investments: (Continued)

Credit Risk of Debt Securities

The Town's rated debt investments as of June 30, 2016 were rated by Standard and Poor's and the ratings are presented below using Standard and Poor's rating scale.

Town's Rated Debt Investments' Values	
<u>Rated Debt Investments</u>	<u>Fair Quality Ratings</u>
	<u>AAAm</u>
First American Prime Obligations Fund	<u>\$ 172,099</u>
Total	<u><u>\$ 172,099</u></u>

Interest Rate Risk

Investment Maturities (in years)		
<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than 1 Year</u>
First American Prime Obligations Fund	<u>\$ 172,099</u>	<u>\$ 172,099</u>
Total	<u><u>\$ 172,099</u></u>	<u><u>\$ 172,099</u></u>

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TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 4—Due to/from Other Governments:

At June 30, 2016, the Town has receivables from other governments as follows:

	Governmental Activities	Business-type Activities
Other Local Governments:		
County of Nottoway	\$ 35,675	\$ -
County of Lunenburg	1,102	-
Commonwealth of Virginia:		
DMV	3,984	-
Communications tax	2,817	-
Fort Pickett water and sewer payment	-	111,124
VDOT revenue sharing reimbursement	1,022	-
Federal Government:		
Planning grant	9,000	-
Mass transit grant	30,425	-
Community development block grant	113,268	-
Total due from other governments	<u>\$ 197,293</u>	<u>\$ 111,124</u>

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TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 5—Capital Assets:

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

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
Governmental activities:				
Capital assets not subject to depreciation:				
Land	\$ 1,192,822	\$ -	\$ -	\$ 1,192,822
Construction in progress	-	24,479	-	24,479
Total capital assets not subject to depreciation	\$ 1,192,822	\$ 24,479	\$ -	\$ 1,217,301
Capital assets subject to depreciation:				
Buildings and improvements	\$ 8,461,640	\$ -	\$ -	\$ 8,461,640
Infrastructure	1,079,413	53,697	-	1,133,110
Machinery and equipment	3,878,449	511,190	-	4,389,639
Total capital assets subject to depreciation	\$ 13,419,502	\$ 564,887	\$ -	\$ 13,984,389
Accumulated depreciation:				
Buildings and improvements	\$ 2,282,436	\$ 217,111	\$ -	\$ 2,499,547
Infrastructure	262,994	52,022	-	315,016
Machinery and equipment	2,586,716	336,919	-	2,923,635
Total accumulated depreciation	\$ 5,132,146	\$ 606,052	\$ -	\$ 5,738,198
Total capital assets subject to depreciation, net	\$ 8,287,356	\$ (41,165)	\$ -	\$ 8,246,191
Governmental activities capital assets, net	\$ 9,480,178	\$ (16,686)	\$ -	\$ 9,463,492

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TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 5—Capital Assets: (Continued)

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

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
<i>Business-type Activities:</i>				
Capital assets not subject to depreciation:				
Land	\$ 249,575	\$ -	\$ -	\$ 249,575
Construction in progress	-	17,673	-	17,673
Total capital assets not subject to depreciation	\$ 249,575	\$ 17,673	\$ -	\$ 267,248
Capital assets subject to depreciation:				
Utility plant in service	\$ 25,480,045	\$ 16,845	\$ -	\$ 25,496,890
Buildings	24,852	-	-	24,852
Machinery and equipment	1,218,864	-	-	1,218,864
Total capital assets subject to depreciation	\$ 26,723,761	\$ 16,845	\$ -	\$ 26,740,606
Accumulated depreciation:				
Utility plant in service	\$ 13,012,716	\$ 758,926	\$ -	\$ 13,771,642
Buildings	24,852	-	-	24,852
Machinery and equipment	1,022,742	38,753	-	1,061,495
Total accumulated depreciation	\$ 14,060,310	\$ 797,679	\$ -	\$ 14,857,989
Total capital assets subject to depreciation, net	\$ 12,663,451	\$ (780,834)	\$ -	\$ 11,882,617
Business-type activities capital assets, net	\$ 12,913,026	\$ (763,161)	\$ -	\$ 12,149,865

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government administration	\$ 4,570
Public safety	173,538
Public works	210,938
Health and welfare	63,637
Parks, recreation and cultural	28,722
Community development	124,647
Total depreciation expense - governmental activities	\$ 606,052
Business-type activities:	
Electric fund	\$ 124,203
Water and Sewer fund	673,476
Total depreciation expense - business-type activities	\$ 797,679
Total depreciation expense - primary government	\$ 1,403,731

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 6—Long-term Obligations:

The following is a summary of changes in long-term obligations for the fiscal year-ended June 30, 2016:

	Balance at July 1, 2015	Increases	Decreases	Balance at June 30, 2016	Amounts Due Within One Year
Governmental Activities:					
Compensated absences	\$ 128,331	\$ 12,833	\$ 36,534	\$ 104,630	\$ 10,463
Capital leases (Note 7)	128,961	-	27,071	101,890	27,125
USDA loan	-	125,657	4,497	121,160	11,035
General obligation bond	955,000	-	220,000	735,000	230,000
Derivative instrument liability	40,490	-	9,360	31,130	-
Total Governmental Activities	\$ 1,252,782	\$ 138,490	\$ 297,462	\$ 1,093,810	\$ 278,623
Business-type Activities:					
Compensated absences	\$ 85,163	\$ 5,161	\$ 8,516	\$ 81,808	\$ 8,181
General obligation bond	5,379,000	-	199,000	5,180,000	203,000
Revenue bonds	3,286,922	-	258,490	3,028,432	258,489
Total Business-type Activities	\$ 8,751,085	\$ 5,161	\$ 466,006	\$ 8,290,240	\$ 469,670
Total Primary Government	\$ 10,003,867	\$ 143,651	\$ 763,468	\$ 9,384,050	\$ 748,293

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

Year Ending June 30	Governmental Activities					
	General Obligation Bond		USDA Loan		Capital Leases	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 230,000	\$ 36,891	\$ 11,035	\$ 3,629	\$ 27,125	\$ 3,272
2018	245,000	25,039	11,385	3,279	23,549	2,347
2019	260,000	12,315	11,746	2,918	24,438	1,458
2021	-	-	12,118	2,546	21,065	572
2022	-	-	12,502	2,162	5,713	43
2023	-	-	12,899	1,765	-	-
2024	-	-	13,307	1,357	-	-
2025	-	-	13,729	935	-	-
2026	-	-	14,164	500	-	-
2027	-	-	8,275	85	-	-
Total	\$ 735,000	\$ 74,245	\$ 121,160	\$ 19,176	\$ 101,890	\$ 7,692

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 6—Long-term Obligations: (Continued)

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

Year Ending June 30	Business-type Activities			
	Revenue Bonds		General Obligation Bond	
	Principal	Interest	Principal	Interest
2017	\$ 258,489	\$ -	\$ 203,000	\$ 152,355
2018	258,489	-	212,000	146,130
2019	258,489	-	216,000	139,710
2020	230,947	-	225,000	133,095
2021	203,407	-	228,000	126,300
2022	203,412	-	237,000	119,325
2023	134,637	-	245,000	112,095
2024	134,637	-	252,000	104,640
2025	134,637	-	259,000	96,975
2026	134,637	-	266,000	89,100
2027	134,637	-	278,000	80,940
2028	134,637	-	284,000	72,510
2029	134,637	-	295,000	63,825
2030	134,637	-	305,000	54,825
2031	134,637	-	315,000	45,525
2032	134,637	-	325,000	35,925
2033	134,637	-	334,000	26,040
2034	134,192	-	347,000	15,825
2035	-	-	354,000	5,310
Total	<u>\$ 3,028,432</u>	<u>\$ -</u>	<u>\$ 5,180,000</u>	<u>\$ 1,620,450</u>

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TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 6—Long-term Obligations: (Continued)

Details of Long-term Obligations:

	Total Amount
<u>Governmental Activities:</u>	
Capital Leases (Note 7)	\$ 101,890
<u>General Obligation Bond:</u>	
\$2,055,000 general obligation bond issued May 21, 2009, due in annual principal installments ranging from \$160,000 to \$260,000 through May 1, 2019 with interest due monthly at varying rates.	\$ 735,000
<u>USDA Loan:</u>	
\$125,657 USDA loan issued January 19, 2016, due in monthly installments of \$1,222 through January 19, 2016 with interest due at 3.125%.	\$ 121,160
Derivative instrument liability	\$ 31,130
Compensated absences (payable from General Fund)	\$ 104,630
Total Long-term Obligations, Governmental Activities	\$ 1,093,810

Business-type Activities:

Revenue Bonds:

\$1,107,095 Utility Revenue Bond, issued February 1, 2000, due in semi-annual installments of \$27,541 through August 1, 2019; interest at 0%	\$ 192,786
\$1,386,875 Utility Revenue Bond, issued April 17, 2002, due in semi-annual installments of \$34,385 through April 1, 2022; interest at 0%	412,625
\$2,692,743 VRA Revolving Fund, issued September 2012, due in annual installments of \$67,618 through March 3, 2033; interest at 0%	2,423,021
Total Revenue Bonds	\$ 3,028,432

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TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 6—Long-term Obligations: (Continued)

Business-type Activities: (Continued)

General Obligation Bond:

\$5,580,000 Refunding General Obligation Bond, issued February 27, 2014, due in annual principal installments through August 1, 2034; interest payable semi-annually at rate of 3.00%

\$ 5,180,000

Compensated absences (payable from Enterprise Fund)

\$ 81,808

Total Long-term Obligations, Business-type Activities

\$ 8,290,240

Total Long-term Obligations, Primary Government

\$ 9,384,050

Interest rate swap

Objective of the interest rate swap. As a means to lower its borrowing costs, when compared against fixed-rate loans at the time of issuance in May 2009, the Town entered into an interest rate swap in connection with its \$2,055,000 variable rate demand general obligation bonds. The intention of the swap was to effectively change the Town's variable interest rate on the bonds to a synthetic fixed rate of 4.87 percent. Utilizing the synthetic instrument method, the Town has determined that the swap is an effective hedging derivative instrument and hedge accounting applies.

Terms. The bonds and the related swap agreement mature on May 1, 2019. The swap's notional value of \$766,130 is more than the balance outstanding on the bonds payable of \$735,000. The difference of \$31,130 is reported in these financial statements as a derivative instrument liability within the long-term obligations of the Town.

A corresponding deferred outflow of resources is reported on the statement of net position as a reduction to total liabilities before computing net position. The swap was entered into at the same time as the bonds were issued. Under the swap, the Town pays the counterparty a fixed payment of 4.87 percent and receives a variable payment computed as 100 percent of the London Interbank Offered Rate (LIBOR). Annual amounts required to amortize the Town loan using the fixed rate provided by the swap agreement which is not significantly different from the variable rate are referenced above under "Governmental Activities Obligations - General Obligation Bonds."

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 6—Long-term Obligations: (Continued)

Fair Value. The fair values and changes in fair values of the swap are as follows:

	As of and for the year ended June 30, 2016
Fair value	\$ (31,130)
Change in fair value	(9,360)

Note 7—Capital Leases:

The government has entered into lease agreements as lessee for financing the acquisition of five (5) police cars and a garbage truck. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

	Governmental Activities
Asset:	
Equipment	\$ 267,420
Less: accumulated depreciation	(163,834)
Total	\$ 103,586

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2016, were as follows:

Year Ended June 30	Governmental Activities
2017	\$ 30,397
2018	25,896
2019	25,896
2020	21,637
2021	5,756
Total minimum lease payments	\$ 109,582
Less: amount representing interest	(7,692)
Present value of minimum lease payments	\$ 101,890

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 8—Deferred/Unavailable Revenue:

Deferred/unavailable 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/unavailable revenue is comprised of the following:

Unavailable Property Tax Revenue - Unavailable revenue representing uncollected tax billings not available for funding of current expenditures totaled \$74,887 at June 30, 2016.

Prepaid Property Taxes - Property taxes due subsequent to June 30, 2016 but paid in advance by the taxpayers totaled \$2,406 at June 30, 2016.

Note 9—Commitments and Contingent Liabilities:

The Town received a consent order from the Commonwealth of Virginia's Department of Environmental Quality requiring utility upgrades that could create up to \$3.5 million in debt over the next several years.

Note 10—Litigation:

At June 30, 2016, there were no matters of litigation involving the Town which would materially affect the Town's financial position should any court decisions on pending matters not be favorable to the Town.

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 participates with other localities in a public entity risk pool for their coverage of worker's compensation and public officials' liability. The Town pays an annual premium to the pools for its general insurance through member premiums. The Town continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

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TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2016

Note 12—Pension Plan:

Plan Description

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

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

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p>	<p>About Plan 2 Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p>	<p>About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (see "Eligible Members")</p> <ul style="list-style-type: none"> • The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 12—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>About Plan 1 (Cont.)</p>	<p>About Plan 2 (Cont.)</p>	<p>About the Hybrid Retirement Plan (Cont.)</p> <ul style="list-style-type: none"> • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
<p>Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p>Eligible Members Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p>Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> • Political subdivision employees* • School division employees • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014. <p>*Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 12—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Hybrid Opt-In Election (Cont.) Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.</p>	<p>Hybrid Opt-In Election (Cont.) Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.</p>	<p>*Non-Eligible Members (Cont.) Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>
<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions and school divisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>	<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions and school divisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016.</p>	<p>Retirement Contributions A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</p>

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 12—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Creditable Service Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>	<p>Creditable Service Same as Plan 1.</p>	<p>Creditable Service <u>Defined Benefit Component:</u> Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p> <p><u>Defined Contributions Component:</u> Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 12—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.</p> <p>Members are always 100% vested in the contributions that they make.</p>	<p>Vesting Same as Plan 1.</p>	<p>Vesting <u>Defined Benefit Component:</u> Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p> <p><u>Defined Contributions Component:</u> Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.</p> <p>Members are always 100% vested in the contributions that they make.</p>

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 12—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Vesting (Cont.)	Vesting (Cont.)	<p>Vesting (Cont.) <u>Defined Contributions Component: (Cont.)</u> Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none"> • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. <p>Distribution is not required by law until age 70½.</p>
<p>Calculating the Benefit The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.</p>	<p>Calculating the Benefit See definition under Plan 1.</p>	<p>Calculating the Benefit <u>Defined Benefit Component:</u> See definition under Plan 1</p>

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 12—Pension Plan: (Continued)

Plan Description (Continued)

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

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 12—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Normal Retirement Age VRS: Age 65.</p> <p>Political subdivisions hazardous duty employees: Age 60.</p>	<p>Normal Retirement Age VRS: Normal Social Security retirement age.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Normal Retirement Age <u>Defined Benefit Component:</u> VRS: Same as Plan 2.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Unreduced Retirement Eligibility VRS: Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.</p> <p>Political subdivisions hazardous duty employees: Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.</p>	<p>Earliest Unreduced Retirement Eligibility VRS: Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Earliest Unreduced Retirement Eligibility <u>Defined Benefit Component:</u> VRS: Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Reduced Retirement Eligibility VRS: Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.</p>	<p>Earliest Reduced Retirement Eligibility VRS: Age 60 with at least five years (60 months) of creditable service.</p>	<p>Earliest Reduced Retirement Eligibility <u>Defined Benefit Component:</u> VRS: Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.</p>

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 12—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Earliest Reduced Retirement Eligibility (Cont.)</p> <p>Political subdivisions hazardous duty employees: 50 with at least five years of creditable service.</p>	<p>Earliest Reduced Retirement Eligibility (Cont.)</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Earliest Reduced Retirement Eligibility (Cont.)</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.</p> <p><u>Eligibility:</u> For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.</p> <p>For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.</p> <p><u>Eligibility:</u> Same as Plan 1.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement <u>Defined Benefit Component:</u> Same as Plan 2.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p> <p><u>Eligibility:</u> Same as Plan 1 and Plan 2.</p>

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 12—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins. 	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1 and Plan 2.</p>

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 12—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>	<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>	<p>Disability Coverage Employees of political subdivisions and School divisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.</p> <p>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>
<p>Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.</p>	<p>Purchase of Prior Service Same as Plan 1.</p>	<p>Purchase of Prior Service <u>Defined Benefit Component:</u> Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> • Hybrid Retirement Plan members are ineligible for ported service. • The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation. • Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost. <p><u>Defined Contribution Component:</u> Not applicable.</p>

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2016

Note 12—Pension Plan: (Continued)

Plan Description (Continued)

The system issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for the plans administered by VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2015-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Employees Covered by Benefit Terms

As of the June 30, 2014 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Primary Government
Inactive members or their beneficiaries currently receiving benefits	16
Inactive members:	
Vested inactive members	14
Non-vested inactive members	19
Inactive members active elsewhere in VRS	29
Total inactive members	62
Active members	57
Total covered employees	135

Contributions

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

The Town's contractually required contribution rate for the year ended June 30, 2016 was 5.76% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2016

Note 12—Pension Plan: (Continued)

Contributions (Continued)

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Town were \$120,423 and \$121,223 for the years ended June 30, 2016 and June 30, 2015, respectively.

Net Pension Liability (Asset)

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

Actuarial Assumptions - General Employees

The total pension liability for General Employees in the Town's Retirement Plan was based on an actuarial valuation as of June 30, 2014, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

Inflation	2.5%
Salary increases, including inflation	3.5% - 5.35%
Investment rate of return	7.0%, net of pension plan investment expense, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality rates: 14% of deaths are assumed to be service related

Largest 10 - Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

All Others (Non 10 Largest) - Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years.

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2016

Note 12—Pension Plan: (Continued)

Actuarial Assumptions - General Employees (Continued)

All Others (Non 10 Largest) - Non-LEOS: (Continued)

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Actuarial Assumptions - Public Safety Employees

The total pension liability for Public Safety employees in the Town's Retirement Plan was based on an actuarial valuation as of June 30, 2014, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

Inflation	2.5%
Salary increases, including inflation	3.5% - 4.75%
Investment rate of return	7.0%, net of pension plan investment expense, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 12—Pension Plan: (Continued)

Actuarial Assumptions - Public Safety Employees (Continued)

Mortality rates: 60% of deaths are assumed to be service related

Largest 10 - Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

All Others (Non 10 Largest) - Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) - LEOS:

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 12—Pension Plan: (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on pension System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
U.S. Equity	19.50%	6.46%	1.26%
Developed Non U.S. Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
Total	100.00%		5.83%
		Inflation	2.50%
		*Expected arithmetic nominal return	8.33%

* Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 12—Pension Plan: (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the employer for the Town Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability (Asset)

	Primary Government		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2014	\$ 6,323,065	\$ 6,645,232	\$ (322,167)
Changes for the year:			
Service cost	\$ 202,800	\$ -	\$ 202,800
Interest	436,936	-	436,936
Differences between expected and actual experience	(71,906)	-	(71,906)
Contributions - employer	-	121,223	(121,223)
Contributions - employee	-	105,159	(105,159)
Net investment income	-	307,829	(307,829)
Benefit payments, including refunds of employee contributions	(162,254)	(162,254)	-
Administrative expenses	-	(4,089)	4,089
Other changes	-	(64)	64
Net changes	\$ 405,576	\$ 367,804	\$ 37,772
Balances at June 30, 2015	\$ 6,728,641	\$ 7,013,036	\$ (284,395)

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 12—Pension Plan: (Continued)

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the net pension liability (asset) of the Town using the discount rate of 7.00%, as well as what the Town's net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	Rate		
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
Town			
Net Pension Liability (Asset)	\$ 705,324	\$ (284,395)	\$ (1,091,323)

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

For the year ended June 30, 2016, the Town recognized pension expense of (\$16,075). At June 30, 2016, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Primary Government	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 53,033
Change in assumptions		
Net difference between projected and actual earnings on pension plan investments	-	174,113
Employer contributions subsequent to the measurement date	120,423	-
Total	\$ 120,423	\$ 227,146

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TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 12—Pension Plan: (Continued)

\$120,423 reported as deferred outflows of resources related to pensions resulting from the Town's contributions, subsequent to the measurement date will be recognized as a reduction of (increase to) the Net Pension Liability (Asset) in the fiscal year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year ended June 30</u>	<u>Primary Government</u>
2017	\$ (87,540)
2018	(87,540)
2019	(83,954)
2020	31,888

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TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2016

Note 13—Surety Bonds:

	Amount
Virginia Municipal Group:	
Town employees - blanket bond	\$ 500,000 per occurrence

Note 14—Interfund Transfers:

Interfund transfers for the year ended June 30, 2016 consisted of the following:

Fund	Transfers In	Transfers Out
Primary Government:		
General	\$ 31,448	\$ 107,774
Capital projects	107,774	15,942
Special revenue	-	15,506
Total	\$ <u>139,222</u>	\$ <u>139,222</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgeting authorization.

Note 15—Fair Value Measurement:

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

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

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

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2016

Note 15—Fair Value Measurement: (Continued)

The Town has the following recurring fair value measurements as of June 30, 2016:

Investment type	Balance June 30, 2016	Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Primary Government				
Investments in derivative instruments:				
Interest rate swap liability	31,130	-	31,130	-
	<u>\$ 31,130</u>	<u>\$ -</u>	<u>\$ 31,130</u>	<u>\$ -</u>

Note 16—Upcoming Pronouncements:

Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, improves the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local government OPEB plans for making decisions and assessing accountability. This Statement replaces Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures*. This Statement is effective for financial statements for fiscal years beginning after June 30, 2016.

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*, improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). This Statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. This Statement is effective for fiscal years beginning after June 15, 2017.

Statement No. 77, *Tax Abatement Disclosures*, will increase the disclosure of tax abatement agreements to disclose information about the agreements. The requirements of this Statement improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015.

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 16—Upcoming Pronouncements: (Continued)

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

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

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

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

Note 17—Subsequent Events:

On July 7, 2016, the Town issued a \$2,421,000 Series General Obligation Bonds to finance WWTP improvements and the Fort Pickett Water System Improvement.

REQUIRED SUPPLEMENTARY INFORMATION

Town of Blackstone, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
REVENUES				
General property taxes	\$ 440,000	\$ 466,700	\$ 474,365	\$ 7,665
Other local taxes	1,170,000	1,226,000	1,267,456	41,456
Permits, privilege fees, and regulatory licenses	2,700	2,700	2,740	40
Fines and forfeitures	30,000	30,000	26,281	(3,719)
Revenue from the use of money and property	15,030	15,030	20,620	5,590
Charges for services	706,710	873,710	927,837	54,127
Miscellaneous	36,500	36,700	62,060	25,360
Recovered costs	564,094	676,383	677,482	1,099
Intergovernmental:				
Commonwealth	1,159,933	1,253,983	1,208,482	(45,501)
Federal	-	43,343	80,021	36,678
Total revenues	\$ 4,124,967	\$ 4,624,549	\$ 4,747,344	\$ 122,795
EXPENDITURES				
Current:				
General government administration	\$ 783,210	\$ 813,110	\$ 805,130	\$ 7,980
Public safety	1,262,860	1,609,892	1,595,748	14,144
Public works	1,817,585	2,386,585	2,412,202	(25,617)
Parks, recreation, and cultural	19,000	26,000	25,484	516
Community development	-	5,000	4,973	27
Capital projects	109,900	158,900	138,701	20,199
Debt service:				
Principal retirement	29,318	29,318	31,568	(2,250)
Interest and other fiscal charges	2,705	2,705	5,885	(3,180)
Total expenditures	\$ 4,024,578	\$ 5,031,510	\$ 5,019,691	\$ 11,819
Excess (deficiency) of revenues over (under) expenditures	\$ 100,389	\$ (406,961)	\$ (272,347)	\$ 134,614
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 23,154	\$ 23,154	\$ 31,448	\$ 8,294
Transfers out	(188,033)	(108,033)	(107,774)	259
Issuance of USDA loan	-	125,657	125,657	-
Total other financing sources (uses)	\$ (164,879)	\$ 40,778	\$ 49,331	\$ 8,553
Net change in fund balances	\$ (64,490)	\$ (366,183)	\$ (223,016)	\$ 143,167
Fund balances - beginning	64,490	366,183	523,673	157,490
Fund balances - ending	\$ -	\$ -	\$ 300,657	\$ 300,657

Town of Blackstone, Virginia
Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	Final Budget - Positive (Negative)
REVENUES				
Revenue from the use of money and property	\$ 1,000	\$ 1,000	\$ 932	\$ (68)
Charges for services	31,200	31,200	30,276	(924)
Miscellaneous	-	-	2,955	2,955
Recovered costs	138,870	138,870	91,757	(47,113)
Intergovernmental:				
Commonwealth	106,100	106,100	89,841	(16,259)
Federal	297,850	297,850	266,895	(30,955)
Total revenues	<u>\$ 575,020</u>	<u>\$ 575,020</u>	<u>\$ 482,656</u>	<u>\$ (92,364)</u>
EXPENDITURES				
Current:				
Community development	\$ 580,450	\$ 596,450	\$ 496,828	\$ 99,622
Total expenditures	<u>\$ 580,450</u>	<u>\$ 596,450</u>	<u>\$ 496,828</u>	<u>\$ 99,622</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (5,430)</u>	<u>\$ (21,430)</u>	<u>\$ (14,172)</u>	<u>\$ 7,258</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ (11,177)	\$ (11,177)	\$ (15,506)	\$ (4,329)
Total other financing sources (uses)	<u>\$ (11,177)</u>	<u>\$ (11,177)</u>	<u>\$ (15,506)</u>	<u>\$ (4,329)</u>
Net change in fund balances	\$ (16,607)	\$ (32,607)	\$ (29,678)	\$ 2,929
Fund balances - beginning	16,607	32,607	463,439	430,832
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 433,761</u>	<u>\$ 433,761</u>

Town of Blackstone, Virginia
Schedule of Components of and Changes in Net Pension Liability (Asset) and Related Ratios
For the Year Ended June 30, 2016

	2015	2014
Total pension liability		
Service cost	\$ 202,800	\$ 202,242
Interest	436,936	405,478
Differences between expected and actual experience	(71,906)	-
Benefit payments, including refunds of employee contributions	(162,254)	(154,388)
Net change in total pension liability	\$ 405,576	\$ 453,332
Total pension liability - beginning	6,323,065	5,869,733
Total pension liability - ending (a)	<u>\$ 6,728,641</u>	<u>\$ 6,323,065</u>
Plan fiduciary net position		
Contributions - employer	\$ 121,223	\$ 182,650
Contributions - employee	105,159	101,458
Net investment income	307,829	900,522
Benefit payments, including refunds of employee contributions	(162,254)	(154,388)
Administrative expense	(4,089)	(4,700)
Other	(64)	47
Net change in plan fiduciary net position	\$ 367,804	\$ 1,025,589
Plan fiduciary net position - beginning	6,645,232	5,619,643
Plan fiduciary net position - ending (b)	<u>\$ 7,013,036</u>	<u>\$ 6,645,232</u>
Town's net pension liability (asset) - ending (a) - (b)	\$ (284,395)	\$ (322,167)
Plan fiduciary net position as a percentage of the total pension liability	104.23%	105.10%
Covered payroll	\$ 2,113,608	\$ 2,042,247
Town's net pension liability (asset) as a percentage of covered payroll	-13.46%	-15.78%

Schedule is intended to show information for 10 years. Information prior to the 2014 valuation is not available. However, additional years will be included as they become available.

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

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Employee Payroll (4)	Contributions as a % of Covered Employee Payroll (5)
Primary Government					
2016	\$ 120,423	\$ 120,423	\$ -	\$ 2,090,676	5.76%
2015	121,223	121,223	-	2,113,608	5.74%
2014	182,279	182,279	-	2,032,098	8.97%
2013	177,115	177,115	-	1,974,531	8.97%
2012	168,301	168,301	-	2,042,484	8.24%
2011	164,103	164,103	-	1,991,544	8.24%
2010	163,283	163,283	-	1,894,234	8.62%
2009	173,775	173,775	-	2,015,949	8.62%
2008	245,825	245,825	-	2,090,348	11.76%
2007	215,349	215,349	-	1,831,196	11.76%

Current year contributions are from Town records and prior year contributions are from the VRS actuarial valuation performed each year.

OTHER SUPPLEMENTARY INFORMATION

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*INDIVIDUAL FUND FINANCIAL
STATEMENT AND SCHEDULE*

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Town of Blackstone, Virginia
Notes to Required Supplementary Information
For the Year Ended June 30, 2016

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

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

Changes of assumptions - The following changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the System for the four-year period ending June 30, 2012:

Largest 10 - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) - LEOS:

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

Town of Blackstone, Virginia
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Capital Projects Fund
For the Year Ended June 30, 2016

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Revenue from the use of money and property	\$ 279,977	\$ 279,977	\$ 279,977	\$ -
Miscellaneous	33,800	33,800	37,403	3,603
Recovered costs	-	-	1,066	1,066
Intergovernmental:				
Commonwealth	-	-	1,846	1,846
Federal	727,530	748,080	531,195	(216,885)
Total revenues	<u>\$ 1,041,307</u>	<u>\$ 1,061,857</u>	<u>\$ 851,487</u>	<u>\$ (210,370)</u>
EXPENDITURES				
Capital projects	\$ 906,340	\$ 926,890	\$ 720,586	\$ 206,304
Debt service:				
Principal retirement	172,210	172,210	220,000	(47,790)
Interest and other fiscal charges	93,790	93,790	23,978	69,812
Total expenditures	<u>\$ 1,172,340</u>	<u>\$ 1,192,890</u>	<u>\$ 964,564</u>	<u>\$ 228,326</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (131,033)</u>	<u>\$ (131,033)</u>	<u>\$ (113,077)</u>	<u>\$ 17,956</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 140,033	\$ 140,033	\$ 107,774	\$ (32,259)
Transfers out	(9,000)	(9,000)	(15,942)	(6,942)
Total other financing sources (uses)	<u>\$ 131,033</u>	<u>\$ 131,033</u>	<u>\$ 91,832</u>	<u>\$ (39,201)</u>
Net change in fund balances	\$ -	\$ -	\$ (21,245)	\$ (21,245)
Fund balances - beginning	-	-	289,748	289,748
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 268,503</u>	<u>\$ 268,503</u>

Town of Blackstone, Virginia
Fiduciary Fund
Statement of Changes in Assets and Liabilities - Agency Fund
For the Year Ended June 30, 2016

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
Blackstone Memorial Center Committee				
Assets:				
Cash and cash equivalents	\$ 35,342	\$ -	\$ 35,342	\$ -
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Liabilities:				
Amounts held for others	\$ 35,342	\$ -	\$ 35,342	\$ -
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Town of Blackstone, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2016

Schedule 1
Page 1 of 4

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 351,500	\$ 360,200	\$ 362,445	\$ 2,245
Personal property taxes	80,500	98,500	98,102	(398)
Penalties	5,500	5,500	7,194	1,694
Interest	2,500	2,500	6,624	4,124
Total general property taxes	<u>\$ 440,000</u>	<u>\$ 466,700</u>	<u>\$ 474,365</u>	<u>\$ 7,665</u>
Other local taxes:				
Local sales and use taxes	\$ 170,000	\$ 170,000	\$ 194,458	\$ 24,458
Consumption tax	10,000	10,000	13,938	3,938
Business license taxes	163,000	163,000	169,254	6,254
Motor vehicle licenses	50,000	61,000	55,936	(5,064)
Bank stock taxes	100,000	118,000	117,962	(38)
Cigarette taxes	105,000	105,000	93,786	(11,214)
Hotel and motel room taxes	30,000	30,000	47,279	17,279
Restaurant food taxes	542,000	569,000	574,843	5,843
Total other local taxes	<u>\$ 1,170,000</u>	<u>\$ 1,226,000</u>	<u>\$ 1,267,456</u>	<u>\$ 41,456</u>
Permits, privilege fees, and regulatory licenses:				
Permits and other licenses	\$ 2,700	\$ 2,700	\$ 2,740	\$ 40
Fines and forfeitures:				
Court fines and forfeitures	\$ 30,000	\$ 30,000	\$ 26,281	\$ (3,719)
Revenue from use of money and property:				
Revenue from use of money	\$ 3,030	\$ 3,030	\$ 5,070	\$ 2,040
Revenue from use of property	12,000	12,000	15,550	3,550
Total revenue from use of money and property	<u>\$ 15,030</u>	<u>\$ 15,030</u>	<u>\$ 20,620</u>	<u>\$ 5,590</u>
Charges for services:				
Charges for fire service	\$ -	\$ 7,000	\$ 7,059	\$ 59
Charges for sanitation and waste removal	411,000	411,000	393,528	(17,472)
Charges for aviation fuel	295,710	455,710	527,250	71,540
Total charges for services	<u>\$ 706,710</u>	<u>\$ 873,710</u>	<u>\$ 927,837</u>	<u>\$ 54,127</u>
Miscellaneous:				
Miscellaneous	\$ 36,500	\$ 36,700	\$ 62,060	\$ 25,360

Town of Blackstone, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2016

Schedule 1
Page 2 of 4

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Recovered costs:				
General administration allocation	\$ 434,094	\$ 434,094	\$ 434,094	\$ -
DMV	30,000	30,000	36,979	6,979
Garage labor	15,000	15,000	65,177	50,177
Grant administration	-	-	6,054	6,054
Recovered costs	45,000	135,000	82,740	(52,260)
Blackstone sign adoption	-	-	1,190	1,190
County fire and rescue	38,000	38,000	28,959	(9,041)
County recreation	2,000	2,000	-	(2,000)
Excise tax refund	-	22,289	22,289	-
Total recovered costs	\$ 564,094	\$ 676,383	\$ 677,482	\$ 1,099
 Total revenue from local sources	 \$ 2,965,034	 \$ 3,327,223	 \$ 3,458,841	 \$ 131,618
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Rolling stock tax	\$ 6,600	\$ 6,600	\$ 6,543	\$ (57)
Auto rental tax	200	200	-	(200)
Communications tax	18,000	18,000	17,244	(756)
Personal property tax relief funds	42,986	42,986	42,986	-
Total noncategorical aid	\$ 67,786	\$ 67,786	\$ 66,773	\$ (1,013)
Categorical aid:				
Other categorical aid:				
Streets and highway maintenance	\$ 984,000	\$ 1,067,000	\$ 1,025,833	\$ (41,167)
DJCP grants for law enforcement	85,529	85,529	85,528	(1)
Litter control	2,118	2,118	2,139	21
Revenue share grant	-	11,050	26,401	15,351
Highway safety grant	11,500	11,500	-	(11,500)
Fire programs and grants	9,000	9,000	700	(8,300)
Asset forfeiture funds	-	-	1,108	1,108
Total other categorical aid	\$ 1,092,147	\$ 1,186,197	\$ 1,141,709	\$ (44,488)
 Total categorical aid	 \$ 1,092,147	 \$ 1,186,197	 \$ 1,141,709	 \$ (44,488)
 Total revenue from the Commonwealth	 \$ 1,159,933	 \$ 1,253,983	 \$ 1,208,482	 \$ (45,501)

Town of Blackstone, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2016

Schedule 1
Page 3 of 4

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Revenue from the federal government:				
Other categorical aid:				
East end planning grant	\$ -	\$ -	\$ 9,000	\$ 9,000
Transportation safety	-	-	9,882	9,882
USDA grant	-	43,343	43,343	-
Department of Justice grant	-	-	17,796	17,796
Total other categorical aid	\$ -	\$ 43,343	\$ 80,021	\$ 36,678
Total revenue from the federal government	\$ -	\$ 43,343	\$ 80,021	\$ 36,678
Total General Fund	\$ 4,124,967	\$ 4,624,549	\$ 4,747,344	\$ 122,795
Special Revenue Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 1,000	\$ 1,000	\$ 932	\$ (68)
Charges for services:				
Charges for cemetery care	\$ 1,200	\$ 1,200	\$ 878	\$ (322)
Cemetery lot sales	3,000	3,000	7,200	4,200
Charges for bus fares	27,000	27,000	22,198	(4,802)
Total charges for services	\$ 31,200	\$ 31,200	\$ 30,276	\$ (924)
Miscellaneous:				
Miscellaneous	\$ -	\$ -	\$ 2,955	\$ 2,955
Total miscellaneous	\$ -	\$ -	\$ 2,955	\$ 2,955
Recovered costs:				
Reimbursement from localities	\$ 138,870	\$ 138,870	\$ 91,757	\$ (47,113)
Total recovered costs	\$ 138,870	\$ 138,870	\$ 91,757	\$ (47,113)
Total revenue from local sources	\$ 171,070	\$ 171,070	\$ 125,920	\$ (45,150)
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Transportation grant	\$ 106,100	\$ 106,100	\$ 89,841	\$ (16,259)
Total revenue from the Commonwealth	\$ 106,100	\$ 106,100	\$ 89,841	\$ (16,259)

Town of Blackstone, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2016

Schedule 1
Page 4 of 4

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Special Revenue Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the federal government:				
Categorical aid:				
Transportation grant	\$ 297,850	\$ 297,850	\$ 266,895	\$ (30,955)
Total revenue from the federal government	\$ 297,850	\$ 297,850	\$ 266,895	\$ (30,955)
Total Special Revenue Fund	\$ 575,020	\$ 575,020	\$ 482,656	\$ (92,364)
Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of property	\$ 279,977	\$ 279,977	\$ 279,977	\$ -
Total revenue from use of money and property	\$ 279,977	\$ 279,977	\$ 279,977	\$ -
Miscellaneous revenue:				
Miscellaneous	\$ 33,800	\$ 33,800	\$ 37,403	\$ 3,603
Recovered costs:				
Nottoway County	\$ -	\$ -	\$ 1,066	\$ 1,066
Total revenue from local sources	\$ 313,777	\$ 313,777	\$ 318,446	\$ 4,669
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Airport grant	\$ -	\$ -	\$ 1,846	\$ 1,846
Total categorical aid	\$ -	\$ -	\$ 1,846	\$ 1,846
Total revenue from the Commonwealth	\$ -	\$ -	\$ 1,846	\$ 1,846
Revenue from the federal government:				
Categorical aid:				
Community development block grant	\$ 727,530	\$ 748,080	\$ 531,195	\$ (216,885)
Total revenue from the federal government	\$ 727,530	\$ 748,080	\$ 531,195	\$ (216,885)
Total Capital Projects Fund	\$ 1,041,307	\$ 1,061,857	\$ 851,487	\$ (210,370)
Total Revenues -- Primary Government	\$ 5,741,294	\$ 6,261,426	\$ 6,081,487	\$ (179,939)

Town of Blackstone, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2016

Schedule 2
Page 1 of 2

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
General government administration:				
Legislative:				
Town Council	\$ 41,380	\$ 27,480	\$ 19,349	\$ 8,131
General and financial administration:				
Town Manager and financial administration	\$ 721,530	\$ 765,030	\$ 765,181	\$ (151)
Independent Auditor	20,300	20,600	20,600	-
Total general and financial administration	\$ 741,830	\$ 785,630	\$ 785,781	\$ (151)
Total general government administration	\$ 783,210	\$ 813,110	\$ 805,130	\$ 7,980
Public safety:				
Law enforcement and traffic control:				
Police	\$ 1,050,290	\$ 1,021,290	\$ 1,031,671	\$ (10,381)
Fire and rescue services:				
Fire department	\$ 212,570	\$ 588,602	\$ 564,077	\$ 24,525
Total public safety	\$ 1,262,860	\$ 1,609,892	\$ 1,595,748	\$ 14,144
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Street maintenance	\$ 875,805	\$ 1,283,805	\$ 1,286,004	\$ (2,199)
Traffic lights	3,400	3,400	3,092	308
Total maintenance of highways, streets, bridges and sidewalks	\$ 879,205	\$ 1,287,205	\$ 1,289,096	\$ (1,891)
Sanitation and waste removal:				
Refuse collection	\$ 317,625	\$ 318,625	\$ 308,563	\$ 10,062
Maintenance of general buildings and grounds:				
General properties	\$ 390,185	\$ 550,185	\$ 583,210	\$ (33,025)
Garage department	230,570	230,570	231,333	(763)
Total maintenance of general buildings and grounds	\$ 620,755	\$ 780,755	\$ 814,543	\$ (33,788)
Total public works	\$ 1,817,585	\$ 2,386,585	\$ 2,412,202	\$ (25,617)
Parks, recreation, and cultural:				
Cultural enrichment:				
Museum	\$ 9,500	\$ 12,500	\$ 12,369	\$ 131
Library:				
Contribution to library	\$ 2,000	\$ 2,000	\$ 2,000	-
Library administration	7,500	11,500	11,115	385
Total library	\$ 9,500	\$ 13,500	\$ 13,115	\$ 385
Total parks, recreation, and cultural	\$ 19,000	\$ 26,000	\$ 25,484	\$ 516

Town of Blackstone, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2016

Schedule 2
Page 2 of 2

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Community development:				
Planning and community development:				
Community Development	\$ -	\$ 5,000	\$ 4,973	\$ 27
Total community development	\$ -	\$ 5,000	\$ 4,973	\$ 27
Capital projects:				
Administration	\$ 7,500	\$ 19,500	\$ 17,497	\$ 2,003
Police department	32,400	32,400	25,335	7,065
Street maintenance	30,000	30,000	25,890	4,110
Garbage department	-	8,000	7,837	163
Fire department	30,000	54,500	47,794	6,706
Library	10,000	14,500	14,348	152
Total capital projects	\$ 109,900	\$ 158,900	\$ 138,701	\$ 20,199
Debt service:				
Principal retirement	\$ 29,318	\$ 29,318	\$ 31,568	\$ (2,250)
Interest and other fiscal charges	2,705	2,705	5,885	(3,180)
Total debt service	\$ 32,023	\$ 32,023	\$ 37,453	\$ (5,430)
Total General Fund	\$ 4,024,578	\$ 5,031,510	\$ 5,019,691	\$ 11,819
Special Revenue Fund:				
Community Development:				
Planning and community development:				
Bus program	\$ 569,820	\$ 569,820	\$ 474,670	\$ 95,150
Cemetery	10,630	26,630	22,158	4,472
Total planning and community development	\$ 580,450	\$ 596,450	\$ 496,828	\$ 99,622
Total Special Revenue Fund	\$ 580,450	\$ 596,450	\$ 496,828	\$ 99,622
Capital Projects Funds:				
Capital Projects Fund:				
Capital projects:				
Church Street project	\$ 727,530	\$ 727,530	\$ 661,957	\$ 65,573
Castle trailer park	6,500	6,500	-	6,500
Medical center	32,277	32,277	13,606	18,671
CDBG projects	-	20,550	20,544	6
Capital improvement	140,033	140,033	24,479	115,554
Total capital projects	\$ 906,340	\$ 926,890	\$ 720,586	\$ 206,304
Debt service:				
Principal retirement	\$ 172,210	\$ 172,210	\$ 220,000	\$ (47,790)
Interest and other fiscal charges	93,790	93,790	23,978	69,812
Total debt service	\$ 266,000	\$ 266,000	\$ 243,978	\$ 22,022
Total Capital Projects Fund	\$ 1,172,340	\$ 1,192,890	\$ 964,564	\$ 228,326
Total Primary Government	\$ 5,777,368	\$ 6,820,850	\$ 6,481,083	\$ 339,767

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OTHER STATISTICAL INFORMATION

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Table 1

Town of Blackstone, Virginia
Government-wide Expenses by Function
Last Ten Fiscal Years

Fiscal Year	General Government Administration	Public Safety	Public Works	Health and Welfare	Parks, Recreation, and Cultural	Community Development	Interest on Long-term Debt	Enterprise Funds	Total
2006-07	\$ 438,710	\$ 1,381,715	\$ 1,667,300	\$ -	\$ (242,019)	\$ 390,624	\$ 3,194	\$ 6,458,979	\$ 10,098,503
2007-08	765,509	1,564,640	3,126,359	47,121	25,640	472,599	21,556	6,659,667	12,683,091
2008-09	273,519	1,317,646	1,389,844	100,000	31,555	233,371	100,989	6,579,703	10,026,627
2009-10	720,992	1,132,805	2,674,742	63,787	31,664	117,731	105,556	5,600,173	10,447,450
2010-11	595,710	1,431,174	1,721,599	63,637	70,165	979,646	106,279	6,558,636	11,526,846
2011-12	521,580	1,333,146	1,358,171	66,112	56,315	1,019,675	93,037	7,026,437	11,474,473
2012-13	329,954	1,264,552	1,643,590	63,637	46,604	901,498	76,411	6,358,400	10,684,646
2013-14	394,002	1,417,354	2,455,263	63,637	77,746	740,463	74,059	6,590,681	11,813,205
2014-15	279,462	1,459,714	2,262,961	63,637	72,641	740,701	78,686	6,556,738	11,514,540
2015-16	281,371	1,360,570	2,449,110	63,637	68,554	1,104,329	29,863	6,000,066	11,357,500

Table 2

Town of Blackstone, Virginia
Government-wide Revenues
Last Ten Fiscal Years

Fiscal Year	PROGRAM REVENUES			GENERAL REVENUES					
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	General Property Taxes	Other Local Taxes	Unrestricted Investment Earnings	Miscellaneous	Grants and Contributions Not Restricted to Specific Programs	Total
2006-07	\$ 6,708,900	\$ 1,210,377	\$ 121,763	\$ 392,458	\$ 862,395	\$ 127,463	\$ 185,919	\$ 52,099	\$ 9,661,374
2007-08	7,098,916	1,131,351	3,183,061	382,855	864,671	78,049	252,156	52,425	13,043,484
2008-09	7,029,526	1,718,438	1,996,751	398,720	1,094,802	48,291	131,022	48,633	12,466,183
2009-10	6,656,870	1,315,904	681,243	413,321	1,155,000	296,502	396,473	61,821	10,977,134
2010-11	7,130,890	2,097,298	265,785	399,600	1,167,131	406,865	228,476	67,248	11,763,293
2011-12	7,215,069	1,421,850	130,435	384,286	1,234,668	288,911	268,797	66,729	11,010,745
2012-13	7,316,769	1,441,142	922,371	396,805	1,185,004	300,519	235,640	74,226	11,872,476
2013-14	7,940,599	1,520,869	261,239	396,882	1,211,102	301,730	254,845	61,343	11,948,609
2014-15	7,721,456	1,498,272	290,811	406,988	1,184,214	301,133	245,989	67,234	11,716,097
2015-16	7,623,381	1,580,312	531,195	478,623	1,267,456	301,529	137,946	66,773	11,987,215

Table 3

Town of Blackstone, Virginia
General Governmental Expenditures by Function (1,2)
Last Ten Fiscal Years

Fiscal Year	General Government Administration	Public Safety	Public Works	Parks, Recreation, and Cultural	Community Development	Debt Service	Total
2007	\$ 792,118	\$ 1,135,603	\$ 1,842,748	\$ 8,091	\$ 252,843	\$ 49,815	\$ 4,081,218
2008	881,308	1,366,326	2,508,697	11,000	238,804	120,218	5,126,353
2009	864,999	1,183,054	1,655,405	10,499	318,784	787,675	4,820,416
2010	1,144,515	1,185,585	2,090,957	19,024	465,277	362,361	5,267,719
2011	961,268	1,247,469	2,260,429	55,525	1,148,834	364,815	6,038,340
2012	918,135	1,256,031	1,936,704	44,177	606,722	348,342	5,110,111
2013	765,294	1,315,433	1,880,862	34,069	512,445	291,652	4,799,755
2014	816,634	1,234,279	2,864,976	49,014	454,775	282,960	5,702,638
2015	824,748	1,340,444	2,249,838	42,585	454,935	311,354	5,223,904
2016	805,130	1,595,748	2,412,202	25,484	501,801	281,431	5,621,796

(1) Includes General, Capital Projects, and Special Revenue Funds of the Primary Government.

(2) Excludes expenditures for capital projects.

Table 4

Town of Blackstone, Virginia
General Governmental Revenues by Source (1,2)
Last Ten Fiscal Years

Fiscal Year	General Property Taxes	Other Local Taxes	Permits, Privilege Fees, Regulatory Licenses	Fines and Forfeitures	Revenue from the Use of Money and Property	Charges for Services	Miscellaneous	Recovered Costs	Inter-governmental	Total
2007	\$ 391,102	\$ 862,395	\$ 1,500	\$ 28,728	\$ 40,740	\$ 823,118	\$ 185,288	\$ 902,288	\$ 1,384,239	\$ 4,619,398
2008	388,355	864,671	1,805	30,142	36,621	1,115,387	236,096	1,062,803	4,142,053	7,877,933
2009	378,692	1,094,802	670	32,406	48,153	744,923	98,258	1,356,787	2,049,443	5,804,134
2010	384,442	1,155,000	955	20,980	46,004	878,722	90,939	1,465,876	1,605,230	5,648,148
2011	383,061	1,167,131	3,595	34,384	146,483	603,232	133,678	1,388,455	2,089,816	5,949,835
2012	383,182	1,234,668	2,810	36,549	6,928	997,210	153,861	1,403,957	1,488,579	5,707,744
2013	405,650	1,185,004	3,610	22,459	20,542	851,774	177,322	968,894	1,515,368	5,150,623
2014	403,667	1,211,102	4,345	30,916	21,753	1,134,812	156,308	680,400	1,582,212	5,225,515
2015	403,928	1,184,214	3,140	32,238	20,806	682,330	177,724	819,305	1,565,506	4,889,191
2016	474,365	1,267,456	2,740	26,281	21,552	958,113	65,015	769,239	1,645,239	5,230,000

(1) Includes General and Special Revenue funds of the Primary Government.

(2) Excludes Capital projects fund.

Table 5

Town of Blackstone, Virginia
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy (1,2)	Current Tax Collections (1,2)	Percent of Levy Collected	Delinquent Tax Collections (1)	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (1)	Percent of Delinquent Taxes to Tax Levy
2007	\$ 433,157	\$ 425,429	98.22%	\$ -	\$ 425,429	98.22%	\$ 26,237	6.06%
2008	427,249	420,649	98.46%	757	421,406	98.63%	31,204	7.30%
2009	423,708	406,576	95.96%	8,463	415,039	97.95%	36,635	8.65%
2010	417,968	410,236	98.15%	8,201	418,437	100.11%	59,502	14.24%
2011	417,800	405,130	96.97%	11,169	416,299	99.64%	68,833	16.48%
2012	416,716	403,244	96.77%	12,848	416,092	99.85%	69,712	16.73%
2013	424,152	417,836	98.51%	16,801	434,637	102.47%	57,766	13.62%
2014	440,704	426,248	96.72%	7,942	434,190	98.52%	54,561	12.38%
2015	435,685	414,839	95.22%	19,661	434,500	99.73%	60,880	13.97%
2016	502,356	492,940	98.13%	10,593	503,533	100.23%	60,058	11.96%

(1) Exclusive of penalties, interest and land redemptions.

(2) Tax levy and collections include the Commonwealth's personal property tax relief revenues.

Table 6

Town of Blackstone, Virginia
Assessed Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year	Real Estate (1)	Personal Property	Machinery and Tools	Mobile Homes	Public Service (2)	Total
2007	\$ 153,074,984	\$ 15,935,101	\$ 1,851,056	\$ 476,386	\$ 5,210,837	\$ 176,548,364
2008	152,806,641	15,309,035	1,739,285	453,044	4,946,755	175,254,760
2009	153,148,654	15,082,778	1,662,745	374,435	3,814,016	174,082,628
2010	153,997,331	13,790,012	1,867,357	314,950	3,706,860	173,676,510
2011	155,688,423	13,283,866	1,776,616	296,735	3,897,480	174,943,120
2012	156,165,542	13,174,066	1,411,581	246,305	4,442,078	175,439,572
2013	157,806,241	14,539,977	1,064,449	255,501	3,061,884	176,728,052
2014	160,190,541	12,712,449	1,295,547	219,921	4,737,411	179,155,869
2015	164,124,609	13,474,069	1,543,514	195,505	4,746,566	184,084,263
2016	163,462,415	13,687,055	1,881,247	177,018	4,456,508	183,664,243

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

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

Table 7

Town of Blackstone, Virginia
Property Tax Rates (1)
Last Ten Fiscal Years

Fiscal Year	Real Estate		Personal Property		Machinery and Tools		Mobile Homes		Public Utility	
									Real Estate	Personal Property
2007	\$	0.20	\$	0.65	\$	0.65	\$	0.20	\$ 0.20	\$ 0.65
2008		0.20		0.65		0.65		0.20	0.20	0.65
2009		0.20		0.65		0.65		0.20	0.20	0.65
2010		0.20		0.65		0.65		0.20	0.20	0.65
2011		0.20		0.65		0.65		0.20	0.20	0.65
2012		0.20		0.65		0.65		0.20	0.20	0.65
2013		0.20		0.65		0.65		0.20	0.20	0.65
2014		0.20		0.65		0.65		0.20	0.20	0.65
2015		0.20		0.65		0.65		0.20	0.20	0.65
2016		0.22		0.85		0.85		0.22	0.22	0.85

(1) Per \$100 of assessed value.

Table 8

Town of Blackstone, Virginia
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
				Payable from Enterprise Revenue	Debt			
2007	3,675	176,548,364	6,410,000	6,410,000	-	-	0.00%	-
2008	3,675	175,254,760	6,760,000	6,280,000	480,000	480,000	0.27%	131
2009	3,675	174,082,628	8,200,000	6,145,000	2,055,000	2,055,000	1.18%	559
2010	3,621	173,676,510	7,900,000	6,005,000	1,895,000	1,895,000	1.09%	523
2011	3,621	174,943,120	7,585,000	5,860,000	1,725,000	1,725,000	0.99%	476
2012	3,621	175,439,572	7,260,000	5,715,000	1,545,000	1,545,000	0.88%	427
2013	3,621	176,728,052	6,925,000	5,565,000	1,360,000	1,360,000	0.77%	376
2014	3,621	179,155,869	6,750,000	5,585,000	1,165,000	1,165,000	0.65%	322
2015	3,621	184,084,263	6,334,000	5,379,000	955,000	955,000	0.52%	264
2016	3,621	183,664,243	5,915,000	5,180,000	735,000	735,000	0.40%	203

(1) Weldon Cooper Center for Public Service, 2000 and 2010 Census counts.

(2) From Table 6

(3) Includes all long-term general obligation bonded debt, bonded anticipation notes, and literary fund loans of the Governmental Activities. Excludes revenue bonds, capital leases, and compensated absences.

Table 9

Town of Blackstone, Virginia
Computation of Legal Debt Margin
June 30, 2016

Assessed value of real property, January 1, 2015 (1)	<u>\$ 167,885,598</u>
Debt limit: 10% of assessed value	\$ 16,788,560
Amount of debt applicable to debt limit:	
Gross debt (2)	\$ 8,943,432
Less: Revenue bonds	<u>(3,028,432)</u>
Net general obligation bonds and loans	<u>\$ 5,915,000</u>
Legal debt limit	<u>\$ 10,873,560</u>

(1) Assessed value of real property, including public service corporations as of January 1, 2015.

(2) Includes bonded debt and long-term notes payable.

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COMPLIANCE

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ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

To the Honorable Members of the Town Council
Town of Blackstone
Blackstone, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Blackstone Virginia, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Town of Blackstone, Virginia's basic financial statements and have issued our report thereon dated September 19, 2016.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink, appearing to read "D. F. Clark", followed by a long horizontal line.

Richmond, Virginia
September 19, 2016

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

To the Honorable Members of the Town Council
Town of Blackstone
Blackstone, Virginia

Report on Compliance for Each Major Federal Program

We have audited Town of Blackstone, Virginia's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Town of Blackstone, Virginia's major federal programs for the year ended June 30, 2016. Town of Blackstone, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Town of Blackstone, Virginia's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U. S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Town of Blackstone, Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Town of Blackstone, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control over Compliance

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

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

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

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

A handwritten signature in black ink, appearing to read "D. F. Clark", followed by a long horizontal line.

Richmond, Virginia
September 19, 2016

Town of Blackstone, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016

Federal Grantor/Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Department of Agriculture:			
Direct Payments:			
Community Facilities Loans and Grants Program	10.780	N/A	\$ 169,000
Department of Justice:			
Direct payments:			
Bulletproof Vest Partnership Program	16.607	N/A	\$ 3,740
Pass-through Payments:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	39001-81000	\$ 14,056
Total Department of Justice			\$ 17,796
Department of Transportation:			
Pass-through Payments:			
Virginia Department of Transportation:			
State and Community Highway Safety	20.600	6050700- 52099/53042/53069/53364	\$ 9,882
Department of Rail and Public Transportation:			
Formula Grants for Rural Areas	20.509	6090100- 42008/42512/42513/43011	266,895
Total Department of Transportation			\$ 276,777
Department of Housing and Urban Development:			
Pass-through Payments:			
Department of Housing and Community Development:			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	5330500-50790	\$ 540,195
Total Expenditures of Federal Awards			\$ 1,003,768

See accompanying notes to schedule of expenditures of federal awards.

Town of Blackstone, Virginia
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the Town of Blackstone, Virginia under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the Uniform Guidance. Because the Schedule presents only a selected portion of the operations of the Town of Blackstone, Virginia, it is not intended to and does not present the financial position, changes in Net Position, or cash flows of the Town of Blackstone, Virginia.

Note 2 - Summary of Significant Accounting Policies

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(2) Pass-through entity identifying numbers are presented where available.

Note 3 - Relationship to Financial Statements

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

Intergovernmental federal revenues per the basic financial statements:

Primary government:

General Fund	\$ 80,021
Special Revenue Fund	266,895
Capital Projects Fund	531,195
Total primary government	\$ 878,111
USDA Loan Proceeds	\$ 125,657
Total federal expenditures per basic financial statements	\$ 1,003,768

Total federal expenditures per the Schedule of Expenditures
of Federal Awards

\$ 1,003,768

Town of Blackstone, Virginia
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

Section I-Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: unmodified

Internal control over financial reporting:

Material weakness(es) identified?	<u> </u> yes	<u> ✓ </u> no
Significant deficiency(ies) identified?	<u> </u> yes	<u> ✓ </u> none reported

Noncompliance material to financial statements noted?

<u> </u> yes	<u> ✓ </u> no
-----------------------	-------------------------

Federal Awards

Internal control over major programs:

Material weakness(es) identified?	<u> </u> yes	<u> ✓ </u> no
Significant deficiency(ies) identified?	<u> </u> yes	<u> ✓ </u> none reported

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

Any findings disclosed that are required to be
reported in accordance with 2 CFR section
200.516(a)?

<u> </u> yes	<u> ✓ </u> no
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Identification of major programs:

CFDA Number(s)
14.228

Name of Federal Program or Cluster
Community Development Black Grants/State's Program
and Non-Entitlement Grants in Hawaii

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

Auditee qualified as low-risk auditee?

<u> ✓ </u> yes	<u> </u> no
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Section II-Financial Statement Findings

None

Section III-Federal Award Findings and Questioned Costs

None