

TOWN OF BLACKSTONE, VIRGINIA



ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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TOWN OF BLACKSTONE, VIRGINIA

TOWN COUNCIL

William D. Coleburn, Mayor

Barbara Thompson
Lonnie Morgan
Eric M. Nash

Nathaniel Miller
Christine Hasbrouck
Tom Wilkinson
Sheila Jones

OTHER OFFICIALS

Town Manager
Town Clerk
Chief of Police
Town Attorney

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

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TOWN OF BLACKSTONE, VIRGINIA
 FINANCIAL REPORT
 FOR THE YEAR ENDED JUNE 30, 2018

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FINANCIAL REPORT
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ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Blackstone, Virginia, as of and for the year ended June 30, 2018, 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, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 17 to the financial statements, in 2018, the Town adopted new accounting guidance, GASB Statement Nos. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* and 85 *Omnibus 2017*. Our opinion is not modified with respect to this matter.

Restatement of Beginning Balances

As described in Note 17 to the financial statements, in 2018, the Town restated beginning balances to reflect the requirements of GASB Statement No. 75. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information and schedules related to pension and OPEB funding on pages 76-77 and 78-84 to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Town of Blackstone, Virginia's basic financial statements. The individual fund financial statement and schedule, supporting schedules and other statistical information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual fund financial statement and schedule and supporting schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund financial statement and schedule and supporting schedules 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 15, 2018, 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 15, 2018

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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Town of Blackstone, Virginia
Statement of Net Position
June 30, 2018

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 724,722	\$ 4,234,500	\$ 4,959,222
Receivables (net of allowance for uncollectibles):			
Taxes receivable	109,090	-	109,090
Accounts receivable	149,003	586,717	735,720
Due from other governmental units	127,534	48,014	175,548
Prepaid items	63,919	14,623	78,542
Restricted assets:			
Cash and cash equivalents - unspent bond proceeds	1,526,988	2,098,752	3,625,740
Net pension asset	520,996	284,877	805,873
Capital assets (net of accumulated depreciation):			
Land	1,192,822	249,575	1,442,397
Buildings and improvements	5,532,869	-	5,532,869
Utility plant in service	-	10,293,107	10,293,107
Machinery and equipment	1,292,009	318,854	1,610,863
Infrastructure	2,073,161	-	2,073,161
Construction in progress	45,100	395,326	440,426
Total assets	<u>\$ 13,358,213</u>	<u>\$ 18,524,345</u>	<u>\$ 31,882,558</u>
DEFERRED OUTFLOWS OF RESOURCES			
Accumulated decrease in fair value of interest rate swap agreement	\$ 981	\$ -	\$ 981
Pension related items	62,285	31,223	93,508
OPEB related items	7,142	3,320	10,462
Total deferred outflow of resources	<u>\$ 70,408</u>	<u>\$ 34,543</u>	<u>\$ 104,951</u>
LIABILITIES			
Accounts payable	\$ 339,661	\$ 309,673	\$ 649,334
Accrued interest payable	-	82,379	82,379
Customer deposits payable	-	186,268	186,268
Long-term liabilities:			
Due within one year	307,259	579,504	886,763
Due in more than one year	1,853,556	9,016,748	10,870,304
Total liabilities	<u>\$ 2,500,476</u>	<u>\$ 10,174,572</u>	<u>\$ 12,675,048</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue - property taxes	\$ 3,388	\$ -	\$ 3,388
Pension related items	295,677	163,284	458,961
OPEB related items	19,867	9,133	29,000
Total deferred inflow of resources	<u>\$ 318,932</u>	<u>\$ 172,417</u>	<u>\$ 491,349</u>
NET POSITION			
Net investment in capital assets	\$ 9,691,155	\$ 3,871,160	\$ 13,562,315
Unrestricted	918,058	4,340,739	5,258,797
Total net position	<u>\$ 10,609,213</u>	<u>\$ 8,211,899</u>	<u>\$ 18,821,112</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, 2018

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	\$ 323,397	\$ -	\$ 1,740	\$ -	\$ (321,657)		\$ (321,657)
Public safety	1,192,583	34,654	113,770	-	(1,044,159)		(1,044,159)
Public works	1,377,062	728,252	1,341,152	-	692,342		692,342
Health and welfare	63,637	-	7,300	-	(56,337)		(56,337)
Parks, recreation, and cultural	49,935	-	-	-	(49,935)		(49,935)
Community development	1,653,360	28,121	783,964	7,819	(833,456)		(833,456)
Interest on long-term debt	50,989	-	-	-	(50,989)		(50,989)
Total governmental activities	\$ 4,710,963	\$ 791,027	\$ 2,247,926	\$ 7,819	\$ (1,664,191)		\$ (1,664,191)
Business-type activities:							
Electric Fund	\$ 3,617,864	\$ 4,770,068	\$ -	\$ -		\$ 1,152,204	\$ 1,152,204
Water and Sewer Fund	2,141,490	2,469,784	-	-		328,294	328,294
Total business-type activities	\$ 5,759,354	\$ 7,239,852	\$ -	\$ -		\$ 1,480,498	\$ 1,480,498
Total primary government	\$ 10,470,317	\$ 8,030,879	\$ 2,247,926	\$ 7,819			\$ (183,693)
General revenues:							
General property taxes					\$ 498,533	\$ -	\$ 498,533
Other local taxes:							
Local sales and use tax					202,407	-	202,407
Business license tax					177,403	-	177,403
Restaurant food tax					636,192	-	636,192
Other local taxes					329,773	-	329,773
Unrestricted revenues from use of money and property					313,531	20,128	333,659
Miscellaneous					256,967	90,203	347,170
Grants and contributions not restricted to specific programs					60,653	-	60,653
Transfers					58,912	(58,912)	-
Total general revenues					\$ 2,534,371	\$ 51,419	\$ 2,585,790
Change in net position					\$ 870,180	\$ 1,531,917	\$ 2,402,097
Net position - beginning, as restated					9,739,033	6,679,982	16,419,015
Net position - ending					\$ 10,609,213	\$ 8,211,899	\$ 18,821,112

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, 2018

	<u>General</u>	<u>Capital Projects</u>	<u>Special Revenue</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 257,004	\$ 74,828	\$ 392,890	\$ 724,722
Receivables (net of allowance for uncollectibles):				
Taxes receivable	109,090	-	-	109,090
Accounts receivable	135,279	13,724	-	149,003
Due from other governmental units	76,489	15,319	35,726	127,534
Prepaid items	27,912	29,851	6,156	63,919
Restricted assets:				
Cash and cash equivalents	-	1,526,988	-	1,526,988
Total assets	<u>\$ 605,774</u>	<u>\$ 1,660,710</u>	<u>\$ 434,772</u>	<u>\$ 2,701,256</u>
LIABILITIES				
Accounts payable	\$ 258,259	\$ 71,477	\$ 9,925	\$ 339,661
Total liabilities	<u>\$ 258,259</u>	<u>\$ 71,477</u>	<u>\$ 9,925</u>	<u>\$ 339,661</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	\$ 109,287	\$ -	\$ -	\$ 109,287
Total deferred inflows of resources	<u>\$ 109,287</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 109,287</u>
FUND BALANCES				
Nonspendable	\$ 27,912	\$ 29,851	\$ 232,544	\$ 290,307
Restricted	24,319	1,526,988	192,303	1,743,610
Committed	-	32,394	-	32,394
Assigned	204,135	-	-	204,135
Unassigned	(18,138)	-	-	(18,138)
Total fund balances	<u>\$ 238,228</u>	<u>\$ 1,589,233</u>	<u>\$ 424,847</u>	<u>\$ 2,252,308</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 605,774</u>	<u>\$ 1,660,710</u>	<u>\$ 434,772</u>	<u>\$ 2,701,256</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, 2018

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$ 2,252,308	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		10,135,961
Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.		
Unavailable revenue - property taxes	\$ 105,899	
Net pension asset	520,996	626,895
Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.		
Pension related items	\$ 62,285	
OPEB related items	7,142	69,427
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	\$ (75,684)	
Net OPEB liability	(112,356)	
General obligation bond and USDA loan	(1,920,578)	
Capital leases	(51,216)	(2,159,834)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.		
Pension related items	\$ (295,677)	
OPEB related items	(19,867)	(315,544)
Net position of governmental activities		\$ 10,609,213

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, 2018

	<u>General</u>	<u>Capital Projects</u>	<u>Special Revenue</u>	<u>Total</u>
REVENUES				
General property taxes	\$ 471,214	\$ -	\$ -	\$ 471,214
Other local taxes	1,345,775	-	-	1,345,775
Permits, privilege fees, and regulatory licenses	4,065	-	-	4,065
Fines and forfeitures	18,764	-	-	18,764
Revenue from the use of money and property	31,399	279,977	2,155	313,531
Charges for services	740,077	-	28,121	768,198
Miscellaneous	190,910	37,697	28,360	256,967
Recovered costs	686,043	103,273	109,551	898,867
Intergovernmental:				
Commonwealth	1,234,368	274,222	88,268	1,596,858
Federal	16,025	379,648	323,867	719,540
Total revenues	<u>\$ 4,738,640</u>	<u>\$ 1,074,817</u>	<u>\$ 580,322</u>	<u>\$ 6,393,779</u>
EXPENDITURES				
Current:				
General government administration	\$ 872,244	\$ -	\$ -	\$ 872,244
Public safety	1,218,877	-	-	1,218,877
Public works	2,229,215	-	-	2,229,215
Parks, recreation, and cultural	24,308	-	-	24,308
Community development	11,428	-	535,526	546,954
Capital projects	217,386	1,274,432	-	1,491,818
Debt service:				
Principal retirement	38,346	245,000	-	283,346
Interest and other fiscal charges	6,079	44,910	-	50,989
Total expenditures	<u>\$ 4,617,883</u>	<u>\$ 1,564,342</u>	<u>\$ 535,526</u>	<u>\$ 6,717,751</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 120,757</u>	<u>\$ (489,525)</u>	<u>\$ 44,796</u>	<u>\$ (323,972)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 149,000	\$ 347,052	\$ -	\$ 496,052
Transfers out	(347,052)	(90,088)	-	(437,140)
Issuance of general obligation bond	-	1,547,250	-	1,547,250
Total other financing sources (uses)	<u>\$ (198,052)</u>	<u>\$ 1,804,214</u>	<u>\$ -</u>	<u>\$ 1,606,162</u>
Net change in fund balances	\$ (77,295)	\$ 1,314,689	\$ 44,796	\$ 1,282,190
Fund balances - beginning	315,523	274,544	380,051	970,118
Fund balances - ending	<u>\$ 238,228</u>	<u>\$ 1,589,233</u>	<u>\$ 424,847</u>	<u>\$ 2,252,308</u>

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

Town of Blackstone, Virginia
 Reconciliation of Statement of Revenues,
 Expenditures, and Changes in Fund Balances of Governmental Funds
 to the Statement of Activities
 For the Year Ended June 30, 2018

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

Net change in fund balances - total governmental funds \$ 1,282,190

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 capital outlays exceeded depreciation in the current period. The following is a summary of items supporting this adjustment:

Capital asset additions	\$ 1,152,121	
Depreciation expense	<u>(638,112)</u>	514,009

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

Property taxes		27,319
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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	\$ 23,549	
Proceeds of general obligation bond	(1,547,250)	
Principal retirement on USDA loans	14,797	
Principal retirement on general obligation bond	<u>245,000</u>	(1,263,904)

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	\$ 15,441	
Pension expense	287,982	
OPEB expense	<u>7,143</u>	310,566

Change in net position of governmental activities		<u>\$ 870,180</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, 2018

	Enterprise Funds		
	Electric	Water and Sewer	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 3,274,073	\$ 960,427	\$ 4,234,500
Accounts receivables, net of allowance for uncollectibles	416,107	170,610	586,717
Due from other governmental units	-	48,014	48,014
Prepaid items	3,788	10,835	14,623
Total current assets	<u>\$ 3,693,968</u>	<u>\$ 1,189,886</u>	<u>\$ 4,883,854</u>
Other assets:			
Net pension asset	\$ 148,603	\$ 136,274	\$ 284,877
Total other assets	<u>\$ 148,603</u>	<u>\$ 136,274</u>	<u>\$ 284,877</u>
Noncurrent assets:			
Restricted current assets:			
Cash and cash equivalents - unspent bond proceeds	\$ -	\$ 2,098,752	\$ 2,098,752
Total restricted current assets	<u>\$ -</u>	<u>\$ 2,098,752</u>	<u>\$ 2,098,752</u>
Capital assets:			
Land	\$ 238,213	\$ 11,362	\$ 249,575
Utility plant in service	606,969	9,686,138	10,293,107
Machinery and equipment	215,403	103,451	318,854
Construction in progress	-	395,326	395,326
Total capital assets	<u>\$ 1,060,585</u>	<u>\$ 10,196,277</u>	<u>\$ 11,256,862</u>
Total noncurrent assets	<u>\$ 1,060,585</u>	<u>\$ 12,295,029</u>	<u>\$ 13,355,614</u>
Total assets	<u>\$ 4,903,156</u>	<u>\$ 13,621,189</u>	<u>\$ 18,524,345</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension related items	\$ 16,290	\$ 14,933	\$ 31,223
OPEB related items	1,721	1,599	3,320
Total deferred outflows of resources	<u>\$ 18,011</u>	<u>\$ 16,532</u>	<u>\$ 34,543</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 235,679	\$ 73,994	\$ 309,673
Accrued interest payable	-	82,379	82,379
Customer deposits payable	-	186,268	186,268
Compensated absences - current portion	2,141	3,874	6,015
Bonds payable - current portion	-	573,489	573,489
Total current liabilities	<u>\$ 237,820</u>	<u>\$ 920,004</u>	<u>\$ 1,157,824</u>
Noncurrent liabilities:			
Compensated absences - net of current portion	\$ 19,273	\$ 34,866	\$ 54,139
Bonds payable - net of current portion	-	8,910,965	8,910,965
Net OPEB liability	26,765	24,879	51,644
Total noncurrent liabilities	<u>\$ 46,038</u>	<u>\$ 8,970,710</u>	<u>\$ 9,016,748</u>
Total liabilities	<u>\$ 283,858</u>	<u>\$ 9,890,714</u>	<u>\$ 10,174,572</u>
DEFERRED INFLOWS OF RESOURCES			
Pension related items	\$ 84,954	\$ 78,330	\$ 163,284
OPEB related items	4,733	4,400	9,133
Total deferred outflows of resources	<u>\$ 89,687</u>	<u>\$ 82,730</u>	<u>\$ 172,417</u>
NET POSITION			
Net investment in capital assets	\$ 1,060,585	\$ 2,810,575	\$ 3,871,160
Unrestricted	3,487,037	853,702	4,340,739
Total net position	<u>\$ 4,547,622</u>	<u>\$ 3,664,277</u>	<u>\$ 8,211,899</u>

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, 2018

	Enterprise Funds		
	<u>Electric</u>	<u>Water and Sewer</u>	<u>Total</u>
OPERATING REVENUES			
Charges for services:			
Water and sewer revenues	\$ -	\$ 2,452,969	\$ 2,452,969
Electricity	4,763,385	-	4,763,385
Miscellaneous	8,911	81,292	90,203
Total operating revenues	<u>\$ 4,772,296</u>	<u>\$ 2,534,261</u>	<u>\$ 7,306,557</u>
OPERATING EXPENSES			
Personnel services	\$ 353,581	\$ 358,638	\$ 712,219
Fringe benefits	37,545	65,283	102,828
Contractual services	32,961	200,897	233,858
Electric power purchased	2,137,956	-	2,137,956
Other supplies and expenses	910,629	659,771	1,570,400
Depreciation	145,192	657,266	802,458
Total operating expenses	<u>\$ 3,617,864</u>	<u>\$ 1,941,855</u>	<u>\$ 5,559,719</u>
Operating income (loss)	<u>\$ 1,154,432</u>	<u>\$ 592,406</u>	<u>\$ 1,746,838</u>
NONOPERATING REVENUES (EXPENSES)			
Connection/reconnection fees	\$ 6,683	\$ 16,815	\$ 23,498
Interest income	9,747	10,381	20,128
Interest expense	-	(199,635)	(199,635)
Total nonoperating revenues (expenses)	<u>\$ 16,430</u>	<u>\$ (172,439)</u>	<u>\$ (156,009)</u>
Income before transfers	<u>\$ 1,170,862</u>	<u>\$ 419,967</u>	<u>\$ 1,590,829</u>
Transfers in	\$ -	\$ 90,088	\$ 90,088
Transfers out	(149,000)	-	(149,000)
Change in net position	<u>\$ 1,021,862</u>	<u>\$ 510,055</u>	<u>\$ 1,531,917</u>
Total net position - beginning, as restated	3,525,760	3,154,222	6,679,982
Total net position - ending	<u>\$ 4,547,622</u>	<u>\$ 3,664,277</u>	<u>\$ 8,211,899</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, 2018

	Enterprise Funds		
	Electric	Water and Sewer	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 4,737,203	\$ 2,544,755	\$ 7,281,958
Payments for operating expenses	(3,081,350)	(859,673)	(3,941,023)
Payments to and for employees	(467,152)	(506,763)	(973,915)
Net cash provided by (used for) operating activities	<u>\$ 1,188,701</u>	<u>\$ 1,178,319</u>	<u>\$ 2,367,020</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from other funds	\$ -	\$ 90,088	\$ 90,088
Transfers to other funds	(149,000)	-	(149,000)
Net cash provided by (used for) noncapital financing activities	<u>\$ (149,000)</u>	<u>\$ 90,088</u>	<u>\$ (58,912)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	\$ (211,756)	\$ (242,990)	\$ (454,746)
Principal payments on bonds and capital leases	-	(566,989)	(566,989)
Connection fees	6,683	16,815	23,498
Capital contributions and construction grants	-	89,552	89,552
Interest payments	-	(203,282)	(203,282)
Net cash provided by (used for) capital and related financing activities	<u>\$ (205,073)</u>	<u>\$ (906,894)</u>	<u>\$ (1,111,967)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	\$ 9,747	\$ 10,381	\$ 20,128
Net cash provided (used) by investing activities	<u>\$ 9,747</u>	<u>\$ 10,381</u>	<u>\$ 20,128</u>
Net increase (decrease) in cash and cash equivalents	\$ 844,375	\$ 371,894	\$ 1,216,269
Cash and cash equivalents - beginning	2,429,698	2,687,285	5,116,983
Cash and cash equivalents - ending	<u>\$ 3,274,073</u>	<u>\$ 3,059,179</u>	<u>\$ 6,333,252</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ 1,154,432	\$ 592,406	\$ 1,746,838
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	145,192	657,266	802,458
(Increase) decrease in accounts receivable	(35,093)	(1,719)	(36,812)
(Increase) decrease in prepaid items	(3,788)	(10,835)	(14,623)
(Increase) decrease in net pension asset	(143,882)	(131,986)	(275,868)
(Increase) decrease in deferred outflows of resources	10,232	9,157	19,389
Increase (decrease) in customer deposits payable	-	12,213	12,213
Increase (decrease) in accounts payable	3,984	11,830	15,814
Increase (decrease) in deferred inflows of resources	58,262	54,185	112,447
Increase (decrease) in net OPEB liability	(6,365)	(5,916)	(12,281)
Increase (decrease) in compensated absences	5,727	(8,282)	(2,555)
Total adjustments	<u>\$ 34,269</u>	<u>\$ 585,913</u>	<u>\$ 620,182</u>
Net cash provided by (used for) operating activities	<u>\$ 1,188,701</u>	<u>\$ 1,178,319</u>	<u>\$ 2,367,020</u>

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, 2018

Note 1—Summary of Significant Accounting Policies:

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

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

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

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

Government-wide and Fund Financial Statements

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

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

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

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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

Government-wide and Fund Financial Statements (Continued)

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

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

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

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

A. Financial Reporting Entity

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

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, 2018.

Discretely Presented Component Units. The Town has no discretely presented component units at June 30, 2018.

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

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

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

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

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

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

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

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

Licenses, permits, fines and rents are recorded as revenues when received. Intergovernmental revenues, consisting primarily of federal, state and other grants for the purpose of funding specific expenditures, are recognized when earned or at the time of the specific expenditure. Revenues from general purpose grants are recognized in the period to which the grant applies. All other revenue items are considered to be measurable and available only when cash is received by the government.

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

1. Governmental Funds

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

a. General Fund

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

b. Special Revenue Fund

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

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

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

1. Governmental Funds (Continued)

c. Capital Projects Fund

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

2. Proprietary Funds

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

a. Enterprise Funds

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues consist of charges to customers for sales and services. Operating expenses include the costs of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Cash and Cash Equivalents

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

E. Investments

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

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

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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

F. Prepaid Items

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

G. Receivables and Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “due to/from other funds” (i.e. the current portions of the interfund loans). All other outstanding balances between funds are reported as “advances to/from other funds” (i.e. the noncurrent portion of interfund loans).

All trade and property tax receivables are shown net of an allowance for uncollectibles. The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$411,438 at June 30, 2018 and is comprised of property taxes of \$10,388, electric revenues of \$284,430, and water and sewer charges of \$116,620.

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.

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

H. Capital Assets (Continued)

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

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

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

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

I. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported as an expense in the Statement of Activities and a long-term obligation in the Statement of Net Position. In accordance with the provisions of Governmental Accounting Standards Board Statement No. 16, *Accounting for Compensated Absences*, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulated sick leave benefits that is estimated will be taken as “terminal leave” prior to retirement.

J. Use of Estimates

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

K. Net Position

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

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

L. Net Position Flow Assumption

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

M. Long-term Obligations

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

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

N. Fund Equity

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

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

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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

N. Fund Equity (Continued)

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

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

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TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

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

N. Fund Equity (Continued)

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

	General	Capital Projects	Special Revenue	Total
Fund balances:				
Nonspendable:				
Cemetery perpetual care	\$ -	\$ -	\$ 226,388	\$ 226,388
Prepaid items	27,912	29,851	6,156	63,919
Total nonspendable fund balance	<u>\$ 27,912</u>	<u>\$ 29,851</u>	<u>\$ 232,544</u>	<u>\$ 290,307</u>
Restricted:				
Cemetery	\$ -	\$ -	\$ 62,824	\$ 62,824
Bus	-	-	129,479	129,479
Unspent bond proceeds	-	1,526,988	-	1,526,988
Asset forfeiture	8,518	-	-	8,518
Youth donations	3,207	-	-	3,207
National night out	89	-	-	89
Special donations	2,241	-	-	2,241
Neighborhood cookouts	54	-	-	54
Benefit bass tournament	4,275	-	-	4,275
Shop with a Cop Program	5,935	-	-	5,935
Total restricted fund balance	<u>\$ 24,319</u>	<u>\$ 1,526,988</u>	<u>\$ 192,303</u>	<u>\$ 1,743,610</u>
Committed:				
Capital projects	\$ -	\$ 32,394	\$ -	\$ 32,394
Total committed fund balance	<u>\$ -</u>	<u>\$ 32,394</u>	<u>\$ -</u>	<u>\$ 32,394</u>
Assigned:				
Airport fuel farm	\$ 204,135	\$ -	\$ -	\$ 204,135
Total assigned fund balance	<u>\$ 204,135</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 204,135</u>
Unassigned	\$ (18,138)	\$ -	\$ -	\$ (18,138)
Total fund balances	<u><u>\$ 238,228</u></u>	<u><u>\$ 1,589,233</u></u>	<u><u>\$ 424,847</u></u>	<u><u>\$ 2,252,308</u></u>

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

O. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town has multiple items that qualify for reporting in this category. One is the accumulated decrease in the fair market value of the interest rate swap agreement in the government-wide statement of net position. The fair market value of the interest rate swap agreement is adjusted annually. The other item is comprised of certain items related to the measurement of the net pension asset/liability and net OPEB asset/liability(ies) and contributions to the pension and OPEB plans made during the current year and subsequent to the net pension asset/liability and net OPEB asset/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/liability and net OPEB liability(ies) 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

1. Group Life Insurance

The Virginia Retirement System (VRS) Group Life Insurance (GLI) Program provides coverage to state employees, teachers, and employees of participating political subdivisions. The GLI Program 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. The GLI Program is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers.

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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

Q. Other Postemployment Benefits (Continued)

1. Group Life Insurance (Continued)

For purposes of measuring the net GLI Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the GLI OPEB, and GLI OPEB expense, information about the fiduciary net position of the VRS GLI Program OPEB and the additions to/deductions from the VRS GLI OPEB's 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.

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, 2018, as adopted, appropriated and legally amended.

Expenditures and Appropriations

Expenditures did not exceed appropriations in in any fund at June 30, 2018.

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

Note 3—Deposits and Investments:

Deposits

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

Investments

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

Credit Risk of Debt Securities

The Town’s rated debt investments as of June 30, 2018 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	
Rated Debt Investments	Fair Quality Ratings
	AAAm
First American Treasury Obligations Fund	\$ 156,153
Total	\$ 156,153

Interest Rate Risk

Investment Maturities (in years)		
Investment Type	Fair Value	Less Than 1 Year
First American Treasury Obligations Fund	\$ 156,153	\$ 156,153
Total	\$ 156,153	\$ 156,153

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

Note 4—Due to/from Other Governments:

At June 30, 2018, the Town has receivables from other governments as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Other Local Governments:		
County of Nottoway	\$ 71,116	\$ -
Commonwealth of Virginia:		
Rolling stock tax	53	-
DMV	2,563	-
Communications tax	2,616	-
Fort Pickett water and sewer payment	-	48,014
Auto rental tax	141	-
VDOT revenue sharing reimbursement	15,319	-
Federal Government:		
Mass transit grant	<u>35,726</u>	<u>-</u>
Total due from other governments	<u>\$ 127,534</u>	<u>\$ 48,014</u>

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TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

Note 5—Capital Assets:

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2018:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Governmental activities:				
Capital assets not subject to depreciation:				
Land	\$ 1,192,822	\$ -	\$ -	\$ 1,192,822
Construction in progress	493,837	45,100	493,837	45,100
Total capital assets not subject to depreciation	<u>\$ 1,686,659</u>	<u>\$ 45,100</u>	<u>\$ 493,837</u>	<u>\$ 1,237,922</u>
Capital assets subject to depreciation:				
Buildings and improvements	\$ 8,461,640	\$ -	\$ -	\$ 8,461,640
Infrastructure	1,191,980	1,320,311	-	2,512,291
Machinery and equipment	4,646,960	280,547	283,671	4,643,836
Total capital assets subject to depreciation	<u>\$ 14,300,580</u>	<u>\$ 1,600,858</u>	<u>\$ 283,671</u>	<u>\$ 15,617,767</u>
Accumulated depreciation:				
Buildings and improvements	\$ 2,714,159	\$ 214,612	\$ -	\$ 2,928,771
Infrastructure	371,431	67,699	-	439,130
Machinery and equipment	3,279,697	355,801	283,671	3,351,827
Total accumulated depreciation	<u>\$ 6,365,287</u>	<u>\$ 638,112</u>	<u>\$ 283,671</u>	<u>\$ 6,719,728</u>
Total capital assets subject to depreciation, net	<u>\$ 7,935,293</u>	<u>\$ 962,746</u>	<u>\$ -</u>	<u>\$ 8,898,039</u>
Governmental activities capital assets, net	<u>\$ 9,621,952</u>	<u>\$ 1,007,846</u>	<u>\$ 493,837</u>	<u>\$ 10,135,961</u>

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TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

Note 5—Capital Assets: (Continued)

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2018:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
<i>Business-type Activities:</i>				
Capital assets not subject to depreciation:				
Land	\$ 249,575	\$ -	\$ -	\$ 249,575
Construction in progress	181,994	213,332	-	395,326
Total capital assets not subject to depreciation	<u>\$ 431,569</u>	<u>\$ 213,332</u>	<u>\$ -</u>	<u>\$ 644,901</u>
Capital assets subject to depreciation:				
Utility plant in service	\$ 25,537,950	\$ -	\$ -	\$ 25,537,950
Buildings	24,852	-	-	24,852
Machinery and equipment	1,251,192	241,414	106,405	1,386,201
Total capital assets subject to depreciation	<u>\$ 26,813,994</u>	<u>\$ 241,414</u>	<u>\$ 106,405</u>	<u>\$ 26,949,003</u>
Accumulated depreciation:				
Utility plant in service	\$ 14,511,681	\$ 733,162	\$ -	\$ 15,244,843
Buildings	24,852	-	-	24,852
Machinery and equipment	1,104,456	69,296	106,405	1,067,347
Total accumulated depreciation	<u>\$ 15,640,989</u>	<u>\$ 802,458</u>	<u>\$ 106,405</u>	<u>\$ 16,337,042</u>
Total capital assets subject to depreciation, net	<u>\$ 11,173,005</u>	<u>\$ (561,044)</u>	<u>\$ -</u>	<u>\$ 10,611,961</u>
Business-type activities capital assets, net	<u>\$ 11,604,574</u>	<u>\$ (347,712)</u>	<u>\$ -</u>	<u>\$ 11,256,862</u>

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TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

Note 5—Capital Assets: (Continued)

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government administration	\$ 6,632
Public safety	170,123
Public works	133,121
Health and welfare	63,637
Parks, recreation and cultural	32,750
Community development	231,849
	<u>638,112</u>
Total depreciation expense - governmental activities	<u>\$ 638,112</u>
Business-type activities:	
Electric fund	\$ 145,192
Water and Sewer fund	657,266
	<u>802,458</u>
Total depreciation expense - business-type activities	<u>\$ 802,458</u>
Total depreciation expense - primary government	<u><u>\$ 1,440,570</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, 2018:

	Restated Balance at July 1, 2017	Increases	Decreases	Balance at June 30, 2018	Amounts Due Within One Year
Governmental Activities:					
Compensated absences	\$ 91,125	\$ 9,113	\$ 24,554	\$ 75,684	\$ 7,568
Net OPEB liability	139,075	-	26,719	112,356	-
Capital leases (Note 7)	74,765	-	23,549	51,216	24,438
USDA loans	128,125	-	14,797	113,328	15,253
General obligation bonds	505,000	1,547,250	245,000	1,807,250	260,000
Derivative instrument liability	9,996	-	9,015	981	-
	<u>948,086</u>	<u>1,556,363</u>	<u>343,634</u>	<u>2,160,815</u>	<u>307,259</u>
Total Governmental Activities	<u>\$ 948,086</u>	<u>\$ 1,556,363</u>	<u>\$ 343,634</u>	<u>\$ 2,160,815</u>	<u>\$ 307,259</u>
Business-type Activities:					
Compensated absences	\$ 62,709	\$ 3,716	\$ 6,271	\$ 60,154	\$ 6,015
Net OPEB liability	63,925	-	12,281	51,644	-
General obligation bonds	7,281,500	-	308,500	6,973,000	315,000
Revenue bonds	2,769,943	-	258,489	2,511,454	258,489
	<u>10,178,077</u>	<u>3,716</u>	<u>585,541</u>	<u>9,596,252</u>	<u>579,504</u>
Total Business-type Activities	<u>\$ 10,178,077</u>	<u>\$ 3,716</u>	<u>\$ 585,541</u>	<u>\$ 9,596,252</u>	<u>\$ 579,504</u>
Total Primary Government	<u><u>\$ 11,126,163</u></u>	<u><u>\$ 1,560,079</u></u>	<u><u>\$ 929,175</u></u>	<u><u>\$ 11,757,067</u></u>	<u><u>\$ 886,763</u></u>

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

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					
	General Obligation Bond		USDA Loans		Capital Leases	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 260,000	\$ 73,296	\$ 15,253	\$ 3,275	\$ 24,438	\$ 1,458
2020	27,250	69,472	15,722	2,806	21,065	572
2021	56,250	67,625	16,207	2,321	5,713	43
2022	59,000	65,066	16,671	1,857	-	-
2023	61,750	62,389	13,307	1,357	-	-
2024	64,250	59,588	13,729	935	-	-
2025	67,250	56,669	14,164	500	-	-
2026	70,250	53,616	8,275	85	-	-
2027	73,750	50,423	-	-	-	-
2028	77,000	47,077	-	-	-	-
2029	80,500	43,581	-	-	-	-
2030	84,000	39,928	-	-	-	-
2031	88,000	36,111	-	-	-	-
2032	92,000	32,115	-	-	-	-
2033	96,000	27,939	-	-	-	-
2034	100,500	23,579	-	-	-	-
2035	105,000	19,015	-	-	-	-
2036	109,750	14,250	-	-	-	-
2037	114,750	9,266	-	-	-	-
2038	120,000	4,058	-	-	-	-
Total	<u>\$ 1,807,250</u>	<u>\$ 855,063</u>	<u>\$ 113,328</u>	<u>\$ 13,136</u>	<u>\$ 51,216</u>	<u>\$ 2,073</u>

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TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

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
2019	\$ 258,489	\$ -	\$ 315,000	\$ 194,468
2020	230,947	-	326,000	185,399
2021	203,407	-	332,000	176,098
2022	203,412	-	343,500	166,545
2023	134,637	-	354,000	156,673
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	134,192	-	489,500	26,687
2035	-	-	500,000	12,638
2036	-	-	149,500	3,708
Total	<u>\$ 2,511,454</u>	<u>\$ -</u>	<u>\$ 6,973,000</u>	<u>\$ 1,877,967</u>

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TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

Note 6—Long-term Obligations: (Continued)

Details of Long-term Obligations:

	<u>Total Amount</u>
<u>Governmental Activities:</u>	
Capital Leases (Note 7)	\$ 51,216
<u>General Obligation Bonds:</u>	
\$2,055,000 general obligation bond issued May 21, 2009, due in annual principal installments ranging from \$160,000 to \$260,000 through May 1, 2019 with interest due monthly at varying rates.	\$ 260,000
\$1,547,250 general obligation bond issued June 15, 2018, due in annual principal installments ranging from \$27,250 to \$120,000 through May 1, 2038 with interest due semi-annually at 4.49%.	1,547,250
Total General Obligation Bonds	<u>\$ 1,807,250</u>
<u>USDA Loans:</u>	
\$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%.	\$ 98,740
\$18,000 USDA loan issued June 6, 2017, due in monthly installments of \$322 through June 6, 2022 with interest due at 2.75%.	14,588
Total USDA Loans	<u>\$ 113,328</u>
Derivative instrument liability	<u>\$ 981</u>
Compensated absences (payable from General Fund)	<u>\$ 75,684</u>
Net OPEB liability	<u>\$ 112,356</u>
Total Long-term Obligations, Governmental Activities	<u>\$ 2,160,815</u>

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TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

Note 6—Long-term Obligations: (Continued)

Details of Long-term Obligations: (Continued)

Business-type Activities:

Revenue Bonds:

\$1,107,095 Utility Revenue Bond, issued February 1, 2000, due in semi-annual installments of \$27,541 through August 1, 2019; interest at 0%.	\$ 82,622
\$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%.	275,085
\$2,692,743 VRA Revolving Fund, issued September 2012, due in annual installments of \$67,618 through March 3, 2033; interest at 0%.	<u>2,153,747</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%.	\$ 4,765,000
\$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%.	<u>2,208,000</u>

Total General Obligation Bonds	<u>\$ 6,973,000</u>
Compensated absences (payable from Enterprise Fund)	<u>\$ 60,154</u>
Net OPEB liability	<u>\$ 51,644</u>
Total Long-term Obligations, Business-type Activities	<u>\$ 9,596,252</u>
Total Long-term Obligations, Primary Government	<u><u>\$ 11,757,067</u></u>

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 6—Long-term Obligations: (Continued)

Interest rate swap

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

Terms. The bonds and the related swap agreement mature on May 1, 2019. The swap's notional value of \$260,981 is more than the balance outstanding on the bonds payable of \$260,000. The difference of \$981 is reported in these financial statements as a derivative instrument liability within the long-term obligations of the Town.

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

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

	As of and for the year ended June 30, 2018	
Fair value	\$	(981)
Change in fair value		(9,015)

Note 7—Capital Leases:

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

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

Note 7—Capital Leases: (Continued)

The assets acquired through capital leases are as follows:

	Governmental Activities
Asset:	
Equipment	\$ 215,963
Less: accumulated depreciation	(198,762)
	<hr/>
Total	\$ 17,201
	<hr/> <hr/>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2018, were as follows:

Year Ended June 30	Governmental Activities
2019	\$ 25,896
2020	21,637
2021	5,756
	<hr/>
Total minimum lease payments	\$ 53,289
Less: amount representing interest	(2,073)
	<hr/>
Present value of minimum lease payments	\$ 51,216
	<hr/> <hr/>

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 \$105,899 at June 30, 2018.

Prepaid Property Taxes - Property taxes due subsequent to June 30, 2018 but paid in advance by the taxpayers totaled \$3,388 at June 30, 2018.

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 9—Litigation:

At June 30, 2018, 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.

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TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

Note 11—Pension Plan:

Plan Description

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

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

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula.</p>	<p>About Plan 2 Plan 2 is a defined benefit plan. The retirement benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula.</p>	<p>About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan.</p> <ul style="list-style-type: none"> • The defined benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

Note 11—Pension Plan: (Continued)

Plan Description (Continued)

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

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

Note 11—Pension Plan: (Continued)

Plan Description (Continued)

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

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

Note 11—Pension Plan: (Continued)

Plan Description (Continued)

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

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

Note 11—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.</p> <p>Members are always 100% vested in the contributions that they make.</p>	<p>Vesting Same as Plan 1.</p>	<p>Vesting <u>Defined Benefit Component:</u> Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p> <p><u>Defined Contribution Component:</u> Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.</p> <p>Members are always 100% vested in the contributions that they make.</p> <p>Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none"> • After two years, a member is 50% vested and may withdraw 50% of employer contributions.

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

Note 11—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Vesting (Cont.)	Vesting (Cont.)	<p>Vesting (Cont.) Defined Contribution Component: (Cont.)</p> <ul style="list-style-type: none"> • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. <p>Distribution is not required by law until age 70½.</p>
<p>Calculating the Benefit The Basic Benefit is calculated based on a formula using the member’s average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.</p> <p>An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.</p>	<p>Calculating the Benefit See definition under Plan 1.</p>	<p>Calculating the Benefit Defined Benefit Component: See definition under Plan 1.</p> <p>Defined Contribution Component: The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.</p>
<p>Average Final Compensation A member’s average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation A member’s average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

Note 11—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Service Retirement Multiplier VRS: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.</p> <p>Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.</p> <p>Political subdivision hazardous duty employees: The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.</p>	<p>Service Retirement Multiplier VRS: Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.</p> <p>Sheriffs and regional jail superintendents: Same as Plan 1.</p> <p>Political subdivision hazardous duty employees: Same as Plan 1.</p>	<p>Service Retirement Multiplier Defined Benefit Component: VRS: The retirement multiplier for the defined benefit component is 1.00%.</p> <p>For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.</p> <p>Sheriffs and regional jail superintendents: Not applicable.</p> <p>Political subdivision hazardous duty employees: Not applicable.</p> <p>Defined Contribution Component: Not applicable.</p>
<p>Normal Retirement Age VRS: Age 65.</p> <p>Political subdivisions hazardous duty employees: Age 60.</p>	<p>Normal Retirement Age VRS: Normal Social Security retirement age.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Normal Retirement Age Defined Benefit Component: VRS: Same as Plan 2.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p>Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

Note 11—Pension Plan: (Continued)

Plan Description (Continued)

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

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

Note 11—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.</p> <p><u>Eligibility:</u> For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.</p> <p>For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p> <p><u>Exceptions to COLA Effective Dates:</u> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. 	<p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.</p> <p><u>Eligibility:</u> Same as Plan 1.</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement <u>Defined Benefit Component:</u> Same as Plan 2.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p> <p><u>Eligibility:</u> Same as Plan 1 and Plan 2.</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1 and Plan 2.</p>

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

Note 11—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates: (Cont.)</u></p> <ul style="list-style-type: none"> • The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member’s survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins. 	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p>
<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</p>	<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.</p>	<p>Disability Coverage Employees of political subdivisions and School divisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.</p>

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

Note 11—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Disability Coverage (Cont.)	Disability Coverage (Cont.)	Disability Coverage (Cont.) Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.
<p>Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.</p>	<p>Purchase of Prior Service Same as Plan 1.</p>	<p>Purchase of Prior Service <u>Defined Benefit Component:</u> Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> • Hybrid Retirement Plan members are ineligible for ported service. <p><u>Defined Contribution Component:</u> Not applicable.</p>

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-annual-report-pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 11—Pension Plan: (Continued)

Employees Covered by Benefit Terms

As of the June 30, 2016 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Primary Government</u>
Inactive members or their beneficiaries currently receiving benefits	19
Inactive members:	
Vested inactive members	14
Non-vested inactive members	14
Inactive members active elsewhere in VRS	<u>31</u>
Total inactive members	59
Active members	<u>55</u>
Total covered employees	<u><u>133</u></u>

Contributions

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

The Town's contractually required employer contribution rate for the year ended June 30, 2018 was 3.65% of covered employee compensation for July through January, and 6.67% for February through June. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

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 \$93,508 and \$69,399 for the years ended June 30, 2018 and June 30, 2017, respectively.

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 11—Pension Plan: (Continued)

Net Pension Liability (Asset)

The Town’s net pension liability (asset) was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation performed as of June 30, 2016, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

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, 2016, 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, 2017.

Inflation	2.5%
Salary increases, including inflation	3.5% - 5.35%
Investment rate of return	7.0%, 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 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality rates:

Largest 10 - Non-Hazardous Duty: 20% of deaths are assumed to be service related

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 11—Pension Plan: (Continued)

Actuarial Assumptions - General Employees (Continued)

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.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - 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% to 20%

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% to 15%

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 11—Pension Plan: (Continued)

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, 2015, 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, 2016.

Inflation	2.5%
Salary increases, including inflation	3.5% - 4.75%
Investment rate of return	7.0%, 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 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality rates:

Largest 10 - Hazardous Duty: 70% 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.

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.

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

Note 11—Pension Plan: (Continued)

Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - 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
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Increased rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

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% to 45%

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

Note 11—Pension Plan: (Continued)

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.30%

* The above allocation provides a one-year return of 7.30%. 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 6.83%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the employer for the Town Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 11—Pension Plan: (Continued)

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, 2016	\$ 7,139,701	\$ 7,167,960	\$ (28,259)
Changes for the year:			
Service cost	\$ 192,963	\$ -	\$ 192,963
Interest	492,549	-	492,549
Assumption changes	(222,193)	-	(222,193)
Differences between expected and actual experience	(195,722)	-	(195,722)
Contributions - employer	-	69,399	(69,399)
Contributions - employee	-	102,844	(102,844)
Net investment income	-	878,767	(878,767)
Benefit payments, including refunds			
Refunds of employee contributions	(206,580)	(206,580)	-
Administrative expenses	-	(5,017)	5,017
Other changes	-	(782)	782
Net changes	\$ 61,017	\$ 838,631	\$ (777,614)
Balances at June 30, 2017	\$ 7,200,718	\$ 8,006,591	\$ (805,873)

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

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

	Rate		
	1% Decrease	Current Discount	1% Increase
	(6.00%)	(7.00%)	(8.00%)
Town's Net Pension Liability (Asset)	\$ 225,835	\$ (805,873)	\$ (1,651,009)

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 11—Pension Plan: (Continued)

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

For the year ended June 30, 2018, the Town recognized pension expense of (\$147,036). At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Primary Government</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 184,759
Change in assumptions	-	154,862
Net difference between projected and actual earnings on pension plan investments	-	119,340
Employer contributions subsequent to the measurement date	<u>93,508</u>	<u>-</u>
Total	<u>\$ 93,508</u>	<u>\$ 458,961</u>

\$93,508 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, 2019. 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>
2019	\$ (231,565)
2020	(111,427)
2021	(40,286)
2022	(75,683)
2023	-
Thereafter	-

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

Plan Description

All full-time, salaried permanent employees of the state agencies, teachers, and employees of participating political subdivisions are automatically covered by the VRS Group Life Insurance Program 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 Group Life Insurance benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional Group Life Insurance Program. 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 program, it is not included as part of the Group Life Insurance Program OPEB.

The specific information for Group Life Insurance Program OPEB, including eligibility, coverage and benefits is set out in the table below:

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS
<p>Eligible Employees</p> <p>The Group Life Insurance Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement:</p> <ul style="list-style-type: none">• City of Richmond• City of Portsmouth• City of Roanoke• City of Norfolk• Roanoke City School Board <p>Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their member contributions and accrued interest.</p>

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

Plan Description (Continued)

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS (CONTINUED)

Benefit Amounts

The benefits payable under the Group Life Insurance Program have several components.

- **Natural Death Benefit** - The natural death benefit is equal to the employee’s covered compensation rounded to the next highest thousand and then doubled.
- **Accidental Death Benefit** - The accidental death benefit is double the natural death benefit.
- **Other Benefit Provisions** - In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include:
 - Accidental dismemberment benefit
 - Safety belt benefit
 - Repatriation benefit
 - Felonious assault benefit
 - Accelerated death benefit option

Reduction in Benefit Amounts

The benefit amounts provided to members covered under the Group Life Insurance Program 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.

Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)

For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at \$8,000 by statute. The amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and is currently \$8,111.

Contributions

The contribution requirements for the Group Life Insurance Program 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 Group Life Insurance Program 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, 2018 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. 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 \$10,462 and \$10,457 for the years ended June 30, 2018 and June 30, 2017, respectively.

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

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

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB

At June 30, 2018, the entity reported a liability of \$164,000 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2017 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer’s proportion of the Net GLI OPEB Liability was based on the covered employer’s actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the participating employer’s proportion was 0.01090% as compared to 0.01163% at June 30, 2016.

For the year ended June 30, 2018, the participating employer recognized GLI OPEB expense of \$0. 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, 2018, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 4,000
Net difference between projected and actual earnings on GLI OPEB program investments	-	6,000
Change in assumptions	-	8,000
Changes in proportion	-	11,000
Employer contributions subsequent to the measurement date	<u>10,462</u>	<u>-</u>
Total	<u>\$ 10,462</u>	<u>\$ 29,000</u>

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

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

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB (Continued)

\$10,462 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OEPB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year Ended June 30

2019	\$	(6,000)
2020		(6,000)
2021		(6,000)
2022		(6,000)
2023		(4,000)
Thereafter		(1,000)

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2016, 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, 2017.

Inflation	2.5%
Salary increases, including inflation:	
General state employees	3.5% - 5.35%
Teachers	3.5%-5.95%
SPORS employees	3.5%-4.75%
VaLORS employees	3.5%-4.75%
JRS employees	4.5%
Locality - General employees	3.5%-5.35%
Locality - Hazardous Duty employees	3.5%-4.75%
Investment rate of return	7.0%, 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.

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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

Actuarial Assumptions: (Continued)

Mortality Rates - General State Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males set back 1 year, 85% of rates; females set back 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; females set back 1 year with 1.5% increase compounded from ages 70 to 85.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males 115% of rates; females 130% of rates.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study 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 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	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2018

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

Actuarial Assumptions: (Continued)

Mortality Rates - Teachers

Pre-Retirement:

RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement:

RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; 115% of rates for males and females.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study 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 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	Adjusted rates to better match experience
Salary Scale	No change

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2018

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

Actuarial Assumptions: (Continued)

Mortality Rates - SPORS 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.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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

Actuarial Assumptions: (Continued)

Mortality Rates - VaLORS 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.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
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 match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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

Actuarial Assumptions: (Continued)

Mortality Rates - JRS Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males set back 1 year, 85% of rates; females set back 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; females set back 1 year with 1.5% compounding increase from ages 70 to 85.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males 115% of rates; females 130% of rates.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study 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	Decreased rates at first retirement eligibility
Withdrawal Rates	No change
Disability Rates	Removed disability rates
Salary Scale	No change

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2018

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

Actuarial Assumptions: (Continued)

Mortality Rates - Largest Ten Locality Employers - General Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study 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% to 20%

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2018

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

Actuarial Assumptions: (Continued)

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study 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% to 15%

Mortality Rates - 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, 2018

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

Actuarial Assumptions: (Continued)

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

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study 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
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

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, 2018

Note 12—Group Life Insurance (GLI) Program (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, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study 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% to 45%

NET GLI OPEB Liability

The net OPEB liability (NOL) for the Group Life Insurance Program represents the program’s total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2017, NOL amounts for the Group Life Insurance Program is as follows (amounts expressed in thousands):

	Group Life Insurance OPEB Program
	<u> </u>
Total GLI OPEB Liability	\$ 2,942,426
Plan Fiduciary Net Position	1,437,586
Employers’ Net GLI OPEB Liability (Asset)	<u>\$ 1,504,840</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	48.86%

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

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

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

Long-Term Expected Rate of Return

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

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-term Expected Rate of Return</u>	<u>Weighted Average Long-term Expected Rate of Return</u>
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	<u>100.00%</u>		<u>4.80%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>7.30%</u>

*The above allocation provides a one-year return of 7.30%. 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 6.83%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 7.00%. 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 ending 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. From July 1, 2019 on, employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB’s fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

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

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

The follow presents the employer’s proportionate share of the net GLI OPEB liability using the discount rate of 7.00%, 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 (6.00%) or one percentage point higher (8.00%) than the current rate:

	Rate		
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
Town's proportionate share of the Group Life Insurance Program Net OPEB Liability	\$ 212,000	\$ 164,000	\$ 125,000

Group Life Insurance Program Fiduciary Net Position

Detailed information about the Group Life Insurance Program’s Fiduciary Net Position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

Note 13—Surety Bonds:

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

Note 14—Interfund Transfers:

Interfund transfers for the year ended June 30, 2018 consisted of the following:

Fund	Transfers In	Transfers Out
Primary Government:		
General	\$ 149,000	\$ 347,052
Capital projects	347,052	90,088
Electric	-	149,000
Water and sewer	90,088	-
Total	\$ 586,140	\$ 586,140

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, 2018

Note 15—Fair Value Measurement: (Continued)

The Town has the following recurring fair value measurements as of June 30, 2018:

Investment type	Balance June 30, 2018	Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Primary Government				
Investments in derivative instruments:				
Interest rate swap liability	\$ 981	\$ -	\$ 981	\$ -
Money market fund:				
First American Treasury Obligations Fund	156,153	156,153	-	-
	<u>\$ 157,134</u>	<u>\$ 156,153</u>	<u>\$ 981</u>	<u>\$ -</u>

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, 2018 was \$17,005.

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

Note 17 - Adoption of Accounting Principles:

The Town implemented the financial reporting provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* during the fiscal year ended June 30, 2018. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to postemployment benefits other than pensions (other postemployment benefits or OPEB). Note disclosure and required supplementary information requirements about OPEB are also addressed. The requirements of this Statement will improve accounting and financial reporting by state and local governments for OPEB. In addition, the Town implemented Governmental Accounting Standards Board Statement No. 85, *Omnibus 2017* during the fiscal year ended June 30, 2018. This Statement addresses practice issues identified during implementation and application of certain GASB statements for a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). The implementation of these Statements resulted in the following restatement of net position:

	Governmental Activities	Business-type Activities	
		Electric	Water and Sewer
Net position, July 1, 2017, as previously stated	\$ 9,871,257	\$ 3,557,258	\$ 3,183,500
Implementation of GASB 75:			
Deferred outflows of resources	6,851	1,632	1,517
Net OPEB liability	(139,075)	(33,130)	(30,795)
Net position, July 1, 2017, as restated	\$ 9,739,033	\$ 3,525,760	\$ 3,154,222

Note 18—Upcoming Pronouncements:

Statement No. 83, *Certain Asset Retirement Obligations*, addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 18—Upcoming Pronouncements: (Continued)

Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

Statement No. 87, *Leases*, increases the usefulness of governments' financial statements by requiring 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. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, clarifies which liabilities governments should include when disclosing information related to debt. It defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. The Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, it requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, enhances the relevance and comparability of information about 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. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus.

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 18—Upcoming Pronouncements: (Continued)

As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

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

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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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	\$ 450,565	\$ 471,214	\$ 471,214	\$ -
Other local taxes	1,149,187	1,343,998	1,345,775	1,777
Permits, privilege fees, and regulatory licenses	3,200	3,200	4,065	865
Fines and forfeitures	21,700	21,700	18,764	(2,936)
Revenue from the use of money and property	18,700	18,700	31,399	12,699
Charges for services	781,500	781,500	740,077	(41,423)
Miscellaneous	-	52,393	190,910	138,517
Recovered costs	657,951	706,761	686,043	(20,718)
Intergovernmental:				
Commonwealth	1,231,104	1,239,919	1,234,368	(5,551)
Federal	-	7,186	16,025	8,839
Total revenues	\$ 4,313,907	\$ 4,646,571	\$ 4,738,640	\$ 92,069
EXPENDITURES				
Current:				
General government administration	\$ 879,261	\$ 873,909	\$ 872,244	\$ 1,665
Public safety	1,181,036	1,190,779	1,218,877	(28,098)
Public works	1,900,066	2,383,734	2,229,215	154,519
Parks, recreation, and cultural	19,550	24,049	24,308	(259)
Community development	-	11,428	11,428	-
Capital projects	395,500	296,010	217,386	78,624
Debt service:				
Principal retirement	43,500	43,500	38,346	5,154
Interest and other fiscal charges	6,920	6,920	6,079	841
Total expenditures	\$ 4,425,833	\$ 4,830,329	\$ 4,617,883	\$ 212,446
Excess (deficiency) of revenues over (under) expenditures	\$ (111,926)	\$ (183,758)	\$ 120,757	\$ 304,515
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 149,000	\$ 149,000	\$ 149,000	\$ -
Transfers out	(384,126)	(384,126)	(347,052)	37,074
Total other financing sources (uses)	\$ (235,126)	\$ (235,126)	\$ (198,052)	\$ 37,074
Net change in fund balances	\$ (347,052)	\$ (418,884)	\$ (77,295)	\$ 341,589
Fund balances - beginning	347,052	418,884	315,523	(103,361)
Fund balances - ending	\$ -	\$ -	\$ 238,228	\$ 238,228

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, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Revenue from the use of money and property	\$ 250	\$ 250	\$ 2,155	\$ 1,905
Charges for services	32,501	32,501	28,121	(4,380)
Miscellaneous	-	-	28,360	28,360
Recovered costs	105,541	105,541	109,551	4,010
Intergovernmental:				
Commonwealth	96,066	96,066	88,268	(7,798)
Federal	333,047	333,047	323,867	(9,180)
Total revenues	<u>\$ 567,405</u>	<u>\$ 567,405</u>	<u>\$ 580,322</u>	<u>\$ 12,917</u>
EXPENDITURES				
Current:				
Community development	\$ 637,079	\$ 637,079	\$ 535,526	\$ 101,553
Total expenditures	<u>\$ 637,079</u>	<u>\$ 637,079</u>	<u>\$ 535,526</u>	<u>\$ 101,553</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (69,674)</u>	<u>\$ (69,674)</u>	<u>\$ 44,796</u>	<u>\$ 114,470</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 37,074	\$ 37,074	\$ -	\$ (37,074)
Total other financing sources (uses)	<u>\$ 37,074</u>	<u>\$ 37,074</u>	<u>\$ -</u>	<u>\$ (37,074)</u>
Net change in fund balances	\$ (32,600)	\$ (32,600)	\$ 44,796	\$ 77,396
Fund balances - beginning	32,600	32,600	380,051	347,451
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 424,847</u>	<u>\$ 424,847</u>

Town of Blackstone, Virginia
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
For the Years Ended June 30, 2015 through June 30, 2018

	2017	2016	2015	2014
Total pension liability				
Service cost	\$ 192,963	\$ 205,442	\$ 202,800	\$ 202,242
Interest	492,549	464,412	436,936	405,478
Changes in assumptions	(222,193)	-	-	-
Differences between expected and actual experience	(195,722)	(70,416)	(71,906)	-
Benefit payments, including refunds of employee contributions	(206,580)	(188,378)	(162,254)	(154,388)
Net change in total pension liability	\$ 61,017	\$ 411,060	\$ 405,576	\$ 453,332
Total pension liability - beginning	7,139,701	6,728,641	6,323,065	5,869,733
Total pension liability - ending (a)	<u>\$ 7,200,718</u>	<u>\$ 7,139,701</u>	<u>\$ 6,728,641</u>	<u>\$ 6,323,065</u>
Plan fiduciary net position				
Contributions - employer	\$ 69,399	\$ 119,272	\$ 121,223	\$ 182,650
Contributions - employee	102,844	103,383	105,159	101,458
Net investment income	878,767	125,007	307,829	900,522
Benefit payments, including refunds of employee contributions	(206,580)	(188,378)	(162,254)	(154,388)
Administrative expense	(5,017)	(4,308)	(4,089)	(4,700)
Other	(782)	(52)	(64)	47
Net change in plan fiduciary net position	\$ 838,631	\$ 154,924	\$ 367,804	\$ 1,025,589
Plan fiduciary net position - beginning	7,167,960	7,013,036	6,645,232	5,619,643
Plan fiduciary net position - ending (b)	<u>\$ 8,006,591</u>	<u>\$ 7,167,960</u>	<u>\$ 7,013,036</u>	<u>\$ 6,645,232</u>
Town's net pension liability (asset) - ending (a) - (b)	\$ (805,873)	\$ (28,259)	\$ (284,395)	\$ (322,167)
Plan fiduciary net position as a percentage of the total pension liability	111.19%	100.40%	104.23%	105.10%
Covered payroll	\$ 2,011,054	\$ 2,090,676	\$ 2,113,608	\$ 2,032,098
Town's net pension liability (asset) as a percentage of covered payroll	-40.07%	-1.35%	-13.46%	-15.85%

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

Town of Blackstone, Virginia
 Schedule of Employer Contributions
 For the Years Ended June 30, 2009 through June 30, 2018

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					
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%
2010	163,283	163,283	-	1,894,234	8.62%
2009	173,775	173,775	-	2,015,949	8.62%

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
For the Year Ended June 30, 2018

Changes of benefit terms - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this is a fairly new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2017 are not material.

Changes of assumptions - The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

Largest 10 - 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% to 20%

Largest 10 - 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
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Increased rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

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% to 15%

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
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

Town of Blackstone, Virginia
 Schedule of Town's Share of Net OPEB Liability
 Group Life Insurance Program
 For the Year Ended June 30, 2018

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
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 Program
 For the Years Ended June 30, 2014 through June 30, 2018

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)
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 Program
For the Year Ended June 30, 2018

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 following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

General State 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 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	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%

Teachers

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	Adjusted rates to better match experience
Salary Scale	No change

SPORS Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%

VaLORS Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future
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 50% to 35%

Town of Blackstone, Virginia
Notes to Required Supplementary Information
Group Life Insurance Program
For the Year Ended June 30, 2018 (Continued)

JRS Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Decreased rates at first retirement eligibility
Withdrawal Rates	No change
Disability Rates	Removed disability rates
Salary Scale	No change

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% to 20%

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% to 15%

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	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

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% to 45%

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*INDIVIDUAL FUND FINANCIAL
STATEMENT AND SCHEDULE*

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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, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ 279,977	\$ 279,977	\$ 279,977	\$ -
Miscellaneous	47,420	47,420	37,697	(9,723)
Recovered costs	31,000	31,000	103,273	72,273
Intergovernmental:				
Commonwealth	589,708	589,708	274,222	(315,486)
Federal	291,900	291,900	379,648	87,748
Total revenues	<u>\$ 1,240,005</u>	<u>\$ 1,240,005</u>	<u>\$ 1,074,817</u>	<u>\$ (165,188)</u>
EXPENDITURES				
Capital projects	\$ 1,341,189	\$ 1,341,189	\$ 1,274,432	\$ 66,757
Debt service:				
Principal retirement	245,000	245,000	245,000	-
Interest and other fiscal charges	26,100	26,100	44,910	(18,810)
Total expenditures	<u>\$ 1,612,289</u>	<u>\$ 1,612,289</u>	<u>\$ 1,564,342</u>	<u>\$ 47,947</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (372,284)</u>	<u>\$ (372,284)</u>	<u>\$ (489,525)</u>	<u>\$ (117,241)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 347,052	\$ 347,052	\$ 347,052	\$ -
Transfers out	-	-	(90,088)	(90,088)
Issuance of general obligation bond	-	1,547,250	1,547,250	-
Total other financing sources (uses)	<u>\$ 347,052</u>	<u>\$ 1,894,302</u>	<u>\$ 1,804,214</u>	<u>\$ (90,088)</u>
Net change in fund balances	\$ (25,232)	\$ 1,522,018	\$ 1,314,689	\$ (207,329)
Fund balances - beginning	25,232	(1,522,018)	274,544	1,796,562
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,589,233</u>	<u>\$ 1,589,233</u>

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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, 2018

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	\$ 358,365	\$ 364,764	\$ 364,764	\$ -
Personal property taxes	80,700	91,424	91,424	-
Penalties	5,000	7,137	7,137	-
Interest	6,500	7,889	7,889	-
Total general property taxes	<u>\$ 450,565</u>	<u>\$ 471,214</u>	<u>\$ 471,214</u>	<u>\$ -</u>
Other local taxes:				
Local sales and use taxes	\$ 170,000	\$ 185,488	\$ 202,407	\$ 16,919
Consumption tax	14,516	32,331	15,412	(16,919)
Business license taxes	165,000	177,403	177,403	-
Motor vehicle licenses	44,271	51,389	51,389	-
Bank stock taxes	100,000	138,082	138,082	-
Cigarette taxes	90,000	90,000	91,934	1,934
Hotel and motel room taxes	25,000	32,956	32,956	-
Restaurant food taxes	540,400	636,349	636,192	(157)
Total other local taxes	<u>\$ 1,149,187</u>	<u>\$ 1,343,998</u>	<u>\$ 1,345,775</u>	<u>\$ 1,777</u>
Permits, privilege fees, and regulatory licenses:				
Permits and other licenses	\$ 3,200	\$ 3,200	\$ 4,065	\$ 865
Fines and forfeitures:				
Court fines and forfeitures	\$ 21,700	\$ 21,700	\$ 18,764	\$ (2,936)
Revenue from use of money and property:				
Revenue from use of money	\$ 4,000	\$ 4,000	\$ 17,032	\$ 13,032
Revenue from use of property	14,700	14,700	14,367	(333)
Total revenue from use of money and property	<u>\$ 18,700</u>	<u>\$ 18,700</u>	<u>\$ 31,399</u>	<u>\$ 12,699</u>
Charges for services:				
Charges for fire service	\$ 10,900	\$ 10,900	\$ 11,825	\$ 925
Charges for sanitation and waste removal	403,000	403,000	403,885	885
Charges for aviation fuel	367,600	367,600	324,367	(43,233)
Total charges for services	<u>\$ 781,500</u>	<u>\$ 781,500</u>	<u>\$ 740,077</u>	<u>\$ (41,423)</u>
Miscellaneous:				
Miscellaneous	\$ -	\$ 52,393	\$ 190,910	\$ 138,517

Town of Blackstone, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2018

Schedule 1
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Recovered costs:				
General administration allocation	\$ 434,094	\$ 434,094	\$ 434,094	\$ -
DMV	34,357	34,357	35,189	832
Garage labor	60,000	60,000	58,276	(1,724)
Grant administration	-	-	4,050	4,050
Recovered costs	70,000	91,418	48,582	(42,836)
County fire and rescue	27,500	27,500	30,654	3,154
County recreation	2,000	2,000	2,000	-
Fire contribution	30,000	30,000	45,806	15,806
Excise tax refund	-	27,392	27,392	-
Total recovered costs	<u>\$ 657,951</u>	<u>\$ 706,761</u>	<u>\$ 686,043</u>	<u>\$ (20,718)</u>
Total revenue from local sources	<u>\$ 3,082,803</u>	<u>\$ 3,399,466</u>	<u>\$ 3,488,247</u>	<u>\$ 88,781</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Mobile home titling tax	\$ -	\$ -	\$ 75	\$ 75
Rolling stock tax	6,000	6,000	53	(5,947)
Auto rental tax	-	-	1,245	1,245
Communications tax	16,932	16,932	16,294	(638)
Personal property tax relief funds	42,986	42,986	42,986	-
Total noncategorical aid	<u>\$ 65,918</u>	<u>\$ 65,918</u>	<u>\$ 60,653</u>	<u>\$ (5,265)</u>
Categorical aid:				
Other categorical aid:				
Streets and highway maintenance	\$ 1,063,052	\$ 1,066,662	\$ 1,066,662	\$ -
DJCP grants for law enforcement	88,283	93,488	92,720	(768)
Litter control	2,100	2,100	2,008	(92)
Fire programs and grants	11,751	11,751	12,106	355
Asset forfeiture funds	-	-	219	219
Total other categorical aid	<u>\$ 1,165,186</u>	<u>\$ 1,174,001</u>	<u>\$ 1,173,715</u>	<u>\$ (286)</u>
Total categorical aid	<u>\$ 1,165,186</u>	<u>\$ 1,174,001</u>	<u>\$ 1,173,715</u>	<u>\$ (286)</u>
Total revenue from the Commonwealth	<u>\$ 1,231,104</u>	<u>\$ 1,239,919</u>	<u>\$ 1,234,368</u>	<u>\$ (5,551)</u>

Town of Blackstone, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018

Schedule 1
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Revenue from the federal government:				
Other categorical aid:				
Transportation safety	\$ -	\$ 7,186	\$ 7,186	\$ -
USDA grant	-	-	7,300	7,300
Department of Justice grant	-	-	1,539	1,539
Total other categorical aid	<u>\$ -</u>	<u>\$ 7,186</u>	<u>\$ 16,025</u>	<u>\$ 8,839</u>
Total revenue from the federal government	<u>\$ -</u>	<u>\$ 7,186</u>	<u>\$ 16,025</u>	<u>\$ 8,839</u>
Total General Fund	<u>\$ 4,313,907</u>	<u>\$ 4,646,571</u>	<u>\$ 4,738,640</u>	<u>\$ 92,069</u>
Special Revenue Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	<u>\$ 250</u>	<u>\$ 250</u>	<u>\$ 2,155</u>	<u>\$ 1,905</u>
Charges for services:				
Charges for cemetery care	\$ 2,000	\$ 2,000	\$ 520	\$ (1,480)
Cemetery lot sales	7,500	7,500	8,060	560
Charges for bus fares	23,001	23,001	19,541	(3,460)
Total charges for services	<u>\$ 32,501</u>	<u>\$ 32,501</u>	<u>\$ 28,121</u>	<u>\$ (4,380)</u>
Miscellaneous:				
Miscellaneous	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,360</u>	<u>\$ 28,360</u>
Recovered costs:				
Reimbursement from localities	<u>\$ 105,541</u>	<u>\$ 105,541</u>	<u>\$ 109,551</u>	<u>\$ 4,010</u>
Total revenue from local sources	<u>\$ 138,292</u>	<u>\$ 138,292</u>	<u>\$ 168,187</u>	<u>\$ 29,895</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Transportation grant	<u>\$ 96,066</u>	<u>\$ 96,066</u>	<u>\$ 88,268</u>	<u>\$ (7,798)</u>
Total revenue from the Commonwealth	<u>\$ 96,066</u>	<u>\$ 96,066</u>	<u>\$ 88,268</u>	<u>\$ (7,798)</u>

Town of Blackstone, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018

Schedule 1
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<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	\$ 333,047	\$ 333,047	\$ 323,867	\$ (9,180)
Total revenue from the federal government	\$ 333,047	\$ 333,047	\$ 323,867	\$ (9,180)
Total Special Revenue Fund	\$ 567,405	\$ 567,405	\$ 580,322	\$ 12,917
Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of property	\$ 279,977	\$ 279,977	\$ 279,977	\$ -
Miscellaneous:				
Miscellaneous	\$ 47,420	\$ 47,420	\$ 37,697	\$ (9,723)
Recovered costs:				
Nottoway County	\$ 31,000	\$ 31,000	\$ 103,273	\$ 72,273
Total revenue from local sources	\$ 358,397	\$ 358,397	\$ 420,947	\$ 62,550
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Airport grant	\$ 27,000	\$ 27,000	\$ 1,740	\$ (25,260)
VDOT revenue sharing	562,708	562,708	272,482	(290,226)
Total categorical aid	\$ 589,708	\$ 589,708	\$ 274,222	\$ (315,486)
Total revenue from the Commonwealth	\$ 589,708	\$ 589,708	\$ 274,222	\$ (315,486)
Revenue from the federal government:				
Categorical aid:				
VDOT TAP 21	\$ -	\$ -	\$ 7,819	\$ 7,819
Community development block grant	291,900	291,900	211,475	(80,425)
Urban funds	-	-	160,354	160,354
Total categorical aid	\$ 291,900	\$ 291,900	\$ 379,648	\$ 87,748
Total revenue from the federal government	\$ 291,900	\$ 291,900	\$ 379,648	\$ 87,748
Total Capital Projects Fund	\$ 1,240,005	\$ 1,240,005	\$ 1,074,817	\$ (165,188)
Total Revenues -- Primary Government	\$ 6,121,317	\$ 6,453,981	\$ 6,393,779	\$ (60,202)

Town of Blackstone, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018

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	\$ 53,676	\$ 30,305	\$ 30,305	\$ -
General and financial administration:				
Town Manager and financial administration	\$ 825,585	\$ 843,604	\$ 841,939	\$ 1,665
Total general government administration	\$ 879,261	\$ 873,909	\$ 872,244	\$ 1,665
Public safety:				
Law enforcement and traffic control:				
Police	\$ 985,315	\$ 988,117	\$ 987,870	\$ 247
Fire and rescue services:				
Fire department	\$ 195,721	\$ 202,662	\$ 231,007	\$ (28,345)
Total public safety	\$ 1,181,036	\$ 1,190,779	\$ 1,218,877	\$ (28,098)
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Street maintenance	\$ 892,226	\$ 1,376,851	\$ 1,371,056	\$ 5,795
Traffic lights	3,400	3,400	2,544	856
Total maintenance of highways, streets, bridges and sidewalks	\$ 895,626	\$ 1,380,251	\$ 1,373,600	\$ 6,651
Sanitation and waste removal:				
Refuse collection	\$ 344,040	\$ 331,181	\$ 327,161	\$ 4,020
Maintenance of general buildings and grounds:				
General properties	\$ 427,250	\$ 462,650	\$ 326,260	\$ 136,390
Garage department	233,150	209,652	202,194	7,458
Total maintenance of general buildings and grounds	\$ 660,400	\$ 672,302	\$ 528,454	\$ 143,848
Total public works	\$ 1,900,066	\$ 2,383,734	\$ 2,229,215	\$ 154,519
Parks, recreation, and cultural:				
Cultural enrichment:				
Museum	\$ 8,900	\$ 13,399	\$ 13,828	\$ (429)
Library:				
Contribution to library	\$ 2,000	\$ 2,000	\$ 2,000	\$ -
Library administration	8,650	8,650	8,480	170
Total library	\$ 10,650	\$ 10,650	\$ 10,480	\$ 170
Total parks, recreation, and cultural	\$ 19,550	\$ 24,049	\$ 24,308	\$ (259)

Town of Blackstone, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018

Schedule 2
Page 2 of 2

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Community development:				
Planning and community development:				
Community Development	\$ -	\$ 11,428	\$ 11,428	\$ -
Total community development	\$ -	\$ 11,428	\$ 11,428	\$ -
Capital projects:				
Administration	\$ 116,500	\$ 39,025	\$ 39,025	\$ -
Police department	25,000	98,007	19,290	78,717
Street maintenance	180,000	56,791	56,790	1
Garbage department	12,500	11,729	11,811	(82)
Fire department	59,000	90,458	90,470	(12)
Library	2,500	-	-	-
Total capital projects	\$ 395,500	\$ 296,010	\$ 217,386	\$ 78,624
Debt service:				
Principal retirement	\$ 43,500	\$ 43,500	\$ 38,346	\$ 5,154
Interest and other fiscal charges	6,920	6,920	6,079	841
Total debt service	\$ 50,420	\$ 50,420	\$ 44,425	\$ 5,995
Total General Fund	\$ 4,425,833	\$ 4,830,329	\$ 4,617,883	\$ 212,446
Special Revenue Fund:				
Community Development:				
Planning and community development:				
Bus program	\$ 600,329	\$ 600,329	\$ 524,390	\$ 75,939
Cemetery	36,750	36,750	11,136	25,614
Total planning and community development	\$ 637,079	\$ 637,079	\$ 535,526	\$ 101,553
Total Special Revenue Fund	\$ 637,079	\$ 637,079	\$ 535,526	\$ 101,553
Capital Projects Fund:				
Capital projects:				
Church Street project	\$ 307,020	\$ 307,020	\$ 232,567	\$ 74,453
Castle trailer park	6,600	6,600	77,604	(71,004)
Medical center	26,877	26,877	11,883	14,994
CDBG projects	1,200	1,200	16,293	(15,093)
Airport grant	33,000	33,000	2,175	30,825
East end grant	-	-	20,446	(20,446)
Downtown revitalization	-	-	25,000	(25,000)
Carriage museum	500	500	-	500
Capital improvement	965,992	965,992	888,464	77,528
Total capital projects	\$ 1,341,189	\$ 1,341,189	\$ 1,274,432	\$ 66,757
Debt service:				
Principal retirement	\$ 245,000	\$ 245,000	\$ 245,000	\$ -
Interest and other fiscal charges	26,100	26,100	44,910	(18,810)
Total debt service	\$ 271,100	\$ 271,100	\$ 289,910	\$ (18,810)
Total Capital Projects Fund	\$ 1,612,289	\$ 1,612,289	\$ 1,564,342	\$ 47,947
Total Expenditures -- Primary Government	\$ 6,675,201	\$ 7,079,697	\$ 6,717,751	\$ 361,946

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
	\$	\$								
2008-09	\$ 273,519	\$ 1,317,646	\$ 1,389,844	\$ 100,000	\$ 31,555	\$ 233,371	\$ 100,989	\$ 6,579,703	\$ 10,026,627	
2009-10	720,992	1,132,805	2,674,742	63,787	31,664	117,731	105,556	5,600,173	10,447,450	
2010-11	595,710	1,431,174	1,721,599	63,637	70,165	979,646	106,279	6,558,636	11,526,846	
2011-12	521,580	1,333,146	1,358,171	66,112	56,315	1,019,675	93,037	7,026,437	11,474,473	
2012-13	329,954	1,264,552	1,643,590	63,637	46,604	901,498	76,411	6,358,400	10,684,646	
2013-14	394,002	1,417,354	2,455,263	63,637	77,746	740,463	74,059	6,590,681	11,813,205	
2014-15	279,462	1,459,714	2,262,961	63,637	72,641	740,701	78,686	6,556,738	11,514,540	
2015-16	281,371	1,360,570	2,449,110	63,637	68,554	1,104,329	29,863	6,000,066	11,357,500	
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	

Table 2

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

Fiscal Year	PROGRAM REVENUES				GENERAL REVENUES						Total
	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		
2008-09	\$ 7,029,526	\$ 1,718,438	\$ 1,996,751	\$	\$ 398,720	\$ 1,094,802	\$ 48,291	\$ 131,022	\$ 48,633	\$ 12,466,183	
2009-10	6,656,870	1,315,904	681,243		413,321	1,155,000	296,502	396,473	61,821	10,977,134	
2010-11	7,130,890	2,097,298	265,785		399,600	1,167,131	406,865	228,476	67,248	11,763,293	
2011-12	7,215,069	1,421,850	130,435		384,286	1,234,668	288,911	268,797	66,729	11,010,745	
2012-13	7,316,769	1,441,142	922,371		396,805	1,185,004	300,519	235,640	74,226	11,872,476	
2013-14	7,940,599	1,520,869	261,239		396,882	1,211,102	301,730	254,845	61,343	11,948,609	
2014-15	7,721,456	1,498,272	290,811		406,988	1,184,214	301,133	245,989	67,234	11,716,097	
2015-16	7,623,381	1,580,312	531,195		478,623	1,267,456	301,529	137,946	66,773	11,987,215	
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	

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
2009	\$ 864,999	\$ 1,183,054	\$ 1,655,405	\$ 10,499	\$ 318,784	\$ 787,675	\$ 4,820,416
2010	1,144,515	1,185,585	2,090,957	19,024	465,277	362,361	5,267,719
2011	961,268	1,247,469	2,260,429	55,525	1,148,834	364,815	6,038,340
2012	918,135	1,256,031	1,936,704	44,177	606,722	348,342	5,110,111
2013	765,294	1,315,433	1,880,862	34,069	512,445	291,652	4,799,755
2014	816,634	1,234,279	2,864,976	49,014	454,775	282,960	5,702,638
2015	824,748	1,340,444	2,249,838	42,585	454,935	311,354	5,223,904
2016	805,130	1,595,748	2,412,202	25,484	501,801	281,431	5,621,796
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

(1) Includes General, Capital Projects, and Special Revenue Funds of the Primary Government.
 (2) Excludes expenditures for capital projects.

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
2009	\$ 378,692	\$ 1,094,802	\$ 670	\$ 32,406	\$ 48,153	\$ 744,923	\$ 98,258	\$ 1,356,787	\$ 2,049,443	\$ 5,804,134
2010	384,442	1,155,000	955	20,980	46,004	878,722	90,939	1,465,876	1,605,230	5,648,148
2011	383,061	1,167,131	3,595	34,384	146,483	603,232	133,678	1,388,455	2,089,816	5,949,835
2012	383,182	1,234,668	2,810	36,549	6,928	997,210	153,861	1,403,957	1,488,579	5,707,744
2013	405,650	1,185,004	3,610	22,459	20,542	851,774	177,322	968,894	1,515,368	5,150,623
2014	403,667	1,211,102	4,345	30,916	21,753	1,134,812	156,308	680,400	1,582,212	5,225,515
2015	403,928	1,184,214	3,140	32,238	20,806	682,330	177,724	819,305	1,565,506	4,889,191
2016	474,365	1,267,456	2,740	26,281	21,552	958,113	65,015	769,239	1,645,239	5,230,000
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

(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
2009	\$ 423,708	\$ 406,576	95.96%	\$ 8,463	\$ 415,039	97.95%	\$ 36,635	8.65%
2010	417,968	410,236	98.15%	8,201	418,437	100.11%	59,502	14.24%
2011	417,800	405,130	96.97%	11,169	416,299	99.64%	68,833	16.48%
2012	416,716	403,244	96.77%	12,848	416,092	99.85%	69,712	16.73%
2013	424,152	417,836	98.51%	16,801	434,637	102.47%	57,766	13.62%
2014	440,704	426,248	96.72%	7,942	434,190	98.52%	54,561	12.38%
2015	435,685	414,839	95.22%	19,661	434,500	99.73%	60,880	13.97%
2016	502,356	492,940	98.13%	10,593	503,533	100.23%	60,058	11.96%
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%

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

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

Table 6

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

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

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

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

Table 7

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

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

(1) Per \$100 of assessed value.

Table 8

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

Fiscal Year	Population (1)	Assessed Value (2)	Gross Bonded Debt (3)	Less:		Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
				Payable from Enterprise Revenue				
2009	3,675	\$ 174,082,628	\$ 8,200,000	\$ 6,145,000	\$ 2,055,000	1.18%	559	
2010	3,621	173,676,510	7,900,000	6,005,000	1,895,000	1.09%	523	
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	6,973,000	1,807,250	0.94%	499	

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

(2) From Table 6

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

Town of Blackstone, Virginia
 Computation of Legal Debt Margin
 June 30, 2018

Assessed value of real property, January 1, 2017 (1)	<u>\$ 176,040,740</u>
Debt limit: 10% of assessed value	\$ 17,604,074
Amount of debt applicable to debt limit:	
Gross debt (2)	\$ 11,291,704
Less: Revenue bonds	<u>(2,511,454)</u>
Net general obligation bonds and loans	<u>\$ 8,780,250</u>
Legal debt limit	<u>\$ 8,823,824</u>

(1) Assessed value of real property, including public service corporations as of January 1, 2017.

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

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COMPLIANCE

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ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Blackstone, Virginia, as of and for the year ended June 30, 2018, 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 15, 2018.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



Richmond, Virginia
October 15, 2018