

TOWN OF BLACKSTONE, VIRGINIA



ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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TOWN OF BLACKSTONE, VIRGINIA

TOWN COUNCIL

Barbara Thompson
Lonnie Morgan
Eric M. Nash

William D. Coleburn, Mayor

Nathaniel Miller
Christine Hasbrouck
Tom Wilkinson
Sheila Jones

OTHER OFFICIALS

Town Manager
Town Clerk
Finance Director
Town Treasurer
Chief of Police
Town Attorney

Philip Vannoorbeeck
Jennifer Daniel
Jennifer L. Hardy
Brittany Harris
Nicholas C. Kuzmiak
Tessie O. Barnes Bacon

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COUNTY OF BLACKSTONE, VIRGINIA
FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2020

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1-3
Management's Discussion and Analysis	4-13
<u>Basic Financial Statements</u>	
Government-wide Financial Statements	
Exhibit 1 Statement of Net Position	14
Exhibit 2 Statement of Activities	15
Fund Financial Statements	
Exhibit 3 Balance Sheet—Governmental Funds	16
Exhibit 4 Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	17
Exhibit 5 Statement of Revenues, Expenditures and Changes in Fund Balances—Governmental Funds	18
Exhibit 6 Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of the Governmental Funds to the Statement of Activities	19
Exhibit 7 Statement of Net Position — Proprietary Funds	20
Exhibit 8 Statement of Revenues, Expenses, and Changes in Net Position— Proprietary Funds	21
Exhibit 9 Statement of Cash Flows—Proprietary Funds	22
Notes to Financial Statements	23-64

COUNTY OF BLACKSTONE, VIRGINIA
FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2020

TABLE OF CONTENTS

	<u>Page</u>
<u>Required Supplementary Information:</u>	
Exhibit 10 Schedule of Revenues, Expenditures and Changes in Fund Balances—Budget and Actual—General Fund	65
Exhibit 11 Schedule of Revenues, Expenditures and Changes in Fund Balances—Budget and Actual—Special Revenue Fund	66
Exhibit 12 Schedule of Changes in Net Pension Liability (Asset) and Related Ratios—Pension Plan	67-68
Exhibit 13 Schedule of Employer Contributions – Pension Plan	69
Exhibit 14 Notes to Required Supplementary Information – Pension Plan	70
Exhibit 15 Schedule of Town’s Share of Net OPEB Liability—Group Life Insurance (GLI) Plan	71
Exhibit 16 Schedule of Employer Contributions – Group Life Insurance (GLI) Plan	72
Exhibit 17 Notes to Required Supplementary Information—Group Life Insurance (GLI) Plan	73
<u>Other Supplementary Information:</u>	
Combining and Individual Fund Financial Statements and Schedules:	
Exhibit 18 Schedule of Revenues, Expenditures and Changes in Fund Balances—Budget and Actual—Capital Projects Fund	74
<u>Supporting Schedules:</u>	
Schedule 1 Governmental Funds—Schedule of Revenues—Budget and Actual	75-78
Schedule 2 Governmental Funds—Schedule of Expenditures—Budget and Actual	79-80
<u>Other Statistical Information:</u>	
Table 1 Government-Wide Expenses by Function—Last Ten Fiscal Years	81
Table 2 Government-Wide Revenues—Last Ten Fiscal Years	82
Table 3 General Governmental Expenditures by Function—Last Ten Fiscal Years	83

COUNTY OF BLACKSTONE, VIRGINIA
FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2020

TABLE OF CONTENTS

	<u>Page</u>
<u>Other Statistical Information: (Continued)</u>	
Table 4 General Governmental Revenues by Source—Last Ten Fiscal Years	84
Table 5 Property Tax Levies and Collections—Last Ten Fiscal Years	85
Table 6 Assessed Value of Taxable Property—Last Ten Fiscal Years	86
Table 7 Property Tax Rates—Last Ten Fiscal Years	87
Table 8 Ratio of Net General Obligation Bonded Debt to Assessed Value and Net	88
Table 9 Computation of Legal Debt Margin	89
Table 10 Pledged Revenue Coverage—Last Ten Fiscal Years	90
<u>Compliance:</u>	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	91-92
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	93-94
Schedule of Expenditures of Federal Awards	95
Notes to Schedule of Expenditures of Federal Awards	96
Schedule of Findings and Questioned Costs	97
Summary Schedule of Prior Audit Findings	98

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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, 2020, 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, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and schedules related to pension and OPEB funding on pages 4-13, 65-66 and 67-73 is presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Supplementary and Other Information

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

The combining and individual fund financial statements and schedules and supporting schedules and the schedule of expenditures of financial awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules and 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 October 27, 2020, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Town of Blackstone, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Blackstone, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Richmond, Virginia
October 27, 2020

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Management's Discussion and Analysis

Fiscal Year July 1, 2019 – June 30, 2020

This section of the Town of Blackstone's (the Town's) annual financial report presents an overall synopsis of the Town's financial activities for the fiscal year ended June 30, 2020. To enhance readers' understanding of the Town's financial performance, this discussion and analysis should be read in conjunction with the transmittal letter in the front of this report, the Town's basic financial statements, and supplementary information following this section.

FINANCIAL HIGHLIGHTS

Government-Wide Financial Statements

- The assets and deferred outflows of resources of the Town of Blackstone exceeded the Town's liabilities and deferred outflows of resources at the close of fiscal year 2020 by \$20.6 million (net position). Of this amount, \$6.3 million represents an unrestricted net position, which may be used to meet the Town's ongoing obligations; \$14.3 million represents a restricted net position related to net investment in capital assets, and is not available for expenditure (Exhibit 1).
- The Town's total net position increased by \$254,000 from the prior year. Of this amount, the business-type activities net position increased \$753,400 while governmental activities net position decreased by \$499,400 (Exhibit 2).
- The Town's total outstanding general obligation debt (leases & bonds) at June 30, 2020, was \$10 million. This includes \$9.9 million in business-activity debt and \$0.1 million in general government activities (details provided in Note 6 – Notes to the Financial Statements). The Town did not issue any new debt in FY20.

Fund Financial Statements

- General Fund revenues (less transfers and debt proceeds) increased by \$338,182 from FY 2019, primarily due to revenue increases due to recovered costs and intergovernmental grants.
- Expenditures in the general fund increased \$217,841, largely due to capital investments for community development projects.
- At the close of FY 2020, unassigned fund balance for the General Fund was 194,690 which was an increase from FY 2019 of \$175,690.
- Assigned fund balance reported in the General Fund represents equity generated through operation of the airport fuel farm, which management has assigned for operation of the airport. Restricted fund balances include donations for various community functions of the police department.

OVERVIEW OF THE FINANCIAL STATEMENTS

This Annual Financial Report consists of four sections: introductory, financial, statistical and financial compliance reports for federal funds. The financial section consists of three (3) sections: *management discussion and analysis*, basic financial statements and supplementary information. The Town's basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

The Town's financial statements present two kinds of statements, each with a different snapshot of the Town's finances. The government-wide financial statements include both long-term and short-term financial information. The fund financial statements focus on the individual parts of the Town government, reporting the Town's operations in more detail than the government-wide statements, but with a short-term focus. Both perspectives allow the user to address relevant questions, broaden the basis of comparison and enhance the Town's accountability.

Government-Wide Financial Statements

Government-wide financial statements are designed to provide readers with a broad overview of the Town's finances in a manner similar to a private-sector business. The *Statement of Net Position* (Exhibit 1) presents information on all Town assets, deferred outflows of resources, liabilities, and deferred inflows of resource with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating. However, other non-financial factors will need to be considered, such as changes in the Town's property tax base and condition of the Town's infrastructure. The *Statement of Activities* (Exhibit 2) presents information identifying how net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of when cash is received or paid.

In the *Statement of Net Position* (Exhibit 1) and the *Statement of Activities* (Exhibit 2), the Town is divided into the following:

- Governmental activities - The Town's basic municipal services are reported here and include general government, public safety, highways and streets, airport, community development, and cultural and recreation. These activities are mainly supported by taxes and intergovernmental revenue.
- Business-type activities - The Town charges user fees to customers to help offset all or most of the cost of the services provided. The business-type activities of the Town reported in this section include Water and Sewer Utility and Electric Utility operations. The Water & Sewer and Electric Utility Funds are self-supporting, meaning that charges for services and other entity-generated revenue fully support the expenses of the operation.

Fund Financial Statements

A fund is a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate finance-related legal compliance. In the Basic Financial Statements, the emphasis is on major funds. All of the funds of the Town can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. The focus here is on (1) inflows and outflows of cash and other financial resources that can be readily converted into cash and (2) the balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating whether there are more or fewer resources that can be spent in the short term to finance Town operations. Because this information does not address the long-term financial information like the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. A reconciliation between the government-wide financial statements and the fund financial statements is included as part of the basic financial statements (Exhibits 4 and 6).

OVERVIEW OF THE FINANCIAL STATEMENTS: (CONTINUED)

The Town maintains several individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the General, Capital Projects and Special Revenue funds. Data from the other governmental funds are combined into a single aggregate presentation. Individual funds data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The governmental funds financial statements can be found on Exhibits 3 through 6 of this report. The Town adopts an annual budget for its various funds. To demonstrate compliance with this budget, budgetary comparison statements have been provided on Exhibits 10 and 11 of this report.

Proprietary Funds – The Town maintains proprietary funds to account for enterprise fund operations that report the same functions as business-type activities in the government-wide financial statements. The Town uses enterprise funds to account for its water and sewer, and electrical, operations. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information on each fund and can be found in Exhibits 7, 8 and 9 of this report.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found after Exhibit 9 in this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary and other supplementary information concerning the Town. Supplementary information can be found in Exhibits 10 - 18 of this report.

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OVERVIEW OF THE FINANCIAL STATEMENTS: (CONTINUED)

Government-Wide Financial Statements Analysis

Over time, net position may serve as a useful indicator of a government's financial position. At the close of the most recent fiscal year, the Town's assets exceeded its liabilities by \$20,626,204.

SUMMARY STATEMENT OF NET POSITION (Exhibit 1) June 30, 2020

	Governmental Activities		Business-type Activities		Total	
	FY 2020	FY 2019	FY 2020	FY 2019	FY 2020	FY 2019
Current and other assets	\$ 1,313,828	\$ 2,123,455	\$ 6,178,951	\$ 7,865,101	\$ 7,492,779	\$ 9,988,556
Capital assets	9,785,524	10,155,746	14,635,004	13,135,996	24,420,528	23,291,742
Deferred outflow of resources	270,342	66,900	140,837	29,630	411,179	96,530
Total assets & deferred outflow of resources	\$ 11,369,694	\$ 12,346,101	\$ 20,954,792	\$ 21,030,727	\$ 32,324,486	\$ 33,376,828
Current and other liabilities	\$ 321,926	\$ 630,419	\$ 762,867	\$ 1,107,844	\$ 1,084,793	\$ 1,738,263
Long-term liabilities	333,160	387,045	10,091,151	10,543,042	10,424,311	10,930,087
Deferred inflow of resources	128,756	243,401	37,794	92,939	166,550	336,340
Total liabilities & deferred inflow of resources	\$ 783,842	\$ 1,260,865	\$ 10,891,812	\$ 11,743,825	\$ 11,675,654	\$ 13,004,690
Net position:						
Net investment in capital assets	\$ 9,665,451	\$ 9,953,812	\$ 4,665,987	\$ 4,236,765	\$ 14,331,438	\$ 14,190,577
Restricted-Nonexpendable	303,662				303,662	
Unrestricted net position	616,739	1,131,424	5,374,365	5,050,137	5,991,104	6,181,561
Total Net position	\$ 10,585,852	\$ 11,085,236	\$ 10,040,352	\$ 9,286,902	\$ 20,626,204	\$ 20,372,138

The largest portion of the Town's total net position of \$20,626,204 is its \$14,331,438 investment in capital assets (e.g. land, buildings and improvements, machinery and equipment), less any related debt used to acquire or construct those assets that are still outstanding. The Town uses these capital assets to provide services to citizens. Consequently, these assets are not available for future spending. The remaining net position is \$6,294,766. Governmental activities have \$616,739 in unrestricted net position, and business-type activities have \$5,374,365 in unrestricted net position.

OVERVIEW OF THE FINANCIAL STATEMENTS: (CONTINUED)

Statement of Activities

The following table indicates the changes in the net position of the governmental and business-type activities:

SUMMARY STATEMENT OF CHANGES IN NET POSITION (Exhibit 2) For the Fiscal Years Ended June 30, 2020 and 2019

	Governmental Activities		Business-type Activities		Total	
	FY 2020	FY 2019	FY 2020	FY 2019	FY 2020	FY 2019
Revenues						
Program Revenues:						
Charges for Services	\$ 672,666	\$ 777,430	\$ 6,877,832	\$ 7,333,794	\$ 7,550,498	\$ 8,111,224
Operating grants & contributions	2,322,243	1,856,219			2,322,243	1,856,219
Capital grants & contributions	263,999	18,511	426,850			18,511
General Revenues:						
Real estate & personal property taxes	511,745	533,584			511,745	533,584
Other local taxes	1,272,034	1,407,365			1,272,034	1,407,365
Use of money & property	96,556	299,986	47,764	53,768	144,320	353,754
Miscellaneous	221,988	155,564			221,988	155,564
Grants & gifts-non-restricted	63,787	71,468	75,662	45,640	139,449	117,108
Total Revenues	\$ 5,425,018	\$ 5,120,127	\$ 7,428,108	\$ 7,433,202	\$ 12,853,126	\$ 12,553,329
Expenses						
General government	\$ 534,715	\$ 337,448			\$ 534,715	\$ 337,448
Public safety	1,428,092	1,510,995			1,428,092	1,510,995
Public works	2,517,171	2,188,453				2,188,453
Health and welfare	63,637	63,637			63,637	63,637
Parks, recreation, cultural	77,227	63,410			77,227	63,410
Community development	1,579,398	669,006			1,579,398	669,006
Interest & fees on long-term debt	23,749	5,505			23,749	5,505
Electric		-	3,817,861	3,844,055	3,817,861	3,844,055
Water & Sewer		-	2,557,213	2,319,794	2,557,213	2,319,794
Total Expenses	\$ 6,223,989	\$ 4,838,454	\$ 6,375,074	\$ 6,163,849	\$ 12,599,063	\$ 11,002,303
Excess of revenue over expenses	(798,971)	281,673	1,053,034	1,269,353	254,063	1,551,026
Transfers	299,584	84,000	(299,584)	(84,000)	-	-
Increase (decrease) in net position	(499,387)	365,673	753,450	1,185,353	254,063	1,551,026
Net position-beginning of year-restated	11,085,236	10,719,563	9,286,902	8,101,549	20,372,138	18,821,112
Net position-ending of year	10,585,849	11,085,236	10,040,352	9,286,902	20,626,201	20,372,138

OVERVIEW OF THE FINANCIAL STATEMENTS: (CONTINUED)

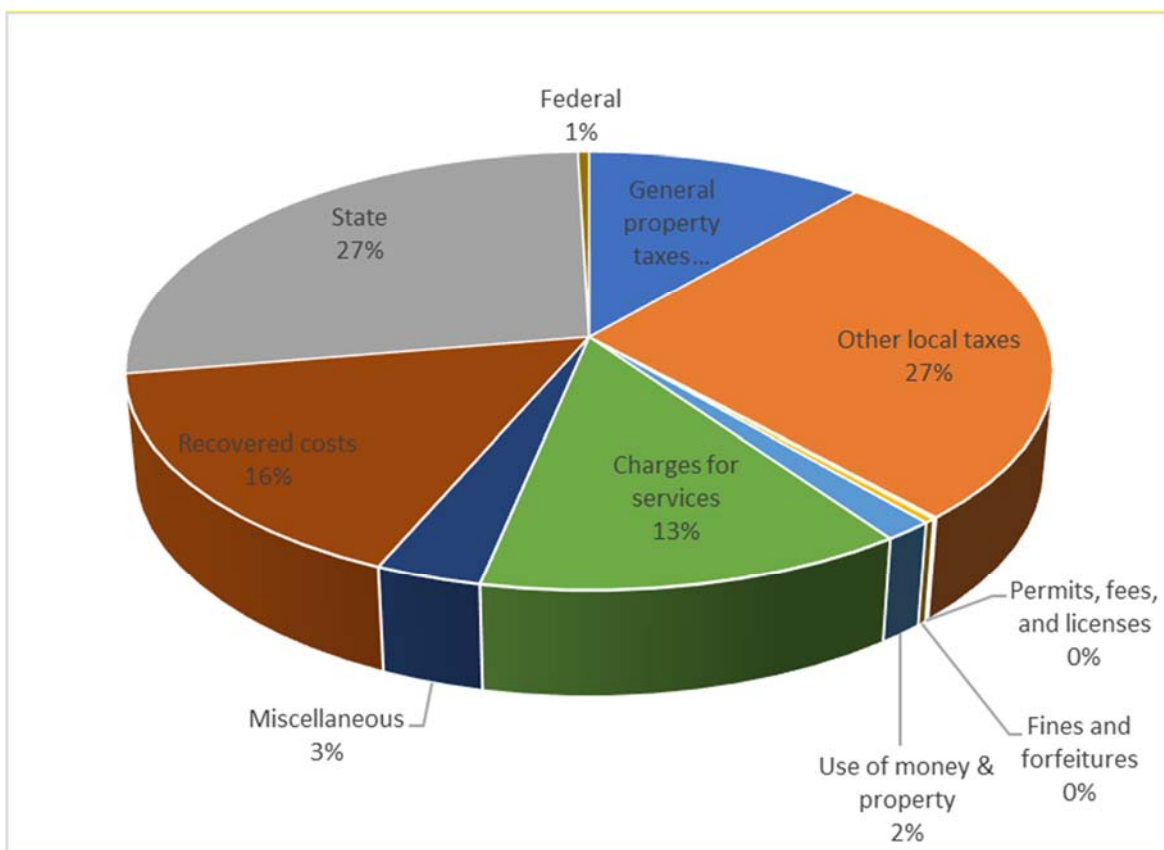
Governmental Funds

Other local tax revenues, which totaled \$1,272,034, are the largest source of income to the Town and consist primarily of local option sales taxes, business licenses, motor vehicle license, lodging, and meals taxes. The Town received \$135,331 or 10% less revenue in FY 2020 from these sources than in FY 2019. The reduction was due to reduced lodging, meals, and sales tax revenue impacted by the COVID-19 pandemic in the last quarter (April-June) of the fiscal year.

State revenues are the second largest source of revenue, the largest portion of which are street maintenance funds from the Commonwealth. Charges for services represent revenue received primarily from waste collection and from certain General Fund costs of the Enterprise Funds.

The chart below denotes the major sources of revenue for the governmental funds.

REVENUES BY SOURCE
GENERAL FUND

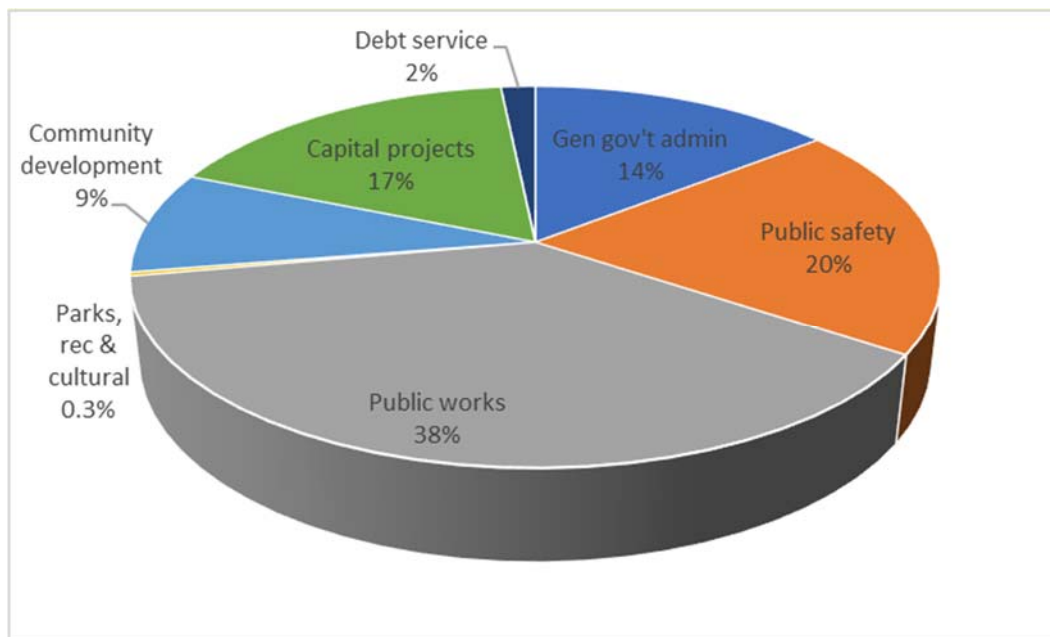


OVERVIEW OF THE FINANCIAL STATEMENTS: (CONTINUED)

Governmental Funds (Continued)

The Town's expenses for governmental activities cover a wide range of services, with \$2.4 million or 38.0% related to public works, \$1.27 million or 20% for public safety and \$928,205 or 14% for general government. The chart below provides an overview of general fund expenditures as reflected in Exhibit 5, the Statement of Revenue, Expenditure, and Changes in Fund Balance.

GENERAL FUND EXPENDITURES
BY PROGRAM



Business-type Activities

Business-type Activities are made up of Electric and Water & Sewer activities.

Business-type activities are shown in detail on Exhibit 7. The ending net position of both enterprise funds increased in comparison with the prior fiscal year, with the net position of the electric fund increasing from \$5.4 million to \$5.9 million. The ending net position of the water & sewer fund increased from \$3.9 million to \$4.1 million.

Operating revenues for both enterprise funds totaled \$7.3 million in FY2019 and \$6.8 million in FY2020. Operating expenses for both funds increased in FY2020, increasing from \$6.1 million to \$6.4 million.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

Governmental Funds. The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. At the end of the current fiscal year, the Town's governmental funds reported a combined ending fund balance of \$837,798 compared to \$699,490 last year. The various components are discussed below.

General fund. The general fund is the chief operating fund of the Town. At the conclusion of the current fiscal year, the combined fund balance totaled \$276,676, which reflects a \$96,676 increase from the prior year ending fund balance of \$180,000. Of the \$276,676 balance, a positive \$194,690 represents unassigned funds.

Capital projects fund. The capital projects fund accounts for all general government construction projects, excluding capital projects related to business-type activities which are accounted for elsewhere. At the end of the current fiscal year, the restricted fund balance totaled \$56,784, which is related to specific community development projects.

Special revenue fund. The Town's cemetery and bus operations are accounted for in the special revenue fund. The special revenue fund has nonspendable fund balance of \$235,912, which represents funds in a permanent endowment for the operation of the cemetery. The restricted portion of the fund balance of \$268,426 is shared between the operating funds of the cemetery and the bus system.

Proprietary funds. The Town's Propriety Funds (Enterprise Funds) provide the same type of information found in the government-wide financial statements, but in more detail. The Town's enterprise funds account for its municipal electric and water and sewer. Total net position of the enterprise funds at the end of the current fiscal year totaled \$10,040,352, an increase of \$753,450 over the prior balance of \$9,286,902. Information supporting the analysis of the proprietary funds was discussed previously.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Town's annual budget, which is prepared on a cash basis, includes estimated revenues and annual appropriations. Annual operating budgets are adopted by resolution for the General Fund, Capital Projects Funds, Water & Sewer Fund, Electric Fund, and Special Revenue Funds.

GENERAL FUND BUDGETARY HIGHLIGHTS: (CONTINUED)

During the year, Town Council revises the budget as needed. Actual expenditures varied significantly from the final budgeted amount for the General Fund. Expenditures for General Government Administration and Public Works were \$33,451 and \$352,916, above budget, respectively. General Government expenditures were more than budget primarily due to short staffing issues which caused overtime pay and professional services. Public Works increases were a result of primary and secondary street improvements.

The difference between the original budget and the final amended budget for the Town's General Fund expenditures was approximately \$190,042 representing an increase in appropriations. The variance is mainly due to the following appropriations and anticipated expenditures made during FY 2020:

- \$ 4,000 -increase in the Fire Department safety grant equipment purchase
- \$ 4,000 - increased for Rental Inspection fees
- \$ 7,250 - increase for Street Department professional fees and safety/training
- \$ 145,194 -appropriation for Airport Building and Site improvements
- \$6,848- Increase for Schwartz Tavern painting
- \$8,850-increase for Seay Park Christmas display repairs
- \$8,000-increase for Admin and PD IT professional services
- \$2,000-increase for PD building repairs/maintenance
- \$2,400-increase for FD training & education
- \$1,500-increase for FD equipment repairs/maintenance

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2020, totaled \$24,420,528 net of accumulated depreciation. Investment in capital assets includes land and easements, buildings, infrastructure, machinery and equipment, and construction in progress. Business-type capital assets increased overall during FY 2020, due in large part to bond-funded construction in progress for water and sewer projects. Governmental activities capital decreased by \$370,222 due to no new capital assets obligations this fiscal year and depreciation reducing the obligation.

The following table summarizes capital assets, net of depreciation:

		Governmental Activities		Business-type Activities		Total	
		FY 2020	FY 2019	FY 2020	FY 2019	FY 2020	FY 2019
Land	\$	1,192,822	\$ 1,192,822	\$ 249,575	\$ 249,575	\$ 1,442,397	\$ 1,442,397
Construction in progress		101,593	52,287	42,142	3,048,263	143,735	3,100,550
Buildings		5,103,645	5,318,257	-	-	5,103,645	5,318,257
Machinery and equipemnt		1,393,412	1,527,501	246,109	318,854	1,639,521	1,846,355
Infrastructure		1,994,052	2,064,879	14,097,178	9,575,319	16,091,230	11,640,198
TOTAL	\$	9,785,524	\$ 10,155,746	\$ 14,635,004	\$ 13,192,011	\$ 24,420,528	\$ 23,347,757

CAPITAL ASSETS AND DEBT ADMINISTRATION (CONTINUED)

Debt Administration. The Town's total outstanding general obligation debt at June 30, 2020 was \$10,089,090. Of this total, \$120,073 is debt of governmental activities, consisting of capital leases and USDA loans for vehicle and equipment purchases. The remaining \$9,969,017 is related to Enterprise Fund (water & sewer and electric,) debt, which is directly supported by revenues generated from operations and not supported by taxes. Additional details on the long-term debt activity can be located in Note 6, Long-Term Obligations.

State statutes limit the amount of general obligation debt a government may issue to 10% of its total assessed valuation of real estate, personal property and public service corporations. The Town's ratio of net bonded debt to assessed value totals 0.00% (see Table 8).

		FY 2020	FY 2019
General Government Activities:	\$		\$
Bonded Debt-Government			
Bonded Debt-Enterprise		7,947,000	8,205,250
Total Long-Term Debt	\$	7,947,000	\$ 8,205,250
Per Capita Governmental			-
Total Per Capita Debt	\$	2,195	\$ 2,266

ECONOMIC FACTORS

- The 2019 unemployment rate for Nottoway County, which includes the Town of Blackstone, was 2.9% compared to 2.9% for Virginia and the national rate of 3.6%. It is important to note due to the economic situation caused by COVID-19 the unemployment rate for Nottoway County was 6.3% reported for June 2020 and 11.1% Nationwide.

REQUEST FOR INFORMATION

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the Town's finances and to demonstrate the Town's accountability for the funds it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Director of Finance, 100 W. Elm St., Blackstone, Virginia 23824.

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, 2020

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 716,757	\$ 5,407,699	\$ 6,124,456
Receivables (net of allowance for uncollectibles):			
Taxes receivable	82,984	-	82,984
Accounts receivable	156,108	701,387	857,495
Due from other governmental units	279,705	43,435	323,140
Net pension asset	60,658	26,430	87,088
Capital assets (net of accumulated depreciation):			
Land	1,192,822	249,575	1,442,397
Buildings and improvements	5,103,645	-	5,103,645
Utility plant in service	-	14,097,178	14,097,178
Machinery and equipment	1,393,412	246,109	1,639,521
Infrastructure	1,994,052	-	1,994,052
Construction in progress	101,593	42,142	143,735
Total assets	<u>\$ 11,099,352</u>	<u>\$ 20,813,955</u>	<u>\$ 31,913,307</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension related items	\$ 247,407	\$ 130,436	\$ 377,843
OPEB related items	22,935	10,401	33,336
Total deferred outflows of resources	<u>\$ 270,342</u>	<u>\$ 140,837</u>	<u>\$ 411,179</u>
LIABILITIES			
Accounts payable	\$ 321,926	\$ 440,373	\$ 762,299
Accrued interest payable	-	74,901	74,901
Customer deposits payable	17,616	247,593	265,209
Long-term liabilities:			
Due within one year	31,776	542,301	574,077
Due in more than one year	283,768	9,548,850	9,832,618
Total liabilities	<u>\$ 655,086</u>	<u>\$ 10,854,018</u>	<u>\$ 11,509,104</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue - property taxes	\$ 2,125	\$ -	\$ 2,125
Pension related items	109,866	52,716	162,582
OPEB related items	16,765	7,706	24,471
Total deferred inflows of resources	<u>\$ 128,756</u>	<u>\$ 60,422</u>	<u>\$ 189,178</u>
NET POSITION			
Net investment in capital assets	\$ 9,665,451	\$ 4,665,987	\$ 14,331,438
Restricted:			
Nonexpendable	\$ 303,662	\$ -	\$ 303,662
Unrestricted	616,739	5,374,365	5,991,104
Total net position	<u>\$ 10,585,852</u>	<u>\$ 10,040,352</u>	<u>\$ 20,626,204</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, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating	Capital	Primary Government		
			Grants and Contributions	Grants and Contributions	Governmental Activities	Business-type Activities	Total
PRIMARY GOVERNMENT:							
Governmental activities:							
General government administration	\$ 534,715	\$ -	\$ 17,154	\$ -	\$ (517,561)		\$ (517,561)
Public safety	1,428,089	33,845	115,626	-	(1,278,618)		(1,278,618)
Public works	2,517,171	595,307	1,193,851	-	(728,013)		(728,013)
Health and welfare	63,637	-	-	-	(63,637)		(63,637)
Parks, recreation, and cultural	77,227	-	3,300	-	(73,927)		(73,927)
Community development	1,579,398	43,514	992,312	263,999	(279,573)		(279,573)
Interest on long-term debt	23,749	-	-	-	(23,749)		(23,749)
Total governmental activities	\$ 6,223,986	\$ 672,666	\$ 2,322,243	\$ 263,999	\$ (2,965,078)		\$ (2,965,078)
Business-type activities:							
Electric Fund	\$ 3,817,861	\$ 4,567,768	\$ -	\$ -		\$ 749,907	\$ 749,907
Water and Sewer Fund	2,557,213	2,310,064	-	426,850		179,701	179,701
Total business-type activities	\$ 6,375,074	\$ 6,877,832	\$ -	\$ 426,850		\$ 929,608	\$ 929,608
Total primary government	\$ 12,599,060	\$ 7,550,498	\$ 2,322,243	\$ 690,849			\$ (2,035,470)
General revenues:							
General property taxes					\$ 511,745	\$ -	\$ 511,745
Other local taxes:							
Local sales and use tax					202,798	-	202,798
Business license tax					185,259	-	185,259
Restaurant food tax					564,724	-	564,724
Other local taxes					319,253	-	319,253
Unrestricted revenues from use of money and property					96,556	47,764	144,320
Miscellaneous					221,988	75,662	297,650
Grants and contributions not restricted to specific programs					63,787	-	63,787
Transfers					299,584	(299,584)	-
Total general revenues and transfers					\$ 2,465,694	\$ (176,158)	\$ 2,289,536
Change in net position					\$ (499,384)	\$ 753,450	\$ 254,066
Net position - beginning					11,085,236	9,286,902	20,372,138
Net position - ending					\$ 10,585,852	\$ 10,040,352	\$ 20,626,204

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, 2020

	<u>General</u>	<u>Capital Projects</u>	<u>Special Revenue</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 270,574	\$ -	\$ 446,183	\$ 716,757
Receivables (net of allowance for uncollectibles):				
Taxes receivable	82,984	-	-	82,984
Accounts receivable	143,043	13,065	-	156,108
Due from other governmental units	68,181	127,882	83,642	279,705
Due from other funds	17,616	-	-	17,616
Total assets	<u>\$ 582,398</u>	<u>\$ 140,947</u>	<u>\$ 529,825</u>	<u>\$ 1,253,170</u>
LIABILITIES				
Accounts payable	\$ 229,892	\$ 66,547	\$ 25,487	\$ 321,926
Due to other funds	-	17,616	-	17,616
Total liabilities	<u>\$ 229,892</u>	<u>\$ 84,163</u>	<u>\$ 25,487</u>	<u>\$ 339,542</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	\$ 75,830	\$ -	\$ -	\$ 75,830
Total deferred inflows of resources	<u>\$ 75,830</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 75,830</u>
FUND BALANCES				
Nonspendable	\$ -	\$ -	\$ 235,912	\$ 235,912
Restricted	35,236	-	268,426	303,662
Committed	-	56,784	-	56,784
Assigned	46,750	-	-	46,750
Unassigned	194,690	-	-	194,690
Total fund balances	<u>\$ 276,676</u>	<u>\$ 56,784</u>	<u>\$ 504,338</u>	<u>\$ 837,798</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 582,398</u>	<u>\$ 140,947</u>	<u>\$ 529,825</u>	<u>\$ 1,253,170</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, 2020

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	837,798
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		9,785,524
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Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.

Unavailable revenue - property taxes	\$ 73,705	
Net pension asset	60,658	134,363

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

Pension related items	\$ 247,407	
OPEB related items	22,935	270,342

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	\$ (79,751)	
Net OPEB liability	(115,720)	
USDA loan	(74,876)	
Capital leases	(45,197)	(315,544)

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

Pension related items	\$ (109,866)	
OPEB related items	(16,765)	(126,631)

Net position of governmental activities		\$ 10,585,852
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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, 2020

	<u>General</u>	<u>Capital Projects</u>	<u>Special Revenue</u>	<u>Total</u>
REVENUES				
General property taxes	\$ 528,487	\$ -	\$ -	\$ 528,487
Other local taxes	1,272,034	-	-	1,272,034
Permits, privilege fees, and regulatory licenses	5,575	-	-	5,575
Fines and forfeitures	15,700	-	-	15,700
Revenue from the use of money and property	70,264	23,750	2,542	96,556
Charges for services	607,877	-	43,514	651,391
Miscellaneous	150,612	41,867	29,509	221,988
Recovered costs	745,291	-	77,093	822,384
Intergovernmental:				
Commonwealth	1,278,547	93,793	144,335	1,516,675
Federal	21,378	750,362	361,614	1,133,354
Total revenues	<u>\$ 4,695,765</u>	<u>\$ 909,772</u>	<u>\$ 658,607</u>	<u>\$ 6,264,144</u>
EXPENDITURES				
Current:				
General government administration	\$ 928,205	\$ -	\$ -	\$ 928,205
Public safety	1,277,157	-	-	1,277,157
Public works	2,430,323	-	-	2,430,323
Parks, recreation, and cultural	20,779	-	-	20,779
Community development	-	-	559,466	559,466
Capital projects	130,599	973,281	-	1,103,880
Debt service:				
Principal retirement	81,861	-	-	81,861
Interest and other fiscal charges	3,749	20,000	-	23,749
Total expenditures	<u>\$ 4,872,673</u>	<u>\$ 993,281</u>	<u>\$ 559,466</u>	<u>\$ 6,425,420</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (176,908)</u>	<u>\$ (83,509)</u>	<u>\$ 99,141</u>	<u>\$ (161,276)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 273,584	\$ 50,000	\$ -	\$ 323,584
Transfers out	-	(24,000)	-	(24,000)
Total other financing sources (uses)	<u>\$ 273,584</u>	<u>\$ 26,000</u>	<u>\$ -</u>	<u>\$ 299,584</u>
Net change in fund balances	\$ 96,676	\$ (57,509)	\$ 99,141	\$ 138,308
Fund balances - beginning	180,000	114,293	405,197	699,490
Fund balances - ending	<u>\$ 276,676</u>	<u>\$ 56,784</u>	<u>\$ 504,338</u>	<u>\$ 837,798</u>

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

Town of Blackstone, Virginia
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2020

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

Net change in fund balances - total governmental funds	\$	138,308
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the depreciation exceeded capital outlays in the current period. The following is a summary of items supporting this adjustment:

Capital asset additions	\$ 286,274	
Depreciation expense	<u>(656,496)</u>	(370,222)

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

Property taxes		(16,742)
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The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on Net Position. A summary of items supporting this adjustment is as follows:

Principal retirement on capital leases	\$ 36,281	
Principal retirement on USDA loans	<u>45,580</u>	81,861

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	\$ (4,256)	
Pension expense	(335,444)	
OPEB expense	<u>7,111</u>	(332,589)

Change in net position of governmental activities	\$	<u><u>(499,384)</u></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, 2020

	Enterprise Funds		
	Electric	Water and Sewer	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 4,775,964	\$ 631,735	\$ 5,407,699
Accounts receivables, net of allowance for uncollectibles	525,586	175,801	701,387
Due from other governmental units	-	43,435	43,435
Total current assets	\$ 5,301,550	\$ 850,971	\$ 6,152,521
Other assets:			
Net pension asset	11,591	\$ 14,839	\$ 26,430
Total other assets	\$ 11,591	\$ 14,839	\$ 26,430
Noncurrent assets:			
Capital assets (net of depreciation):			
Land	\$ 238,213	\$ 11,362	\$ 249,575
Utility plant in service	472,883	13,624,295	14,097,178
Machinery and equipment	157,530	88,579	246,109
Construction in progress	-	42,142	42,142
Total capital assets	\$ 868,626	\$ 13,766,378	\$ 14,635,004
Total noncurrent assets	\$ 868,626	\$ 13,766,378	\$ 14,635,004
Total assets	\$ 6,181,767	\$ 14,632,188	\$ 20,813,955
DEFERRED OUTFLOWS OF RESOURCES			
Pension related items	\$ 69,907	\$ 60,529	\$ 130,436
OPEB related items	5,165	5,236	10,401
Total deferred outflows of resources	\$ 75,072	\$ 65,765	\$ 140,837
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 279,212	\$ 161,161	\$ 440,373
Accrued interest payable	-	74,901	74,901
Customer deposits payable	-	247,593	247,593
Compensated absences - current portion	2,432	4,462	6,894
Bonds payable - current portion	-	535,407	535,407
Total current liabilities	\$ 281,644	\$ 1,023,524	\$ 1,305,168
Noncurrent liabilities:			
Compensated absences - net of current portion	\$ 21,893	\$ 40,157	\$ 62,050
Bonds payable - net of current portion	-	9,433,610	9,433,610
Net OPEB liability	27,566	25,624	53,190
Total noncurrent liabilities	\$ 49,459	\$ 9,499,391	\$ 9,548,850
Total liabilities	\$ 331,103	\$ 10,522,915	\$ 10,854,018
DEFERRED INFLOWS OF RESOURCES			
Pension related items	\$ 26,113	\$ 26,603	\$ 52,716
OPEB related items	3,994	3,712	7,706
Total deferred inflows of resources	\$ 30,107	\$ 30,315	\$ 60,422
NET POSITION			
Net investment in capital assets	\$ 868,626	\$ 3,797,361	\$ 4,665,987
Unrestricted	5,027,003	347,362	5,374,365
Total net position	\$ 5,895,629	\$ 4,144,723	\$ 10,040,352

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, 2020

	Enterprise Funds		
	Water and		
	<u>Electric</u>	<u>Sewer</u>	<u>Total</u>
OPERATING REVENUES			
Charges for services:			
Water and sewer revenues	\$ -	\$ 2,275,311	\$ 2,275,311
Electricity	4,474,832	-	4,474,832
Miscellaneous	32,262	43,400	75,662
Total operating revenues	<u>\$ 4,507,094</u>	<u>\$ 2,318,711</u>	<u>\$ 6,825,805</u>
OPERATING EXPENSES			
Personnel services	\$ 315,487	\$ 421,076	\$ 736,563
Fringe benefits	165,001	233,322	398,323
Contractual services	59,462	192,227	251,689
Electric power purchased	2,108,223	-	2,108,223
Other supplies and expenses	1,013,033	645,012	1,658,045
Depreciation	156,655	806,423	963,078
Total operating expenses	<u>\$ 3,817,861</u>	<u>\$ 2,298,060</u>	<u>\$ 6,115,921</u>
Operating income (loss)	<u>\$ 689,233</u>	<u>\$ 20,651</u>	<u>\$ 709,884</u>
NONOPERATING REVENUES (EXPENSES)			
Connection/reconnection fees	\$ 6,788	\$ 34,753	\$ 41,541
Pole attachment fees	86,148	-	86,148
State grant	-	176,850	176,850
Federal grant	-	250,000	250,000
Interest income	35,803	11,961	47,764
Interest expense	-	(259,153)	(259,153)
Total nonoperating revenues (expenses)	<u>\$ 128,739</u>	<u>\$ 214,411</u>	<u>\$ 343,150</u>
Income before transfers	<u>\$ 817,972</u>	<u>\$ 235,062</u>	<u>\$ 1,053,034</u>
Transfers out	<u>\$ (299,584)</u>	<u>\$ -</u>	<u>\$ (299,584)</u>
Change in net position	<u>\$ 518,388</u>	<u>\$ 235,062</u>	<u>\$ 753,450</u>
Total net position - beginning	5,377,241	3,909,661	9,286,902
Total net position - ending	<u><u>\$ 5,895,629</u></u>	<u><u>\$ 4,144,723</u></u>	<u><u>\$ 10,040,352</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, 2020

	Enterprise Funds		
	Electric	Water and Sewer	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 4,367,065	\$ 2,357,398	\$ 6,724,463
Payments for operating expenses	(3,120,428)	(1,276,812)	(4,397,240)
Payments to and for employees	(414,673)	(572,234)	(986,907)
Net cash provided by (used for) operating activities	\$ 831,964	\$ 508,352	\$ 1,340,316
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers to other funds	\$ (299,584)	\$ -	\$ (299,584)
Net cash provided by (used for) noncapital financing activities	\$ (299,584)	\$ -	\$ (299,584)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	\$ (109,888)	\$ (2,352,198)	\$ (2,462,086)
Principal payments on bonds and capital leases	-	(2,076,657)	(2,076,657)
Connection fees	6,788	34,753	41,541
Pole attachment fees	86,148	-	86,148
Capital contributions and construction grants	-	501,552	501,552
Proceeds from indebtedness	-	1,615,000	1,615,000
Interest payments	-	(268,697)	(268,697)
Net cash provided by (used for) capital and related financing activities	\$ (16,952)	\$ (2,546,247)	\$ (2,563,199)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	\$ 35,803	\$ 11,961	\$ 47,764
Net cash provided by (used for) investing activities	\$ 35,803	\$ 11,961	\$ 47,764
Net increase (decrease) in cash and cash equivalents	\$ 551,231	\$ (2,025,934)	\$ (1,474,703)
Cash and cash equivalents - beginning	4,224,733	2,657,669	6,882,402
Cash and cash equivalents - ending	\$ 4,775,964	\$ 631,735	\$ 5,407,699
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ 689,233	\$ 20,651	\$ 709,884
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	156,655	806,423	963,078
(Increase) decrease in accounts receivable	(140,029)	(5,163)	(145,192)
(Increase) decrease in net pension asset	128,393	153,544	281,937
(Increase) decrease in deferred outflows of resources	(61,463)	(49,744)	(111,207)
Increase (decrease) in customer deposits payable	-	43,850	43,850
Increase (decrease) in accounts payable	60,290	(439,573)	(379,283)
Increase (decrease) in deferred inflows of resources	(4,179)	(28,338)	(32,517)
Increase (decrease) in net OPEB liability	1,454	1,352	2,806
Increase (decrease) in compensated absences	1,610	5,350	6,960
Total adjustments	\$ 142,731	\$ 487,701	\$ 630,432
Net cash provided by (used for) operating activities	\$ 831,964	\$ 508,352	\$ 1,340,316

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

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TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

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

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, 2020

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

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.

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, 2020.

Discretely Presented Component Units. The Town has no discretely presented component units at June 30, 2020.

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 when they have been earned and they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. 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 principle and interest expenditures on general long-term debt as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts. Property taxes not collected within 60 days after year-end are reflected as 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.

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

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

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.

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.

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

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

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

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.

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

E. Investments

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

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

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.

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2020

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

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 \$336,717 at June 30, 2020 and is comprised of property taxes of \$8,435, electric revenues of \$247,362, and water and sewer charges of \$80,920.

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.

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.

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	10-40
Machinery and Equipment	5-10
Infrastructure	20-40
Utility Plant	20-40

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

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. 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.

K. Net Position

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

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

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.

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

L. 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.

M. Fund Balance

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

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

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

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2020

Note 1—Summary of Significant Accounting Policies: (Continued)**M. Fund Balance (Continued)**

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).

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

	General	Projects	Revenue	Total
Fund balances:				
Nonspendable:				
Cemetery perpetual care	\$ -	\$ -	\$ 235,912	\$ 235,912
Total nonspendable fund balance	\$ -	\$ -	\$ 235,912	\$ 235,912
Restricted:				
Cemetery	\$ -	\$ -	\$ 49,107	\$ 49,107
Bus	-	-	219,319	219,319
Asset forfeiture	8,047	-	-	8,047
Youth donations	3,207	-	-	3,207
Vending	1,608	-	-	1,608
Special donations	2,241	-	-	2,241
Benefit bass tournament	2,257	-	-	2,257
National night out	89	-	-	89
Neighborhood cookouts	54	-	-	54
S. Wray donation	13,678	-	-	13,678
Shop with a Cop Program	4,055	-	-	4,055
Total restricted fund balance	\$ 35,236	\$ -	\$ 268,426	\$ 303,662
Committed:				
Capital projects	\$ -	\$ 56,784	\$ -	\$ 56,784
Total committed fund balance	\$ -	\$ 56,784	\$ -	\$ 56,784
Assigned:				
Airport fuel farm	\$ 46,750	\$ -	\$ -	\$ 46,750
Total assigned fund balance	\$ 46,750	\$ -	\$ -	\$ 46,750
Unassigned	\$ 194,690	\$ -	\$ -	\$ 194,690
Total fund balances	\$ 276,676	\$ 56,784	\$ 504,338	\$ 837,798

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 one item that qualifies for reporting in this category. It is comprised of certain items related to the measurement of the net pension asset and net OPEB liability and contributions to the pension and OPEB plans made during the current year and subsequent to the net pension asset and net OPEB liability measurement date. For more detailed information on these items, reference the related notes.

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 multiple 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 asset and net OPEB liability are reported as deferred inflows of resources. For more detailed information on these items, reference the related notes.

P. Pensions

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Town's Retirement Plan and the additions to/deductions from the Town's Retirement Plan's net fiduciary position have been determined on the same basis as they were reported by the Virginia Retirement System (VRS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Q. Other Postemployment Benefits

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

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2020

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.
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, 2020, as adopted, appropriated and legally amended.

Expenditures and Appropriations

Expenditures did not exceed appropriations in any fund at June 30, 2020.

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

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 3—Deposits and Investments: (Continued)

Credit Risk of Debt Securities

The Town's rated debt investments as of June 30, 2020 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 Treasury Obligations Fund	<u>\$ 103,271</u>
Total	<u><u>\$ 103,271</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 Treasury Obligations Fund	<u>\$ 103,271</u>	<u>\$ 103,271</u>
Total	<u><u>\$ 103,271</u></u>	<u><u>\$ 103,271</u></u>

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TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 4—Due from Other Governments:

At June 30, 2020, the Town has receivables from other governments as follows:

	Governmental Activities	Business-type Activities
Other Local Governments:		
County of Nottoway	\$ 55,621	\$ -
Commonwealth of Virginia:		
Rolling stock tax	5,633	-
DMV	4,503	-
Communications tax	2,424	-
Fort Pickett water and sewer payment	-	43,435
Federal Government:		
Mass transit grant	83,642	-
VDOT TAP 21	127,882	-
Total due from other governments	<u>\$ 279,705</u>	<u>\$ 43,435</u>

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TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 5—Capital Assets:

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2020:

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
<i>Governmental activities:</i>				
Capital assets not subject to depreciation:				
Land	\$ 1,192,822	\$ -	\$ -	\$ 1,192,822
Construction in progress	52,287	49,306	-	101,593
Total capital assets not subject to depreciation	\$ 1,245,109	\$ 49,306	\$ -	\$ 1,294,415
Capital assets subject to depreciation:				
Buildings and improvements	\$ 8,461,640	\$ -	\$ -	\$ 8,461,640
Infrastructure	2,574,836	-	-	2,574,836
Machinery and equipment	4,871,080	236,968	306,570	4,801,478
Total capital assets subject to depreciation	\$ 15,907,556	\$ 236,968	\$ 306,570	\$ 15,837,954
Accumulated depreciation:				
Buildings and improvements	\$ 3,143,383	\$ 214,612	\$ -	\$ 3,357,995
Infrastructure	509,957	70,827	-	580,784
Machinery and equipment	3,343,579	371,057	306,570	3,408,066
Total accumulated depreciation	\$ 6,996,919	\$ 656,496	\$ 306,570	\$ 7,346,845
Total capital assets subject to depreciation, net	\$ 8,910,637	\$ (419,528)	\$ -	\$ 8,491,109
Governmental activities capital assets, net	\$ 10,155,746	\$ (370,222)	\$ -	\$ 9,785,524

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TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020**Note 5—Capital Assets: (Continued)**

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2020:

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
<i>Business-type Activities:</i>				
Capital assets not subject to depreciation:				
Land	\$ 249,575	\$ -	\$ -	\$ 249,575
Construction in progress	3,048,263	2,136,111	5,142,232	42,142
Total capital assets not subject to depreciation	<u>\$ 3,297,838</u>	<u>\$ 2,136,111</u>	<u>\$ 5,142,232</u>	<u>\$ 291,717</u>
Capital assets subject to depreciation:				
Utility plant in service	\$ 25,537,950	\$ 5,421,872	\$ -	\$ 30,959,822
Buildings	24,852	-	-	24,852
Machinery and equipment	1,386,201	46,335	-	1,432,536
Total capital assets subject to depreciation	<u>\$ 26,949,003</u>	<u>\$ 5,468,207</u>	<u>\$ -</u>	<u>\$ 32,417,210</u>
Accumulated depreciation:				
Utility plant in service	\$ 15,962,631	\$ 900,013	\$ -	\$ 16,862,644
Buildings	24,852	-	-	24,852
Machinery and equipment	1,123,362	63,065	-	1,186,427
Total accumulated depreciation	<u>\$ 17,110,845</u>	<u>\$ 963,078</u>	<u>\$ -</u>	<u>\$ 18,073,923</u>
Total capital assets subject to depreciation, net	<u>\$ 9,838,158</u>	<u>\$ 4,505,129</u>	<u>\$ -</u>	<u>\$ 14,343,287</u>
Business-type activities capital assets, net	<u>\$ 13,135,996</u>	<u>\$ 6,641,240</u>	<u>\$ 5,142,232</u>	<u>\$ 14,635,004</u>

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TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 5—Capital Assets: (Continued)

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government administration	\$ 26,510
Public safety	198,597
Public works	106,420
Health and welfare	63,637
Parks, recreation and cultural	32,750
Community development	228,582
Total depreciation expense - governmental activities	<u>\$ 656,496</u>
Business-type activities:	
Electric fund	\$ 156,655
Water and Sewer fund	806,423
Total depreciation expense - business-type activities	<u>\$ 963,078</u>
Total depreciation expense - primary government	<u><u>\$ 1,619,574</u></u>

Note 6—Long-term Obligations:

The following is a summary of changes in long-term obligations for the fiscal year-ended June 30, 2020:

	Balance at July 1, 2019	Increases	Decreases	Balance at June 30, 2020	Amounts Due Within One Year
Governmental Activities:					
Compensated absences	\$ 75,495	\$ 11,806	\$ 7,550	\$ 79,751	\$ 7,975
Net OPEB liability	109,616	35,185	29,081	115,720	-
Capital leases (Note 7)	81,478	-	36,281	45,197	11,299
Direct borrowings:					
USDA loans	120,456	-	45,580	74,876	12,502
Total Governmental Activities	<u>\$ 387,045</u>	<u>\$ 46,991</u>	<u>\$ 118,492</u>	<u>\$ 315,544</u>	<u>\$ 31,776</u>
Business-type Activities:					
Compensated absences	\$ 61,984	\$ 13,158	\$ 6,198	\$ 68,944	\$ 6,894
Net OPEB liability	50,384	16,173	13,367	53,190	-
General obligation bonds	8,205,250	1,615,000	1,873,250	7,947,000	332,000
Revenue bonds	2,225,424	-	203,407	2,022,017	203,407
Total Business-type Activities	<u>\$ 10,543,042</u>	<u>\$ 1,644,331</u>	<u>\$ 2,096,222</u>	<u>\$ 10,091,151</u>	<u>\$ 542,301</u>
Total Primary Government	<u><u>\$ 10,930,087</u></u>	<u><u>\$ 1,691,322</u></u>	<u><u>\$ 2,214,714</u></u>	<u><u>\$ 10,406,695</u></u>	<u><u>\$ 574,077</u></u>

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 6—Long-term Obligations: (Continued)

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

Year Ending June 30	Governmental Activities			
	Direct Borrowings			
	USDA Loans		Capital Leases	
	Principal	Interest	Principal	Interest
2021	\$ 12,502	\$ 2,162	\$ 11,299	\$ -
2022	12,899	1,765	11,299	-
2023	13,307	1,357	11,299	-
2024	13,729	935	11,300	-
2025	14,164	500	-	-
2026	8,275	85	-	-
Total	<u>\$ 74,876</u>	<u>\$ 6,804</u>	<u>\$ 45,197</u>	<u>\$ -</u>

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TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

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
2021	\$ 203,407	\$ -	\$ 332,000	\$ 219,406
2022	203,412	-	1,958,500	166,545
2023	134,637	-	354,000	160,282
2024	134,637	-	363,500	146,514
2025	134,637	-	373,500	136,085
2026	134,637	-	383,500	125,370
2027	134,637	-	398,000	114,296
2028	134,637	-	407,500	102,890
2029	134,637	-	421,500	91,141
2030	134,637	-	434,500	79,005
2031	134,637	-	447,500	66,493
2032	134,637	-	461,000	53,607
2033	134,637	-	473,000	40,350
2034	134,191	-	489,500	26,687
2035	-	-	500,000	12,638
2036	-	-	149,500	3,708
Total	<u>\$ 2,022,017</u>	<u>\$ -</u>	<u>\$ 7,947,000</u>	<u>\$ 1,545,017</u>

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TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 6—Long-term Obligations: (Continued)

Details of Long-term Obligations:

Total
Amount

Governmental Activities:

Capital Lease (Note 7)

\$ 45,197

Direct Borrowings:

USDA Loans:

\$125,657 USDA loan issued January 19, 2016, due in monthly installments of \$1,222 through January 19, 2026 with interest due at 3.125%.

\$ 74,876

Compensated absences (payable from General Fund)

\$ 79,751

Net OPEB liability

\$ 115,720

Total Long-term Obligations, Governmental Activities

\$ 315,544

The Town's outstanding note from direct borrowing related to governmental activities of \$74,876 contain a provision that in an event of default, outstanding amounts become immediately due if the Town is unable to make payment.

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TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 6—Long-term Obligations: (Continued)

Details of Long-term Obligations: (Continued)

Business-type Activities:

Revenue Bonds:

\$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%.	\$ 137,544
\$2,692,743 VRA Revolving Fund, issued September 2012, due in annual installments of \$67,618 through March 3, 2033; interest at 0%.	<u>1,884,473</u>
Total Revenue Bonds	<u>\$ 2,022,017</u>

General Obligation Bonds:

\$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%.	\$ 4,324,000
\$2,421,000 Refunding General Obligation Bond, issued July 7, 2016, due in annual principal installments through February 1, 2036; interest payable semi-annually at rate of 2.48%.	2,008,000
\$1,615,000 general obligation bond issued March 5, 2020, due in full on July 5, 2021 with interest payable monthly at 2.75%.	<u>1,615,000</u>
Total General Obligation Bonds	<u>\$ 7,947,000</u>
Compensated absences (payable from Enterprise Fund)	<u>\$ 68,944</u>
Net OPEB liability	<u>\$ 53,190</u>
Total Long-term Obligations, Business-type Activities	<u>\$ 10,091,151</u>
Total Long-term Obligations, Primary Government	<u><u>\$ 10,406,695</u></u>

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 7—Capital Leases:

The government has entered into a lease agreement as lessee for financing the acquisition of records management software. 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	\$ 64,200
Less: accumulated depreciation	(12,840)
Total	<u>\$ 51,360</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2020, were as follows:

Year Ended June 30	Governmental Activities
2021	11,299
2022	11,299
2023	11,299
2024	11,300
Total minimum lease payments	\$ 45,197
Less: amount representing interest	-
Present value of minimum lease payments	<u>\$ 45,197</u>

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. Under the accrual basis, assessments for future periods are deferred. 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 \$73,705 at June 30, 2020.

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2020

Note 8—Deferred/Unavailable Revenue: (Continued)

Prepaid Property Taxes - Property taxes due subsequent to June 30, 2020 but paid in advance by the taxpayers totaled \$2,125 at June 30, 2020.

Note 9—Litigation:

At June 30, 2020, 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 10—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.

Note 11—Pension Plans:

Plan Description

All full-time, salaried permanent employees of the Town are automatically covered by a VRS Retirement Plan upon employment. This is an agent multiple-employer plan 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.

Benefit Structures

The System administers three different benefit structures for covered employees - Plan 1, Plan 2 and Hybrid. Each of these benefit structures has different eligibility criteria, as detailed below.

- a. Employees hired before July 1, 2010, vested as of January 1, 2013, and have not taken a refund, are covered under Plan 1, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of service credit or age 50 with at least 30 years of service credit. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least 5 years of service credit or age 50 with at least 10 years of service credit. Hazardous duty employees (law enforcement officers, firefighters, and sheriffs) are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of service credit.

Note 11—Pension Plans: (Continued)

Benefit Structures (Continued)

- b. Employees hired 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 are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit or when the sum of their age plus service equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. Hazardous duty employees are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of service credit.
- c. Non-hazardous duty employees hired on or after January 1, 2014 are covered by the Hybrid Plan combining the features of a defined benefit plan and a defined contribution plan. Plan 1 and Plan 2 members also had the option of opting into this plan during the election window held January 1 - April 30, 2014 with an effective date of July 1, 2014. Employees covered by this plan are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit, or when the sum of their age plus service equal 90. Employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. For the defined contribution component, members are eligible to receive distributions upon leaving employment, subject to restrictions.

Average Final Compensation and Service Retirement Multiplier

The VRS defined benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the employee's average final compensation multiplied by the employee's total service credit. Under Plan 1, average final compensation is the average of the employee's 36 consecutive months of highest compensation and the multiplier is 1.70% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.70% or 1.85% for hazardous duty employees as elected by the employer. Under Plan 2, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the retirement multiplier is 1.65% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.70% or 1.85% for hazardous duty employees as elected by the employer. Under the Hybrid Plan, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the multiplier is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

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

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

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 11—Pension Plans: (Continued)

Employees Covered by Benefit Terms

As of the June 30, 2018 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	30
Inactive members:	
Vested inactive members	14
Non-vested inactive members	21
Inactive members active elsewhere in VRS	38
Total inactive members	73
Active members	52
Total covered employees	155

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement.

The Town's contractually required employer contribution rate for the year ended June 30, 2020 was 4.11% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

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 \$81,205 and \$77,944 for the years ended June 30, 2020 and June 30, 2019, respectively.

Net Pension Asset

The net pension asset is calculated separately for each employer and represents that particular employer's total pension asset determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. For the Town, the net pension asset was measured as of June 30, 2019. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation performed as of June 30, 2018 rolled forward to the measurement date of June 30, 2019.

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 11—Pension Plans: (Continued)

Actuarial Assumptions - General Employees

The total pension liability for General Employees in the Town's Retirement Plan was based on an actuarial valuation as of June 30, 2018, 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, 2019.

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

* Administrative expenses as a percent of the 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 6.75. However, since the difference was minimal, and a more conservative 6.75 investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of pension liabilities.

Mortality rates:

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

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

Post-Retirement:

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

Post-Disablement:

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

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TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 11—Pension Plans: (Continued)

Actuarial Assumptions - General Employees (Continued)

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except for the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the Town's Retirement Plan was based on an actuarial valuation as of June 30, 2018, 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, 2019.

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

* Administrative expenses as a percent of the 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 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of pension liabilities.

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 11—Pension Plans: (Continued)

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

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except for the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

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

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TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2020

Note 11—Pension Plans: (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*
Public Equity	34.00%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS - Multi-Asset Public Strategy	6.00%	3.52%	0.21%
PIP - Private Investment Partner	3.00%	6.29%	0.19%
Total	100.00%		5.13%
		Inflation	2.50%
		Expected arithmetic nominal return*	7.63%

* The above allocation provides a one-year return of 7.63%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation.

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the Town was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2019, the alternate rate was the employer contribution rate used

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 11—Pension Plans: (Continued)

Discount Rate (Continued)

in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017 actuarial valuations, whichever was greater. Through the fiscal year ended June 30, 2019, the rate contributed by the school division for the VRS Teacher Retirement Plan was subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2019 on, participating employers and school divisions are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability (Asset)

	Primary Government		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2018	\$ 7,515,150	\$ 8,522,227	\$ (1,007,077)
Changes for the year:			
Service cost	\$ 203,635	\$ -	\$ 203,635
Interest	514,506	-	514,506
Benefit changes	502,413	-	
Assumption changes	265,280	-	265,280
Differences between expected and actual experience	168,969	-	168,969
Contributions - employer	-	78,286	(78,286)
Contributions - employee	-	97,314	(97,314)
Net investment income	-	565,201	(565,201)
Benefit payments, including refunds			
Refunds of employee contributions	(330,120)	(330,120)	-
Administrative expenses	-	(5,631)	5,631
Other changes	-	(356)	356
Net changes	\$ 1,324,683	\$ 404,694	\$ 919,989
Balances at June 30, 2019	\$ 8,839,833	\$ 8,926,921	\$ (87,088)

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 11—Pension Plans: (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 6.75%, 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 (5.75%) or one percentage point higher (7.75%) than the current rate:

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
Town's Net Pension Liability (Asset)	\$ 1,113,144	\$ (87,088)	\$ (1,035,548)

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

For the year ended June 30, 2020, the Town recognized pension expense of \$561,268. At June 30, 2020, 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	\$ 106,619	\$ 40,901
Change in assumptions	167,391	20,200
Net difference between projected and actual earnings on pension plan investments	-	78,853
Proportionate Share	22,628	22,628
Employer contributions subsequent to the measurement date	81,205	-
Total	\$ 377,843	\$ 162,582

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 11—Pension Plans: (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

\$81,205 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 ending June 30, 2021. 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>
2021	\$ 94,835
2022	36,079
2023	(2,007)
2024	5,149
2025	-
Thereafter	-

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2019-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Note 12—Group Life Insurance (GLI) Plan (OPEB Plan):

Plan Description

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

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

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2020

Note 12—Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Plan Description (Continued)

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

Eligible Employees

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

Benefit Amounts

The GLI Plan is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, safety belt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value. For covered members with at least 30 years of service credit, the minimum benefit payable was set at \$8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was \$8,463 as of June 30, 2020.

Contributions

The contribution requirements for the GLI Plan are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Plan was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% x 60%) and the employer component was 0.52% (1.31% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2020 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the Group Life Insurance Program from the entity were \$11,438 and \$10,586 for the years ended June 30, 2020 and June 30, 2019, respectively.

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

At June 30, 2020, the entity reported a liability of \$168,910 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2019 and the total GLI OPEB liability used to

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 12—Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

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

calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2018, and rolled forward to the measurement date of June 30, 2019. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Plan for the year ended June 30, 2019 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the participating employer's proportion was 0.01038% as compared to 0.01058% at June 30, 2018.

For the year ended June 30, 2020, the participating employer recognized GLI OPEB expense of \$460. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2020, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 11,234	\$ 2,191
Net difference between projected and actual earnings on GLI OPEB plan investments	-	3,470
Change in assumptions	10,664	5,093
Changes in proportion	-	13,717
Employer contributions subsequent to the measurement date	11,438	-
Total	\$ 33,336	\$ 24,471

\$11,438 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year Ended June 30	
2021	\$ (2,846)
2022	(2,846)
2023	(1,376)
2024	1,075
2025	2,620
Thereafter	800

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2020

Note 12—Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2018, 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, 2019. The assumptions include several employer groups as noted below. Salary increases and mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS CAFR.

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

*Administrative expenses as a percent of the 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 OPEB liabilities.

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 12—Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Actuarial Assumptions (Continued)

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Increased rate from 7.00% to 6.75%

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 12—Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

NET GLI OPEB Liability

The net OPEB liability (NOL) for the GLI Plan represents the plan's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2019, NOL amounts for the GLI Plan are as follows (amounts expressed in thousands):

		Group Life Insurance OPEB Program
Total GLI OPEB Liability	\$	3,390,238
Plan Fiduciary Net Position		1,762,972
Employers' Net GLI OPEB Liability (Asset)	\$	<u>1,627,266</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		52.00%

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 12—Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

NET GLI OPEB Liability (Continued)

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

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	34.00%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS - Multi-Asset Public Strategies	6.00%	3.52%	0.21%
PIP - Private Investment Partnership	3.00%	6.29%	0.19%
Total	100.00%		5.13%
		Inflation	2.50%
		Expected arithmetic nominal return*	7.63%

* The above allocation provides a one-year return of 7.63%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation.

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 12—Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ended June 30, 2019, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2019 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

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

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

		Rate		
		1% Decrease	Current Discount	1% Increase
		(5.75%)	(6.75%)	(7.75%)
Town's proportionate share of the Group Life Insurance Plan				
Net OPEB Liability	\$	221,901	\$ 168,910	\$ 125,935

GLI Plan Fiduciary Net Position

Detailed information about the GLI Plan's Fiduciary Net Position is available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2019-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 13—Surety Bonds:

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

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 14—Interfund Transfers:

Interfund transfers for the year ended June 30, 2020 consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General	\$ 273,584	\$ -
Capital projects	50,000	24,000
Electric	-	299,584
Total	\$ <u>323,584</u>	\$ <u>323,584</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, 2020

Note 15—Fair Value Measurement: (Continued)

The Town has the following recurring fair value measurements as of June 30, 2020:

Investment type	Balance June 30, 2020	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				
Money market fund:				
First American Treasury Obligations Fund	\$ 103,271	\$ 103,271	\$ -	\$ -
	\$ 103,271	\$ 103,271	\$ -	\$ -

Note 16 - Line of Duty Act (LODA) (OPEB Benefits):

The Line of Duty Act (LODA) provides death and healthcare benefits to certain law enforcement and rescue personnel, and their beneficiaries, who were disabled or killed in the line of duty. Benefit provisions and eligibility requirements are established by title 9.1 Chapter 4 of the Code of Virginia. Funding of LODA benefits is provided by employers in one of two ways: (a) participation in the Line of Duty and Health Benefits Trust Fund (LODA Fund), administered by the Virginia Retirement System (VRS) or (b) self-funding by the employer or through an insurance company.

The Town has elected to provide LODA benefits through an insurance company. The obligation for the payment of benefits has been effectively transferred from the Town to VML. VML assumes all liability for the Town's LODA claims that are approved by VRS. The pool purchases reinsurance to protect the pool from extreme claims costs.

The current-year OPEB expense/expenditure for the insured benefits is defined as the amount of premiums or other payments required for the insured benefits for the reporting period in accordance with the agreement with the insurance company for LODA and a change in liability to the insurer equal to the difference between amounts recognized as OPEB expense and amounts paid by the employer to the insurer. The Town's LODA coverage is fully covered or "insured" through VML. This is built into the LODA coverage cost presented in the annual renewals. The Town's LODA premium for the year ended June 30, 2020 was \$26,774.

Note 17—Upcoming Pronouncements:

Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

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

Note 17—Upcoming Pronouncements: (Continued)

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

Statement No. 90, *Majority Equity Interests - An Amendment of GASB Statements No. 14 and No. 61*, provides guidance for reporting a government's majority equity interest in a legally separate organization and for reporting financial statement information for certain component units. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

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

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

Statement No. 93, *Replacement of Interbank Offered Rates*, establishes accounting and financial reporting requirements related to the replacement of Interbank Offered Rates (IBORs) in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The requirements of this Statement, except for removal of London Interbank Offered Rate (LIBOR) as an appropriate benchmark interest rate and the requirements related to lease modifications, are effective for reporting periods beginning after June 15, 2020. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All requirements related to lease modifications in this Statement are effective for reporting periods beginning after June 15, 2021.

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

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

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2020

Note 17—Upcoming Pronouncements: (Continued)

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

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

Note 18—Subsequent Events:

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency stemming from a new strain of coronavirus that was spreading globally (the “COVID-19 outbreak”). On March 11, 2020, the WHO classified the COVID-19 outbreak as a pandemic, triggering volatility in financial markets and a significant negative impact on the global economy. The COVID-19 pandemic has developed rapidly in 2020 and remains a quickly evolving situation. As a result of the spread of COVID-19, economic uncertainties have arisen which are likely to negatively impact economic activity. Town of Blackstone, Virginia is not able to estimate the effects of the COVID-19 pandemic for fiscal year 2021.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was passed by the federal government to alleviate some of the effects of the sharp economic downturn due to the COVID-19 pandemic. Among the CARES Act key provisions was \$339.8 billion designated for programs for state and local government, which included \$150 billion in direct aid for state and local governments from the federal Coronavirus Relief Fund (CRF), pursuant to the federal CARES Act, to address spending shortages related to the COVID-19 pandemic.

The Commonwealth of Virginia received approximately \$3.1 billion from the CRF, of which \$1.3 billion was allocated for localities with fewer than 500,000 people. Localities with populations greater than 500,000 could apply to receive funds directly. All other CRF funds were distributed to the states to determine the allocations to localities.

On May 12, 2020, the first round of the allocations to local governments was authorized by the Commonwealth. On June 1, 2020, each locality received its share of the first half, or fifty (50) percent, of the locally based allocations. Unspent funds at June 30 from the initial allocation are reported as unearned revenue. Like the first round, the second round of allocations was based on population and was for the same total amount distributed in the first round. Town of Blackstone, Virginia, did not receive any CRF funds.

The federal guidance for the CARES Act states that the CRF funds can be used only for the direct costs associated with the response to the COVID-19 pandemic and cannot be used to address revenue shortfalls. CRF funds are considered one-time funds and should not be used for ongoing services or base operations. As a condition of receiving CRF funds, any funds unexpended as of December 30, 2020 will be returned to the federal government.

REQUIRED SUPPLEMENTARY INFORMATION

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Town of Blackstone, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2020

	Budgeted Amounts		Actual	Variance with
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	Final Budget - Positive (Negative)
REVENUES				
General property taxes	\$ 457,700	\$ 457,862	\$ 528,487	\$ 70,625
Other local taxes	1,214,350	1,242,566	1,272,034	29,468
Permits, privilege fees, and regulatory licenses	3,100	3,100	5,575	2,475
Fines and forfeitures	20,000	20,000	15,700	(4,300)
Revenue from the use of money and property	39,200	39,200	70,264	31,064
Charges for services	691,400	691,400	607,877	(83,523)
Miscellaneous	1,950	9,420	150,612	141,192
Recovered costs	738,212	751,435	745,291	(6,144)
Intergovernmental:				
Commonwealth	1,264,305	1,264,305	1,278,547	14,242
Federal	98,000	98,000	21,378	(76,622)
Total revenues	<u>\$ 4,528,217</u>	<u>\$ 4,577,288</u>	<u>\$ 4,695,765</u>	<u>\$ 118,477</u>
EXPENDITURES				
Current:				
General government administration	\$ 916,543	\$ 920,893	\$ 928,205	\$ (7,312)
Public safety	1,329,957	1,333,657	1,277,157	56,500
Public works	2,070,498	2,241,642	2,430,323	(188,681)
Parks, recreation, and cultural	21,600	21,600	20,779	821
Capital projects	374,852	385,700	130,599	255,101
Debt service:				
Principal retirement	47,320	47,320	81,861	(34,541)
Interest and other fiscal charges	4,885	4,885	3,749	1,136
Total expenditures	<u>\$ 4,765,655</u>	<u>\$ 4,955,697</u>	<u>\$ 4,872,673</u>	<u>\$ 83,024</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (237,438)</u>	<u>\$ (378,409)</u>	<u>\$ (176,908)</u>	<u>\$ 201,501</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 249,584	\$ 249,584	\$ 273,584	\$ 24,000
Transfers out	(26,146)	(26,146)	-	26,146
Total other financing sources (uses)	<u>\$ 223,438</u>	<u>\$ 223,438</u>	<u>\$ 273,584</u>	<u>\$ 50,146</u>
Net change in fund balances	\$ (14,000)	\$ (154,971)	\$ 96,676	\$ 251,647
Fund balances - beginning	14,000	154,971	180,000	25,029
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 276,676</u>	<u>\$ 276,676</u>

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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, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u>
				<u>Positive</u>
				<u>(Negative)</u>
REVENUES				
Revenue from the use of money and property	\$ 2,500	\$ 2,500	\$ 2,542	\$ 42
Charges for services	36,612	42,072	43,514	1,442
Miscellaneous	-	3,039	29,509	26,470
Recovered costs	84,631	84,631	77,093	(7,538)
Intergovernmental:				
Commonwealth	134,072	134,072	144,335	10,263
Federal	345,969	345,969	361,614	15,645
Total revenues	<u>\$ 603,784</u>	<u>\$ 612,283</u>	<u>\$ 658,607</u>	<u>\$ 46,324</u>
EXPENDITURES				
Current:				
Community development	\$ 637,950	\$ 648,696	\$ 559,466	\$ 89,230
Total expenditures	<u>\$ 637,950</u>	<u>\$ 648,696</u>	<u>\$ 559,466</u>	<u>\$ 89,230</u>
Net change in fund balances	\$ (34,166)	\$ (36,413)	\$ 99,141	\$ 135,554
Fund balances - beginning	34,166	36,413	405,197	368,784
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 504,338</u>	<u>\$ 504,338</u>

Town of Blackstone, Virginia
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
Pension Plan
For the Measurement Dates of June 30, 2014 through June 30, 2019

	2019	2018
Total pension liability		
Service cost	\$ 203,635	\$ 168,972
Interest	514,506	494,317
Changes in benefit terms	502,413	-
Changes of assumptions	265,280	-
Differences between expected and actual experience	168,969	(70,757)
Benefit payments	(330,120)	(278,100)
Net change in total pension liability	\$ 1,324,683	\$ 314,432
Total pension liability - beginning	7,515,150	7,200,718
Total pension liability - ending (a)	<u>\$ 8,839,833</u>	<u>\$ 7,515,150</u>
Plan fiduciary net position		
Contributions - employer	\$ 78,286	\$ 93,508
Contributions - employee	97,314	112,322
Net investment income	565,201	593,513
Benefit payments	(330,120)	(278,100)
Administrator charges	(5,631)	(5,078)
Other	(356)	(529)
Net change in plan fiduciary net position	\$ 404,694	\$ 515,636
Plan fiduciary net position - beginning	8,522,227	8,006,591
Plan fiduciary net position - ending (b)	<u>\$ 8,926,921</u>	<u>\$ 8,522,227</u>
Town's net pension liability (asset) - ending (a) - (b)	\$ (87,088)	\$ (1,007,077)
Plan fiduciary net position as a percentage of the total pension liability	100.99%	113.40%
Covered payroll	\$ 2,035,841	\$ 2,011,967
Town's net pension liability (asset) as a percentage of covered payroll	-4.28%	-50.05%

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.

Exhibit 12

	2017	2016	2015	2014
\$	192,963	\$ 205,442	\$ 202,800	\$ 202,242
	492,549	464,412	436,936	405,478
	-	-	-	-
	(222,193)	-	-	-
	(195,722)	(70,416)	(71,906)	-
	(206,580)	(188,378)	(162,254)	(154,388)
\$	61,017	\$ 411,060	\$ 405,576	\$ 453,332
	7,139,701	6,728,641	6,323,065	5,869,733
\$	<u>7,200,718</u>	<u>7,139,701</u>	<u>6,728,641</u>	<u>6,323,065</u>

\$	69,399	\$ 119,272	\$ 121,223	\$ 182,650
	102,844	103,383	105,159	101,458
	878,767	125,007	307,829	900,522
	(206,580)	(188,378)	(162,254)	(154,388)
	(5,017)	(4,308)	(4,089)	(4,700)
	(782)	(52)	(64)	47
\$	838,631	\$ 154,924	\$ 367,804	\$ 1,025,589
	7,167,960	7,013,036	6,645,232	5,619,643
\$	<u>8,006,591</u>	<u>7,167,960</u>	<u>7,013,036</u>	<u>6,645,232</u>

\$	(805,873)	\$ (28,259)	\$ (284,395)	\$ (322,167)
----	-----------	-------------	--------------	--------------

111.19% 100.40% 104.23% 105.10%

\$	2,011,054	\$ 2,090,676	\$ 2,113,608	\$ 2,032,098
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-40.07% -1.35% -13.46% -15.85%

Town of Blackstone, Virginia

Schedule of Employer Contributions - Pension Plan
For the Years Ended June 30, 2011 through June 30, 2020

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
Primary Government					
2020	\$ 81,205	\$ 81,205	\$ -	\$ 2,199,687	3.69%
2019	77,944	77,944	-	2,035,841	3.83%
2018	93,508	93,508	-	2,011,967	4.65%
2017	69,399	69,399	-	2,011,054	3.45%
2016	119,272	119,272	-	2,090,676	5.70%
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%

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

Town of Blackstone, Virginia

Notes to Required Supplementary Information - Pension Plan
For the Year Ended June 30, 2020

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

Changes of assumptions - The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Increased rate from 7.00% to 6.75%

All Others (Non 10 Largest) - Hazardous Duty:

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

Town of Blackstone, Virginia
Schedule of Town's Share of Net OPEB Liability
Group Life Insurance (GLI) Plan
For the Measurement Dates of June 30, 2017 through June 30, 2019

Date	Employer's Proportion of the Net GLI OPEB Liability (Asset)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset)	Employer's Covered Payroll	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability
(1)	(2)	(3)	(4)	(5)	(6)
2019	0.01038% \$	168,910 \$	2,035,841	8.30%	52.00%
2018	0.01058%	160,000	2,011,967	7.95%	51.22%
2017	0.01090%	164,000	2,011,054	8.15%	48.86%

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

Town of Blackstone, Virginia
Schedule of Employer Contributions
Group Life Insurance (GLI) Plan
For the Years Ended June 30, 2014 through June 30, 2020

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2020	\$ 11,438	\$ 11,438	\$ -	\$ 2,199,687	0.52%
2019	10,586	10,586	-	2,035,841	0.52%
2018	10,462	10,462	-	2,011,967	0.52%
2017	10,457	10,457	-	2,011,054	0.52%
2016	10,035	10,035	-	2,090,676	0.48%
2015	9,368	9,368	-	2,113,608	0.44%
2014	10,063	10,063	-	2,032,098	0.50%

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

Town of Blackstone, Virginia
Notes to Required Supplementary Information
Group Life Insurance (GLI) Plan
For the Year Ended June 30, 2020

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

Changes of assumptions - The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Non-Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

Non-Largest Ten Locality Employers - Hazardous Duty Employees

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

OTHER SUPPLEMENTARY INFORMATION

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*COMBINING AND INDIVIDUAL FUND FINANCIAL
STATEMENTS AND SCHEDULES*

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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, 2020

	Budgeted Amounts			Variance with Final Budget Positive Positive (Negative)
	Original	Final	Actual	
REVENUES				
Revenue from the use of money and property	\$ 24,000	\$ 24,000	\$ 23,750	\$ (250)
Miscellaneous	20,700	20,700	41,867	21,167
Intergovernmental:				
Commonwealth	-	9,675	93,793	84,118
Federal	1,458,208	1,560,150	750,362	(809,788)
Total revenues	\$ 1,502,908	\$ 1,614,525	\$ 909,772	\$ (704,753)
EXPENDITURES				
Capital projects	\$ 1,965,960	\$ 2,099,249	\$ 973,281	\$ 1,125,968
Debt service:				
Interest and other fiscal charges	-	20,000	20,000	-
Total expenditures	\$ 1,965,960	\$ 2,119,249	\$ 993,281	\$ 1,125,968
Excess (deficiency) of revenues over (under) expenditures	\$ (463,052)	\$ (504,724)	\$ (83,509)	\$ 421,215
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 50,000	\$ 50,000	\$ 50,000	\$ -
Transfers out	(24,000)	(24,000)	(24,000)	-
Total other financing sources (uses)	\$ 26,000	\$ 26,000	\$ 26,000	\$ -
Net change in fund balances	\$ (437,052)	\$ (478,724)	\$ (57,509)	\$ 421,215
Fund balances - beginning	437,052	478,724	114,293	(364,431)
Fund balances - ending	\$ -	\$ -	\$ 56,784	\$ 56,784

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SUPPORTING SCHEDULES

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Town of Blackstone, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2020

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	\$ 360,500	\$ 360,662	\$ 397,023	\$ 36,361
Personal property taxes	85,700	85,700	114,143	28,443
Penalties	5,000	5,000	8,325	3,325
Interest	6,500	6,500	8,996	2,496
Total general property taxes	<u>\$ 457,700</u>	<u>\$ 457,862</u>	<u>\$ 528,487</u>	<u>\$ 70,625</u>
Other local taxes:				
Local sales and use taxes	\$ 185,000	\$ 185,000	\$ 202,798	\$ 17,798
Consumption tax	15,000	25,357	14,611	(10,746)
Business license taxes	165,000	165,000	185,259	20,259
Motor vehicle licenses	44,300	62,159	63,584	1,425
Bank stock taxes	105,825	105,825	128,686	22,861
Cigarette taxes	90,000	90,000	93,672	3,672
Hotel and motel room taxes	25,000	25,000	18,700	(6,300)
Restaurant food taxes	584,225	584,225	564,724	(19,501)
Total other local taxes	<u>\$ 1,214,350</u>	<u>\$ 1,242,566</u>	<u>\$ 1,272,034</u>	<u>\$ 29,468</u>
Permits, privilege fees, and regulatory licenses:				
Permits and other licenses	\$ 3,100	\$ 3,100	\$ 5,575	\$ 2,475
Fines and forfeitures:				
Court fines and forfeitures	\$ 20,000	\$ 20,000	\$ 15,700	\$ (4,300)
Revenue from use of money and property:				
Revenue from use of money	\$ 20,000	\$ 20,000	\$ 51,264	\$ 31,264
Revenue from use of property	19,200	19,200	19,000	(200)
Total revenue from use of money and property	<u>\$ 39,200</u>	<u>\$ 39,200</u>	<u>\$ 70,264</u>	<u>\$ 31,064</u>
Charges for services:				
Charges for fire service	\$ 10,900	\$ 10,900	\$ 12,570	\$ 1,670
Charges for sanitation and waste removal	425,500	425,500	427,220	1,720
Charges for aviation fuel	255,000	255,000	168,087	(86,913)
Total charges for services	<u>\$ 691,400</u>	<u>\$ 691,400</u>	<u>\$ 607,877</u>	<u>\$ (83,523)</u>
Miscellaneous:				
Miscellaneous	\$ 1,950	\$ 9,420	\$ 150,612	\$ 141,192

Town of Blackstone, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2020

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	\$ 478,644	\$ 478,644	\$ 478,644	\$ -
DMV	34,356	34,356	29,553	(4,803)
Garage labor	60,000	60,000	66,726	6,726
Recovered costs	70,000	70,000	33,868	(36,132)
County fire and rescue	30,655	30,655	46,844	16,189
County recreation	2,000	2,000	2,000	-
Fire contribution	55,557	55,557	67,433	11,876
Excise tax refund	7,000	20,223	20,223	-
Total recovered costs	<u>\$ 738,212</u>	<u>\$ 751,435</u>	<u>\$ 745,291</u>	<u>\$ (6,144)</u>
Total revenue from local sources	<u>\$ 3,165,912</u>	<u>\$ 3,214,983</u>	<u>\$ 3,395,840</u>	<u>\$ 180,857</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Mobile home titling tax	\$ -	\$ -	\$ 75	\$ 75
Rolling stock tax	6,000	6,000	5,633	(367)
Auto rental tax	-	-	322	322
Communications tax	16,930	16,930	14,771	(2,159)
Personal property tax relief funds	42,986	42,986	42,986	-
Total noncategorical aid	<u>\$ 65,916</u>	<u>\$ 65,916</u>	<u>\$ 63,787</u>	<u>\$ (2,129)</u>
Categorical aid:				
Other categorical aid:				
Streets and highway maintenance	\$ 1,096,000	\$ 1,096,000	\$ 1,098,515	\$ 2,515
DJCP grants for law enforcement	88,283	88,283	95,120	6,837
Emergency response grant	-	-	3,094	3,094
Litter control	2,000	2,000	1,543	(457)
Fire programs and grants	12,106	12,106	13,188	1,082
Virginia forestry grant	-	-	3,300	3,300
Total other categorical aid	<u>\$ 1,198,389</u>	<u>\$ 1,198,389</u>	<u>\$ 1,214,760</u>	<u>\$ 16,371</u>
Total categorical aid	<u>\$ 1,198,389</u>	<u>\$ 1,198,389</u>	<u>\$ 1,214,760</u>	<u>\$ 16,371</u>
Total revenue from the Commonwealth	<u>\$ 1,264,305</u>	<u>\$ 1,264,305</u>	<u>\$ 1,278,547</u>	<u>\$ 14,242</u>

Town of Blackstone, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2020

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)				
Intergovernmental: (Continued)				
Revenue from the federal government:				
Other categorical aid:				
Transportation safety	\$ -	\$ -	\$ 4,224	\$ 4,224
USDA grant	84,000	84,000	-	(84,000)
CARES grant	-	-	17,154	17,154
Airport grants	14,000	14,000	-	(14,000)
Total other categorical aid	<u>\$ 98,000</u>	<u>\$ 98,000</u>	<u>\$ 21,378</u>	<u>\$ (76,622)</u>
Total revenue from the federal government	<u>\$ 98,000</u>	<u>\$ 98,000</u>	<u>\$ 21,378</u>	<u>\$ (76,622)</u>
Total General Fund	<u>\$ 4,528,217</u>	<u>\$ 4,577,288</u>	<u>\$ 4,695,765</u>	<u>\$ 118,477</u>
Special Revenue Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	<u>\$ 2,500</u>	<u>\$ 2,500</u>	<u>\$ 2,542</u>	<u>\$ 42</u>
Charges for services:				
Charges for cemetery care	\$ 500	\$ 500	\$ 1,000	\$ 500
Cemetery lot sales	13,000	18,460	15,660	(2,800)
Charges for bus fares	23,112	23,112	26,854	3,742
Total charges for services	<u>\$ 36,612</u>	<u>\$ 42,072</u>	<u>\$ 43,514</u>	<u>\$ 1,442</u>
Miscellaneous:				
Miscellaneous	<u>\$ -</u>	<u>\$ 3,039</u>	<u>\$ 29,509</u>	<u>\$ 26,470</u>
Recovered costs:				
Reimbursement from localities	<u>\$ 84,631</u>	<u>\$ 84,631</u>	<u>\$ 77,093</u>	<u>\$ (7,538)</u>
Total revenue from local sources	<u>\$ 123,743</u>	<u>\$ 132,242</u>	<u>\$ 152,658</u>	<u>\$ 20,416</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Transportation grant	<u>\$ 134,072</u>	<u>\$ 134,072</u>	<u>\$ 144,335</u>	<u>\$ 10,263</u>
Total revenue from the Commonwealth	<u>\$ 134,072</u>	<u>\$ 134,072</u>	<u>\$ 144,335</u>	<u>\$ 10,263</u>

Town of Blackstone, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2020

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	\$ 345,969	\$ 345,969	\$ 361,614	\$ 15,645
Total revenue from the federal government	\$ 345,969	\$ 345,969	\$ 361,614	\$ 15,645
Total Special Revenue Fund	\$ 603,784	\$ 612,283	\$ 658,607	\$ 46,324
Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of property	\$ 24,000	\$ 24,000	\$ 23,750	\$ (250)
Miscellaneous:				
Miscellaneous	\$ 20,700	\$ 20,700	\$ 41,867	\$ 21,167
Total revenue from local sources	\$ 44,700	\$ 44,700	\$ 65,617	\$ 20,917
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
VDOT revenue sharing	\$ -	\$ 9,675	\$ 4,725	\$ (4,950)
Southeast rural assistance grant	-	-	89,068	89,068
Total categorical aid	\$ -	\$ 9,675	\$ 93,793	\$ (4,950)
Total revenue from the Commonwealth	\$ -	\$ 9,675	\$ 93,793	\$ (4,950)
Revenue from the federal government:				
Categorical aid:				
VDOT TAP 21	\$ -	\$ 101,942	\$ 263,999	\$ 162,057
Community development block grant	1,250,000	1,250,000	486,363	(763,637)
Urban funds	208,208	208,208	-	(208,208)
Total categorical aid	\$ 1,458,208	\$ 1,560,150	\$ 750,362	\$ (809,788)
Total revenue from the federal government	\$ 1,458,208	\$ 1,560,150	\$ 750,362	\$ (809,788)
Total Capital Projects Fund	\$ 1,502,908	\$ 1,614,525	\$ 909,772	\$ (793,821)
Total Revenues -- Primary Government	\$ 6,634,909	\$ 6,804,096	\$ 6,264,144	\$ (629,020)

Town of Blackstone, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2020

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	\$ 36,570	\$ 36,570	\$ 22,810	\$ 13,760
General and financial administration:				
Town Manager and financial administration	\$ 879,973	\$ 884,323	\$ 905,395	\$ (21,072)
Total general government administration	\$ 916,543	\$ 920,893	\$ 928,205	\$ (7,312)
Public safety:				
Law enforcement and traffic control:				
Police	\$ 1,113,897	\$ 1,117,597	\$ 1,105,843	\$ 11,754
Fire and rescue services:				
Fire department	\$ 216,060	\$ 216,060	\$ 171,314	\$ 44,746
Total public safety	\$ 1,329,957	\$ 1,333,657	\$ 1,277,157	\$ 56,500
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Street maintenance	\$ 1,068,398	\$ 1,076,498	\$ 1,476,374	\$ (399,876)
Traffic lights	4,350	4,350	2,057	2,293
Total maintenance of highways, streets, bridges and sidewalks	\$ 1,072,748	\$ 1,080,848	\$ 1,478,431	\$ (397,583)
Sanitation and waste removal:				
Refuse collection	\$ 392,750	\$ 392,750	\$ 345,804	\$ 46,946
Maintenance of general buildings and grounds:				
General properties	\$ 57,025	\$ 65,875	\$ 67,773	\$ (1,898)
Airport	294,500	448,694	300,124	148,570
Garage department	253,475	253,475	238,191	15,284
Total maintenance of general buildings and grounds	\$ 605,000	\$ 768,044	\$ 606,088	\$ 161,956
Total public works	\$ 2,070,498	\$ 2,241,642	\$ 2,430,323	\$ (188,681)
Parks, recreation, and cultural:				
Cultural enrichment:				
Museum	\$ 11,000	\$ 11,000	\$ 11,596	\$ (596)
Library:				
Contribution to library	\$ 2,000	\$ 2,000	\$ 2,000	\$ -
Library administration	8,600	8,600	7,183	1,417
Total library	\$ 10,600	\$ 10,600	\$ 9,183	\$ 1,417
Total parks, recreation, and cultural	\$ 21,600	\$ 21,600	\$ 20,779	\$ 821

Town of Blackstone, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2020

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)				
Capital projects:				
Administration	\$ 107,000	\$ 107,000	\$ 31,330	\$ 75,670
Police department	100,000	100,000	16,921	83,079
Street maintenance	72,852	72,852	-	72,852
Garbage department	7,500	7,500	19,544	(12,044)
Garage	5,000	5,000	3,998	1,002
Carriage museum	57,500	64,348	19,358	44,990
Fire department	25,000	29,000	33,109	(4,109)
Library	-	-	6,340	(6,340)
Total capital projects	<u>\$ 374,852</u>	<u>\$ 385,700</u>	<u>\$ 130,600</u>	<u>\$ 255,100</u>
Debt service:				
Principal retirement	\$ 47,320	\$ 47,320	\$ 81,861	\$ (34,541)
Interest and other fiscal charges	4,885	4,885	3,749	1,136
Total debt service	<u>\$ 52,205</u>	<u>\$ 52,205</u>	<u>\$ 85,610</u>	<u>\$ (33,405)</u>
Total General Fund	<u>\$ 4,765,655</u>	<u>\$ 4,955,697</u>	<u>\$ 4,872,674</u>	<u>\$ 83,023</u>
Special Revenue Fund:				
Community Development:				
Planning and community development:				
Bus program	\$ 620,250	\$ 620,250	\$ 531,020	\$ 89,230
Cemetery	17,700	28,446	28,446	-
Total planning and community development	<u>\$ 637,950</u>	<u>\$ 648,696</u>	<u>\$ 559,466</u>	<u>\$ 89,230</u>
Total Special Revenue Fund	<u>\$ 637,950</u>	<u>\$ 648,696</u>	<u>\$ 559,466</u>	<u>\$ 89,230</u>
Capital Projects Fund:				
Capital projects:				
Church Street project	\$ 7,200	\$ 7,200	\$ 10,346	\$ (3,146)
Castle trailer park	6,000	6,000	-	6,000
Medical center	3,000	3,000	16,268	(13,268)
CDBG projects	500	500	-	500
East end grant	1,650,000	1,650,000	531,734	1,118,266
Weatherization	54,000	54,000	36,385	17,615
Capital improvement	245,260	378,549	378,548	1
Total capital projects	<u>\$ 1,965,960</u>	<u>\$ 2,099,249</u>	<u>\$ 973,281</u>	<u>\$ 1,125,968</u>
Debt service:				
Interest and other fiscal charges	\$ -	\$ 20,000	\$ 20,000	\$ -
Total debt service	<u>\$ -</u>	<u>\$ 20,000</u>	<u>\$ 20,000</u>	<u>\$ -</u>
Total Capital Projects Fund	<u>\$ 1,965,960</u>	<u>\$ 2,119,249</u>	<u>\$ 993,281</u>	<u>\$ 1,125,968</u>
Total Expenditures -- Primary Government	<u>\$ 7,369,565</u>	<u>\$ 7,723,642</u>	<u>\$ 6,425,421</u>	<u>\$ 1,298,221</u>

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
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
2016-17	342,731	1,345,450	1,955,439	63,637	13,563	1,065,627	41,852	5,942,174	10,770,473
2017-18	323,397	1,192,583	1,377,062	63,637	49,935	1,653,360	50,989	5,759,354	10,470,317
2018-19	337,448	1,510,995	2,188,453	63,637	63,410	669,006	5,505	6,163,849	11,002,303
2019-20	534,715	1,428,089	2,517,171	63,637	77,227	1,579,398	23,749	6,375,074	12,599,060

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
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
2016-17	7,713,900	1,728,359	118,021		489,439	1,293,787	317,100	171,011	71,531	11,903,148
2017-18	8,030,879	2,247,926	7,819		498,533	1,345,775	333,659	347,170	60,653	12,872,414
2018-19	8,111,224	1,856,219	18,511		533,584	1,407,365	353,754	201,204	71,468	12,553,329
2019-20	7,550,498	2,322,243	690,849		511,745	1,272,034	144,320	297,650	63,787	12,853,126

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
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
2017	792,224	1,211,708	2,332,880	20,480	539,829	310,012	5,207,133
2018	872,244	1,218,877	2,229,215	24,308	546,954	334,335	5,225,933
2019	927,630	1,283,978	2,200,295	29,560	656,368	309,814	5,407,645
2020	928,205	1,277,157	2,430,323	20,779	559,466	105,610	5,321,540

(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
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
2017	485,746	1,293,787	3,810	18,974	27,864	811,257	92,504	776,296	1,644,092	5,154,330
2018	471,214	1,345,775	4,065	18,764	33,554	768,198	219,270	795,594	1,662,528	5,318,962
2019	549,036	1,407,365	4,260	21,135	57,404	752,035	99,528	790,383	1,911,515	5,592,661
2020	528,487	1,272,034	5,575	15,700	72,806	651,391	180,121	822,384	1,805,874	5,354,372

(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
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%
2017	500,778	496,872	99.22%	11,250	508,122	101.47%	67,346	13.45%
2018	521,022	494,294	94.87%	4,880	499,174	95.81%	102,101	19.60%
2019	549,699	528,861	96.21%	42,249	571,110	103.90%	80,989	14.73%
2020	552,123	522,795	94.69%	31,358	554,153	100.37%	64,067	11.60%

(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	Aircraft	Public Service (2)	Total
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
2017	165,478,656	14,196,225	660,810	157,796	-	4,441,082	184,934,569
2018	171,650,370	15,148,809	597,222	129,451	-	4,035,387	191,561,239
2019	178,228,559	16,974,104	374,228	82,634	-	4,353,476	200,013,001
2020	173,657,064	17,366,821	809,292	61,324	40,500	4,087,065	196,022,066

(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		Aircraft		Public Utility			
											Real Estate	Personal Property		
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
2017		0.22		0.85		0.85		0.22		-		0.22		0.85
2018		0.22		0.85		0.85		0.22		-		0.22		0.85
2019		0.22		0.85		0.85		0.22		-		0.22		0.85
2020		0.22		0.85		0.85		0.22		0.50		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	
				Payable from Enterprise Revenue	Debt		Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2011	3,621	\$ 174,943,120	\$ 7,585,000	\$ 5,860,000	\$ 1,725,000	0.99%	476	
2012	3,621	175,439,572	7,260,000	5,715,000	1,545,000	0.88%	427	
2013	3,621	176,728,052	6,925,000	5,565,000	1,360,000	0.77%	376	
2014	3,621	179,155,869	6,750,000	5,585,000	1,165,000	0.65%	322	
2015	3,621	184,084,263	6,334,000	5,379,000	955,000	0.52%	264	
2016	3,621	183,664,243	5,915,000	5,180,000	735,000	0.40%	203	
2017	3,621	184,934,569	7,786,500	7,281,500	505,000	0.27%	139	
2018	3,621	191,561,239	8,780,250	8,520,250	260,000	0.14%	72	
2019	3,621	200,013,001	8,205,250	8,205,250	-	0.00%	-	
2020	3,621	196,022,066	7,947,000	7,947,000	-	0.00%	-	

(1) Weldon Cooper Center for Public Service, 2010 Census count.

(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, 2020

Assessed value of real property, January 1, 2019 (1)	<u>\$ 179,031,835</u>
Debt limit: 10% of assessed value	\$ 17,903,184
Amount of debt applicable to debt limit:	
Gross debt (2)	\$ 9,969,017
Less: Revenue bonds	<u>(2,022,017)</u>
Net general obligation bonds and loans	<u>\$ 7,947,000</u>
Legal debt limit	<u>\$ 9,956,184</u>

(1) Assessed value of real property, including public service corporations as of January 1, 2019.

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

Table 10

Town of Blackstone, Virginia
Pledged Revenue Coverage
Last Ten Fiscal Years (4)

Fiscal Year	Water and Sewer Revenue Bonds						
	Gross Revenues (1)	Operating Expenses (2) (3)	Less		Net Revenues		
			Available for		Debt Service		
			Debt Service		Principal	Interest	Coverage
2013	\$ 2,143,670	\$ 2,008,750	\$ 134,920	\$ 433,318	\$ 51,072		28%
2014	2,258,846	2,099,687	159,159	537,836	29,085		28%
2015	2,299,665	2,061,434	238,231	719,557	35,181		32%
2016	2,216,110	2,019,402	196,708	258,490	-		76%
2017	2,455,979	1,915,063	540,916	258,489	-		209%
2018	2,534,261	1,941,855	592,406	258,489	-		229%
2019	2,587,720	2,062,279	525,441	286,030	-		184%
2020	2,318,711	2,298,060	20,651	203,407	-		10%

(1) Operating revenues, interest and connection fees as described in Note 1.

(2) Net of depreciation and amortization.

(3) Operating expenses for prior years were restated to eliminate capacity rights amortization.

(4) Information prior to 2013 is not available

COMPLIANCE

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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, 2020, 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 October 27, 2020.

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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Town of Blackstone, Virginia's Response to Findings

Town of Blackstone, Virginia's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Town of Blackstone, Virginia's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.



Richmond, Virginia
October 27, 2020



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 City Council
Town of Blackstone
Blackstone, Virginia

Report on Compliance for Each Major Federal Program

We have audited the 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, 2020. The 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 the 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 the 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 the 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, 2020.

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.

Robinson, Farmer, Cox Associates

Richmond, Virginia
October 27, 2020

Town of Blackstone, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2020

Federal Grantor/Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Department of Transportation:			
Pass-through Payments:			
Virginia Department of Transportation:			
Highway Planning and Construction (ISTEA)			
(Highway Planning and Construction Cluster)	20.205	60302300-110967	\$ 263,999
Department of Motor Vehicles:			
Federal Transit Formula Grants (Federal Transit Cluster)	20.507	6090100-42500	336,177
Formula Grants for Rural Areas and Tribal Transit Program	20.509	6090100-42500	25,437
Alcohol Open Container Requirements	20.607	60500700-53000	4,224
Total Department of Transportation			<u>\$ 629,837</u>
Department of the Treasury:			
Pass Through Payments:			
County of Nottoway, Virginia:			
Coronavirus Relief Fund	21.019	Not Available	\$ 17,154
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	<u>\$ 736,363</u>
Total Expenditures of Federal Awards			<u><u>\$ 1,383,354</u></u>

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, 2020

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Town of Blackstone, Virginia under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Town of Blackstone, Virginia, it is not intended to be 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 the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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

Note 3 - 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	\$ 21,378
Special Revenue Fund	361,614
Capital Projects Fund	750,362
Water and Sewer Fund	250,000
Total primary government	\$ <u>1,383,354</u>

Total federal expenditures per basic financial statements	\$ <u><u>1,383,354</u></u>
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Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$ <u><u>1,383,354</u></u>
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Note 4 - Subrecipients

No awards were passed through to subrecipients.

Note 5 - De Minimis Cost Rate

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

TOWN OF BLACKSTONE, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020

Section I-Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: unmodified

Internal control over financial reporting:

Material weakness(es) identified?	_____ yes	_____ ✓ no
Significant deficiency(ies) identified?	_____ yes	_____ ✓ none reported

Noncompliance material to financial statements noted?

_____ yes	_____ ✓ no
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Federal Awards

Internal control over major programs:

Material weakness(es) identified?	_____ yes	_____ ✓ no
Significant deficiency(ies) identified?	_____ yes	_____ ✓ 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)?

_____ yes	_____ ✓ no
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Identification of major programs:

CFDA Number(s)
14.228

Name of Federal Program or Cluster
Community Development Block 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?

_____ yes	_____ ✓ no
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Section II-Financial Statement Findings

None

Section III-Federal Award Findings and Questioned Costs

None

TOWN OF BLACKSTONE, VIRGINIA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2020

Findings - Commonwealth of Virginia

2019-001:

Condition:

The Town held their public hearing on June 18, 2018 on the FY2019 budget but did not provide 7 days of public notice to citizens within the local government. The public hearing was advertised in the Courier-Record on June 13, 2018.

Recommendation:

Town management should have procedures in place to ensure that the public hearing is properly advertised in accordance with the requirements of the Code of Virginia.

Current Status:

Corrective action was noted during the audit for the year ended June 30, 2020.