

TOWN OF BLACKSTONE, VIRGINIA



ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

TOWN OF BLACKSTONE, VIRGINIA

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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TOWN OF BLACKSTONE, VIRGINIA

TOWN COUNCIL

William D. Coleburn, Mayor

Richard Eaton
Eric M. Nash
Barbara Thompson

Richard C. Keller
Alfred V. Tucker
Sam Moncure
Lee F. Scott, Jr.

OTHER OFFICIALS

Town Manager
Town Clerk
Chief of Police
Town Attorney

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

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TOWN OF BLACKSTONE, VIRGINIA
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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TOWN OF BLACKSTONE, VIRGINIA
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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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, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Blackstone, Virginia, as of June 30, 2013, 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.

Emphasis of Matter

As described in Note 1 to the financial statements, in 2013, the Town adopted new accounting guidance, GASB Statement Nos. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and 65, *Items Previously Reported as Assets and Liabilities*. 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 schedule of pension funding progress be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the 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 the Town of Blackstone, Virginia's basic financial statements. The individual fund financial statements and schedules, supporting schedules and other statistical information, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2014, on our consideration of the Town of Blackstone, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Blackstone, Virginia's internal control over financial reporting and compliance.

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

Richmond, Virginia
January 10, 2014

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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, 2013

	Primary Government		
	Governmental	Business-type	
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 1,679,430	\$ 1,019,190	\$ 2,698,620
Receivables (net of allowance for uncollectibles):			
Taxes receivable	82,923	-	82,923
Accounts receivable	104,737	416,504	521,241
Notes receivable	10,899	-	10,899
Due from other governmental units	79,366	82,042	161,408
Prepaid items	47,544	-	47,544
Capital assets (net of accumulated depreciation):			
Land	1,192,822	249,575	1,442,397
Buildings and improvements	6,518,657	-	6,518,657
Utility plant in service	-	10,450,138	10,450,138
Machinery and equipment	1,449,689	203,878	1,653,567
Infrastructure	330,000	-	330,000
Construction in progress	148,959	2,966,805	3,115,764
Total assets	<u>\$ 11,645,026</u>	<u>\$ 15,388,132</u>	<u>\$ 27,033,158</u>
DEFERRED OUTFLOW OF RESOURCES			
Accumulated decrease in fair value of interest rate swap agreement	\$ 77,893	\$ -	\$ 77,893
Total deferred outflow of resources	<u>\$ 77,893</u>	<u>\$ -</u>	<u>\$ 77,893</u>
LIABILITIES			
Accounts payable	\$ 250,493	\$ 474,273	\$ 724,766
Short-term bank loan	5,280	-	5,280
Customers' deposits	5,944	-	5,944
Accrued interest payable	-	105,136	105,136
Customer deposits payable	-	152,925	152,925
Long-term liabilities:			
Due within one year	213,576	488,000	701,576
Due in more than one year	1,380,969	9,453,446	10,834,415
Total liabilities	<u>\$ 1,856,262</u>	<u>\$ 10,673,780</u>	<u>\$ 12,530,042</u>
DEFERRED INFLOW OF RESOURCES			
Unavailable revenue - property taxes	\$ 905	\$ -	\$ 905
Total deferred inflow of resources	<u>\$ 905</u>	<u>\$ -</u>	<u>\$ 905</u>
NET POSITION			
Net investment in capital assets	\$ 8,260,597	\$ 4,012,862	\$ 12,273,459
Unrestricted	1,605,155	701,490	2,306,645
Total net position	<u>\$ 9,865,752</u>	<u>\$ 4,714,352</u>	<u>\$ 14,580,104</u>

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

Town of Blackstone, Virginia
Statement of Activities
For the Year Ended June 30, 2013

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	\$ 329,954	\$ -	\$ -	\$ -	\$ (329,954)		\$ (329,954)
Public safety	1,264,552	26,069	105,747	-	(1,132,736)		(1,132,736)
Public works	1,643,590	822,744	934,988	-	114,142		114,142
Health and welfare	63,637	-	-	-	(63,637)		(63,637)
Parks, recreation, and cultural	46,604	-	-	-	(46,604)		(46,604)
Community development	901,498	29,030	400,407	475,123	3,062		3,062
Interest on long-term debt	76,411	-	-	-	(76,411)		(76,411)
Total governmental activities	\$ 4,326,246	\$ 877,843	\$ 1,441,142	\$ 475,123	\$ (1,532,138)		\$ (1,532,138)
Business-type activities:							
Electric Fund	\$ 4,069,743	\$ 4,272,396	\$ -	\$ -		\$ 202,653	\$ 202,653
Water and Sewer Fund	2,288,657	2,166,530	-	447,248		325,121	325,121
Total business-type activities	\$ 6,358,400	\$ 6,438,926	\$ -	\$ 447,248		\$ 527,774	\$ 527,774
Total primary government	\$ 10,684,646	\$ 7,316,769	\$ 1,441,142	\$ 922,371			\$ (1,004,364)
General revenues:							
General property taxes					\$ 396,805	\$ -	\$ 396,805
Other local taxes:							
Local sales and use tax					166,657	-	166,657
Business license tax					165,004	-	165,004
Restaurant food tax					546,500	-	546,500
Other local taxes					306,843	-	306,843
Unrestricted revenues from use of money and property					300,519	-	300,519
Miscellaneous					201,405	34,235	235,640
Grants and contributions not restricted to specific programs					74,226	-	74,226
Transfers					13,661	(13,661)	-
Total general revenues and transfers					\$ 2,171,620	\$ 20,574	\$ 2,192,194
Change in Net position					\$ 639,482	\$ 548,348	\$ 1,187,830
Net position - beginning					9,226,270	4,166,004	13,392,274
Net position - ending					\$ 9,865,752	\$ 4,714,352	\$ 14,580,104

The notes to the 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, 2013

	<u>General</u>	<u>Capital Projects</u>	<u>Special Revenue</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 1,120,274	\$ 163,458	\$ 395,698	\$ 1,679,430
Receivables (net of allowance for uncollectibles):				
Taxes receivable	82,923	-	-	82,923
Accounts receivable	103,603	-	1,134	104,737
Notes receivable	-	10,899	-	10,899
Due from other governmental units	43,085	3,000	33,281	79,366
Prepaid items	-	47,544	-	47,544
Total assets	<u>\$ 1,349,885</u>	<u>\$ 224,901</u>	<u>\$ 430,113</u>	<u>\$ 2,004,899</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 236,520	\$ 10,899	\$ 3,074	\$ 250,493
Short-term bank loan	5,280	-	-	5,280
Retainage payable	5,944	-	-	5,944
Total liabilities	<u>\$ 247,744</u>	<u>\$ 10,899</u>	<u>\$ 3,074</u>	<u>\$ 261,717</u>
Deferred inflow of resources:				
Unavailable revenue - property taxes	\$ 75,259	\$ -	\$ -	\$ 75,259
Total deferred inflow of resources	<u>\$ 75,259</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 75,259</u>
Fund balances:				
Nonspendable	\$ -	\$ 47,544	\$ 220,976	\$ 268,520
Restricted	6,305	-	206,063	212,368
Committed	-	166,458	-	166,458
Assigned	3,066	-	-	3,066
Unassigned	1,017,511	-	-	1,017,511
Total fund balances	<u>\$ 1,026,882</u>	<u>\$ 214,002</u>	<u>\$ 427,039</u>	<u>\$ 1,667,923</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,349,885</u>	<u>\$ 224,901</u>	<u>\$ 430,113</u>	<u>\$ 2,004,899</u>

The notes to the 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, 2013

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$ 1,667,923	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		9,640,127
Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable in the funds. This item consists of unavailable tax revenues.		74,354
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	\$ (137,122)	
General obligation bond	(1,360,000)	
Capital leases	(19,530)	(1,516,652)
	<u> </u>	
Net Position of governmental activities		<u><u>\$ 9,865,752</u></u>

The notes to the 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, 2013

	<u>General</u>	<u>Capital Projects</u>	<u>Special Revenue</u>	<u>Total</u>
REVENUES				
General property taxes	\$ 405,650	\$ -	\$ -	\$ 405,650
Other local taxes	1,185,004	-	-	1,185,004
Permits, privilege fees, and regulatory licenses	3,610	-	-	3,610
Fines and forfeitures	22,459	-	-	22,459
Revenue from the use of money and property	22,074	279,977	(1,532)	300,519
Charges for services	822,744	-	29,030	851,774
Miscellaneous	166,362	24,083	10,960	201,405
Recovered costs	881,024	-	87,870	968,894
Intergovernmental revenues:				
Commonwealth	1,100,440	-	127,810	1,228,250
Federal	14,521	475,123	272,597	762,241
Total revenues	<u>\$ 4,623,888</u>	<u>\$ 779,183</u>	<u>\$ 526,735</u>	<u>\$ 5,929,806</u>
EXPENDITURES				
Current:				
General government administration	\$ 765,294	\$ -	\$ -	\$ 765,294
Public safety	1,315,433	-	-	1,315,433
Public works	1,880,862	-	-	1,880,862
Parks, recreation, and cultural	34,069	-	-	34,069
Community development	-	-	512,445	512,445
Capital projects	52,604	416,431	-	469,035
Debt service:				
Principal retirement	30,241	185,000	-	215,241
Interest and other fiscal charges	1,253	75,158	-	76,411
Total expenditures	<u>\$ 4,079,756</u>	<u>\$ 676,589</u>	<u>\$ 512,445</u>	<u>\$ 5,268,790</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 544,132</u>	<u>\$ 102,594</u>	<u>\$ 14,290</u>	<u>\$ 661,016</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 54,385	\$ 13,568	\$ 60,424	\$ 128,377
Transfers out	(68,168)	-	(46,548)	(114,716)
Total other financing sources (uses)	<u>\$ (13,783)</u>	<u>\$ 13,568</u>	<u>\$ 13,876</u>	<u>\$ 13,661</u>
Net change in fund balances	\$ 530,349	\$ 116,162	\$ 28,166	\$ 674,677
Fund balances - beginning	496,533	97,840	398,873	993,246
Fund balances - ending	<u>\$ 1,026,882</u>	<u>\$ 214,002</u>	<u>\$ 427,039</u>	<u>\$ 1,667,923</u>

The notes to the 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, 2013

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

Net change in fund balances - total governmental funds	\$	674,677
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the depreciation exceeded capital outlays in the current period. The following is a summary of items supporting this adjustment:

Capital assets, cost	\$ 269,832	
Depreciation expense	<u>(506,610)</u>	(236,778)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Details of this item consist of changes in unavailable taxes.		(8,845)
--	--	---------

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	\$ 30,241	
Principal retirement on general obligation bond	<u>185,000</u>	215,241

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.

The following is a summary of items supporting this adjustment:

(Increase) decrease in compensated absences		(4,813)
---	--	---------

Change in net position of governmental activities	<u>\$</u>	<u>639,482</u>
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The notes to the financial statements are an integral part of this statement.

Town of Blackstone, Virginia
Statement of Net Position
Proprietary Funds
June 30, 2013

	Enterprise Funds		
	<u>Electric</u>	<u>Water and Sewer</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 488,818	\$ 530,372	\$ 1,019,190
Accounts receivables, net of allowance for uncollectibles	291,141	125,363	416,504
Due from other governmental units	-	82,042	82,042
Total current assets	<u>\$ 779,959</u>	<u>\$ 737,777</u>	<u>\$ 1,517,736</u>
Noncurrent assets:			
Capital assets:			
Land	\$ 238,213	\$ 11,362	\$ 249,575
Utility plant in service	892,499	9,557,639	10,450,138
Machinery and equipment	113,929	89,949	203,878
Construction in progress	-	2,966,805	2,966,805
Total capital assets	<u>\$ 1,244,641</u>	<u>\$ 12,625,755</u>	<u>\$ 13,870,396</u>
Total noncurrent assets	<u>\$ 1,244,641</u>	<u>\$ 12,625,755</u>	<u>\$ 13,870,396</u>
 Total assets	 <u>\$ 2,024,600</u>	 <u>\$ 13,363,532</u>	 <u>\$ 15,388,132</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 242,851	\$ 231,422	\$ 474,273
Accrued interest payable	-	105,136	105,136
Customer deposits payable	-	152,925	152,925
Compensated absences - current portion	1,542	6,849	8,391
Bonds payable - current portion	4,250	443,586	447,836
Leases - current portion	31,773	-	31,773
Total current liabilities	<u>\$ 280,416</u>	<u>\$ 939,918</u>	<u>\$ 1,220,334</u>
Noncurrent liabilities:			
Bonds payable - net of current portion	\$ 165,325	\$ 9,212,600	\$ 9,377,925
Compensated absences - net of current portion	13,875	61,646	75,521
Total noncurrent liabilities	<u>\$ 179,200</u>	<u>\$ 9,274,246</u>	<u>\$ 9,453,446</u>
Total liabilities	<u>\$ 459,616</u>	<u>\$ 10,214,164</u>	<u>\$ 10,673,780</u>
NET POSITION			
Net investment in capital assets	\$ 1,043,293	\$ 2,969,569	\$ 4,012,862
Unrestricted	521,691	179,799	701,490
Total net position	<u>\$ 1,564,984</u>	<u>\$ 3,149,368</u>	<u>\$ 4,714,352</u>

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

Town of Blackstone, Virginia
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2013

	Enterprise Funds		
	Water and		
	<u>Electric</u>	<u>Sewer</u>	<u>Total</u>
OPERATING REVENUES			
Charges for services:			
Water and sewer revenues	\$ -	\$ 2,116,225	\$ 2,116,225
Electricity	4,260,195	-	4,260,195
Miscellaneous	6,790	27,445	34,235
Total operating revenues	<u>\$ 4,266,985</u>	<u>\$ 2,143,670</u>	<u>\$ 6,410,655</u>
OPERATING EXPENSES			
Personnel services	\$ 282,622	\$ 357,007	\$ 639,629
Fringe benefits	100,470	119,648	220,118
Contractual services	48,831	295,939	344,770
Electric power purchased	2,367,186	-	2,367,186
Payment in lieu of taxes	259,958	-	259,958
Other supplies and expenses	885,240	653,823	1,539,063
Depreciation	109,211	582,333	691,544
Total operating expenses	<u>\$ 4,053,518</u>	<u>\$ 2,008,750</u>	<u>\$ 6,062,268</u>
Operating income (loss)	<u>\$ 213,467</u>	<u>\$ 134,920</u>	<u>\$ 348,387</u>
NONOPERATING REVENUES (EXPENSES)			
Connection/reconnection fees	\$ 12,201	\$ 50,305	\$ 62,506
Interest expense	(16,225)	(279,907)	(296,132)
Total nonoperating revenues (expenses)	<u>\$ (4,024)</u>	<u>\$ (229,602)</u>	<u>\$ (233,626)</u>
Income before contributions and transfers	<u>\$ 209,443</u>	<u>\$ (94,682)</u>	<u>\$ 114,761</u>
Capital contributions and construction grants	\$ -	\$ 447,248	\$ 447,248
Transfers out	-	(13,661)	(13,661)
Change in net position	<u>\$ 209,443</u>	<u>\$ 338,905</u>	<u>\$ 548,348</u>
Total net position - beginning	1,355,541	2,810,463	4,166,004
Total net position - ending	<u><u>\$ 1,564,984</u></u>	<u><u>\$ 3,149,368</u></u>	<u><u>\$ 4,714,352</u></u>

The notes to the 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, 2013

	Enterprise Funds		
	Water and		
	<u>Electric</u>	<u>Sewer</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 4,249,157	\$ 2,173,477	\$ 6,422,634
Payments for operating expenses	(3,576,414)	(787,784)	(4,364,198)
Payments to and for employees	(380,717)	(482,626)	(863,343)
Net cash provided by (used for) operating activities	\$ 292,026	\$ 903,067	\$ 1,195,093
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers to other funds	\$ -	\$ (13,661)	\$ (13,661)
Net cash provided (used) by noncapital financing activities	\$ -	\$ (13,661)	\$ (13,661)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Additions to capital assets	\$ (20,568)	\$ (3,003,933)	\$ (3,024,501)
Principal payments on bonds and capital leases	(68,508)	(514,810)	(583,318)
Principal payments on line of credit	-	(91,105)	(91,105)
Principal payments on leases	(37,012)	-	(37,012)
Connection fees	12,201	50,305	62,506
Capital contributions and construction grants	-	447,248	447,248
Proceeds from indebtedness	-	2,408,740	2,408,740
Interest payments	(16,225)	(283,541)	(299,766)
Net cash provided by (used for) capital and related financing activities	\$ (130,112)	\$ (987,096)	\$ (1,117,208)
Net increase (decrease) in cash and cash equivalents	\$ 161,914	\$ (97,690)	\$ 64,224
Cash and cash equivalents - beginning	326,904	628,062	954,966
Cash and cash equivalents - ending	\$ 488,818	\$ 530,372	\$ 1,019,190
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ 213,467	\$ 134,920	\$ 348,387
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:			
Depreciation expense	109,211	582,333	691,544
(Increase) decrease in accounts receivable	(17,828)	39,296	21,468
Increase (decrease) in customer deposits payable	-	(9,489)	(9,489)
Increase (decrease) in accounts payable	(15,199)	161,977	146,778
Increase (decrease) in compensated absences	2,375	(5,970)	(3,595)
Total adjustments	\$ 78,559	\$ 768,147	\$ 846,706
Net cash provided by (used for) operating activities	\$ 292,026	\$ 903,067	\$ 1,195,093

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

Town of Blackstone, Virginia
Statement of Fiduciary Net Position
Fiduciary Fund
June 30, 2013

Agency
Fund

ASSETS

Cash and cash equivalents	\$ 35,303
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LIABILITIES

Amounts held for others	\$ 35,303
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The notes to the financial statements are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

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TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS AS OF JUNE 30, 2013

Note 1—Summary of Significant Accounting Policies:

The 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 the Town of Blackstone, Virginia have been prepared in conformity with the specifications promulgated by the Auditor of Public Accounts (APA) of the Commonwealth of Virginia, and the accounting principles generally accepted in the United States as specified by the Governmental Accounting Standards Board. The more significant of the government'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 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) AS OF JUNE 30, 2013

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

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) AS OF JUNE 30, 2013

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

A. Financial Reporting Entity (Continued)

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 the 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.

B. Individual Component Unit Disclosures

Blended Component Units. The Town has no blended component units at June 30, 2013.

Discretely Presented Component Units. - The Town has no discretely presented component units at June 30, 2013.

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.

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) AS OF JUNE 30, 2013

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

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

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

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

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 or deferred inflows. 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.

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) AS OF JUNE 30, 2013

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

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

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 Funds

Special Revenue Funds account for and report 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, the Bus Program and Airport Projects are reported in the Special Revenue Fund. The Special Revenue Fund is considered a major fund.

c. Capital Projects Funds

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.

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) AS OF JUNE 30, 2013

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

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

2. Proprietary Funds (Continued)

a. Enterprise Funds

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

3. Fiduciary Funds (Trust and Agency Funds)

Fiduciary Funds (Trust and Agency Funds) account for assets held by the Town in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. These funds include Agency Funds. Agency Funds utilize the accrual basis of accounting. Fiduciary funds are not included in the government-wide financial statements. The Town's Agency Funds include amounts held for others in a fiduciary capacity, which includes the Blackstone Memorial Center Committee.

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

When both restricted and unrestricted resources are available for use, the Town generally first uses restricted assets. The Town may defer the use of restricted assets based on a review of the specific transaction.

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 government.

E. Investments

Investments are reported at fair value which approximates market; no investments are valued at cost. Investments maturing in three months or less of the date acquired are reported in the accompanying financial statements as cash and cash equivalents.

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

Investments for the government are reported at fair value.

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) AS OF JUNE 30, 2013

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 \$277,872 at June 30, 2013 and is comprised of property taxes of \$5,887, electric revenues of \$190,121, and water and sewer charges of \$81,864.

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 and equipment, 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 estimated fair market value at the date of donation.

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

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

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) AS OF JUNE 30, 2013

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

H. Capital Assets (Continued)

Property, plant and equipment 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. Retirement Plan

Retirement plan contributions are actuarially determined and consist of current service costs and amortization of prior service costs over a 30-year period. The Town's policy is to fund pension cost as it accrues.

K. 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.

L. 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.

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) AS OF JUNE 30, 2013

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

M. Long-term Obligations

In the government-wide financial statements, long-term debt and other 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.

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).

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2013

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	Special Revenue	Capital Projects	Total
Fund balances:				
Nonspendable:				
Cemetery perpetual care	\$ -	\$ 220,976	\$ -	\$ 220,976
Prepaid items	-	-	47,544	47,544
Total nonspendable fund balance	<u>\$ -</u>	<u>\$ 220,976</u>	<u>\$ 47,544</u>	<u>\$ 268,520</u>
Restricted for:				
Cemetery	\$ -	\$ 116,987	\$ -	\$ 116,987
Bus	-	89,076	-	89,076
Shop with a Cop Program	6,305	-	-	6,305
Total restricted fund balance	<u>\$ 6,305</u>	<u>\$ 206,063</u>	<u>\$ -</u>	<u>\$ 212,368</u>
Committed to:				
Note receivable	\$ -	\$ -	\$ 10,899	\$ 10,899
Capital projects	-	-	155,559	155,559
Total committed fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 166,458</u>	<u>\$ 166,458</u>
Assigned:				
Fire programs fund	\$ 3,066	\$ -	\$ -	\$ 3,066
Total assigned fund balance	<u>\$ 3,066</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,066</u>
Unassigned fund balance	<u>\$ 1,017,511</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,017,511</u>
Total fund balances	<u><u>\$ 1,026,882</u></u>	<u><u>\$ 427,039</u></u>	<u><u>\$ 214,002</u></u>	<u><u>\$ 1,667,923</u></u>

O. Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, Statement No. 63 of the Governmental Accounting Standards Board

The Town has implemented the financial reporting provisions of the above Statement for the fiscal year ended June 30, 2013. The Statement provides guidance for reporting deferred inflows and deferred outflows of resources. The requirements of this Statement will improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on an entity's net position. With the implementation of this Statement certain terminology has changed and financial statement descriptions have changed from "net assets" to "net position." The net equity reported in the financial statements has not changed as a result of implementing this Statement and no restatement of prior balances is required.

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) AS OF JUNE 30, 2013

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

P. 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 only has one item that qualifies for reporting in this category. It 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.

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 one type of item that qualifies 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.

Q. Items Previously Reported as Assets and Liabilities, Statement No. 65 of Governmental Accounting Standards Board

The Town early implemented the financial reporting provisions of the above Statement for the fiscal year ended June 30, 2013. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The net equity reported in the financial statements was not charged as a result of implementing this Statement and no restatement of prior balances is required.

R. 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 policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) AS OF JUNE 30, 2013

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, 2013, as adopted, appropriated and legally amended.

Expenditures and Appropriations

Expenditures did not exceed appropriations at June 30, 2013.

Note 3—Deposits and Investments:

Deposits

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

Investments

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

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) AS OF JUNE 30, 2013

Note 3—Deposits and Investments: (Continued)

Credit Risk of Debt Securities

The Town's rated debt investments as of June 30, 2013 were rated by Standard and Poor's and the ratings are presented below using Standard and Poor's rating scale.

Town's Rated Debt Investments' Values	
<u>Rated Debt Investments</u>	<u>Fair Quality Ratings</u>
	<u>AAAm</u>
First American Prime Obligations Fund	\$ 339,218
Total	<u>\$ 339,218</u>

Interest Rate Risk

Investment Maturities (in years)		
<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than 1 Year</u>
First American Prime Obligations Fund	\$ 339,218	\$ 339,218
Total	<u>\$ 339,218</u>	<u>\$ 339,218</u>

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) AS OF JUNE 30, 2013

Note 4—Due to/from Other Governments:

At June 30, 2013, the Town has receivables from other governments as follows:

	Primary Government	Business-type Activities
Other Local Governments:		
County of Nottoway	\$ 28,289	\$ -
Commonwealth of Virginia:		
Rolling stock tax	6,664	-
DMV	2,717	-
Communications tax	2,884	-
Fort Pickett water and sewer payment	-	82,042
Disaster assistance	557	-
Local law enforcement block grant	875	-
Federal Government:		
Mass transit grant	33,281	-
Disaster assistance	1,099	-
Community development block grant	3,000	-
Total due from other governments	<u>\$ 79,366</u>	<u>\$ 82,042</u>

Note 5—Capital Assets:

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2013:

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
Governmental activities:				
Capital assets not subject to depreciation:				
Land	\$ 1,192,822	\$ -	\$ -	\$ 1,192,822
Construction in progress	-	148,959	-	148,959
Total capital assets not subject to depreciation	<u>\$ 1,192,822</u>	<u>\$ 148,959</u>	<u>\$ -</u>	<u>\$ 1,341,781</u>
Capital assets subject to depreciation:				
Buildings and improvements	\$ 8,362,250	\$ -	\$ -	\$ 8,362,250
Infrastructure	491,636	-	-	491,636
Machinery and equipment	3,475,255	120,873	21,192	3,574,936
Total capital assets subject to depreciation	<u>\$ 12,329,141</u>	<u>\$ 120,873</u>	<u>\$ 21,192</u>	<u>\$ 12,428,822</u>
Accumulated depreciation:				
Buildings and improvements	\$ 1,626,356	\$ 217,237	\$ -	\$ 1,843,593
Infrastructure	131,313	30,323	-	161,636
Machinery and equipment	1,887,389	259,050	21,192	2,125,247
Total accumulated depreciation	<u>\$ 3,645,058</u>	<u>\$ 506,610</u>	<u>\$ 21,192</u>	<u>\$ 4,130,476</u>
Total capital assets subject to depreciation, net	<u>\$ 8,684,083</u>	<u>\$ (385,737)</u>	<u>\$ -</u>	<u>\$ 8,298,346</u>
Governmental activities capital assets, net	<u>\$ 9,876,905</u>	<u>\$ (236,778)</u>	<u>\$ -</u>	<u>\$ 9,640,127</u>

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2013

Note 5—Capital Assets: (Continued)

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2013:

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
<i>Business-Type Activities:</i>				
Capital assets not subject to depreciation:				
Land	\$ 249,575	\$ -	\$ -	\$ 249,575
Construction in progress	130,243	2,904,141	67,579	2,966,805
Total capital assets not subject to depreciation	\$ 379,818	\$ 2,904,141	\$ 67,579	\$ 3,216,380
Capital assets subject to depreciation:				
Utility plant in service	\$ 21,905,170	\$ 88,447	\$ -	\$ 21,993,617
Buildings	24,852	-	-	24,852
Machinery and equipment	1,249,207	99,492	-	1,348,699
Total capital assets subject to depreciation	\$ 23,179,229	\$ 187,939	\$ -	\$ 23,367,168
Accumulated depreciation:				
Utility plant in service	\$ 10,888,559	\$ 654,920	\$ -	\$ 11,543,479
Buildings	24,852	-	-	24,852
Machinery and equipment	1,108,197	36,624	-	1,144,821
Total accumulated depreciation	\$ 12,021,608	\$ 691,544	\$ -	\$ 12,713,152
Total capital assets subject to depreciation, net	\$ 11,157,621	\$ (503,605)	\$ -	\$ 10,654,016
Business-type activities capital assets, net	\$ 11,537,439	\$ 2,400,536	\$ 67,579	\$ 13,870,396

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government administration	\$ 20,902
Public safety	142,112
Public works	171,290
Health and welfare	63,637
Parks, recreation and cultural	14,535
Community development	94,134
Total depreciation expense - governmental activities	\$ 506,610
Business - type activities:	
Electric fund	\$ 109,211
Water and Sewer fund	582,333
Total depreciation expense - business - type activities	\$ 691,544
Total depreciation expense - primary government	\$ 1,198,154

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2013

Note 6—Long-Term Obligations:

The following is a summary of changes to long-term obligations for the fiscal year-ended June 30, 2013:

	Balance at July 1, 2012	Increases	Decreases	Balance at June 30, 2013	Amounts Due Within One Year
Governmental Activities:					
Compensated absences	\$ 132,309	\$ 18,044	\$ 13,231	\$ 137,122	\$ 13,712
Capital leases (Note 7)	49,771	-	30,241	19,530	4,864
General obligation bond	1,545,000	-	185,000	1,360,000	195,000
Derivative instrument liability	123,793	-	45,900	77,893	-
Total Governmental Activities	\$ 1,850,873	\$ 18,044	\$ 274,372	\$ 1,594,545	\$ 213,576
Business-Type Activities:					
Compensated absences	\$ 87,508	\$ 5,155	\$ 8,751	\$ 83,912	\$ 8,391
Capital lease (Note 7)	68,785	-	37,012	31,773	31,773
General obligation bond	5,715,000	-	150,000	5,565,000	160,000
Revenue bonds	2,285,339	2,408,740	433,318	4,260,761	287,836
Total Business-Type Activities	\$ 8,156,632	\$ 2,413,895	\$ 629,081	\$ 9,941,446	\$ 488,000
Total Primary Government	\$ 10,007,505	\$ 2,431,939	\$ 903,453	\$ 11,535,991	\$ 701,576

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

Year Ending June 30	Governmental Activities			
	General Obligation Bond		Capital Leases	
	Principal	Interest	Principal	Interest
2014	\$ 195,000	\$ 69,432	\$ 4,864	\$ 584
2015	210,000	59,308	5,030	418
2016	220,000	48,565	5,203	245
2017	230,000	36,891	4,433	68
2018	245,000	25,039	-	-
2019	260,000	12,315	-	-
Total	\$ 1,360,000	\$ 251,550	\$ 19,530	\$ 1,315

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2013

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		Capital Lease	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 287,836	\$ 40,335	\$ 160,000	\$ 240,460	\$ 31,773	\$ 395
2015	292,490	35,181	165,000	233,960	-	-
2016	297,285	29,886	170,000	227,260	-	-
2017	492,852	12,975	175,000	220,360	-	-
2018	123,852	-	185,000	213,160	-	-
2019	123,852	-	190,000	205,660	-	-
2020	96,310	-	200,000	197,860	-	-
2021	68,770	-	205,000	189,658	-	-
2022	68,774	-	215,000	181,021	-	-
2023	-	-	225,000	171,805	-	-
2024	-	-	235,000	161,971	-	-
2025	-	-	245,000	151,559	-	-
2026	-	-	255,000	140,590	-	-
2027	-	-	270,000	128,905	-	-
2028	-	-	280,000	116,530	-	-
2029	-	-	295,000	103,593	-	-
2030	-	-	310,000	89,981	-	-
2031	-	-	325,000	75,693	-	-
2032	-	-	340,000	60,730	-	-
2033	-	-	355,000	44,915	-	-
2034	-	-	375,000	28,125	-	-
2035	-	-	390,000	9,750	-	-
*	2,408,740	-	-	-	-	-
Total	<u>\$ 4,260,761</u>	<u>\$ 118,377</u>	<u>\$ 5,565,000</u>	<u>\$ 3,193,546</u>	<u>\$ 31,773</u>	<u>\$ 395</u>

* The Virginia Resources Authority Revolving Fund bond was not fully drawn down at June 30, 2013.
Amortization schedule not yet available.

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2013

Note 6—Long-Term Obligations: (Continued)

Details of Long-Term Obligations:

	Total Amount
<u>Governmental Activities:</u>	
Capital Lease (Note 7)	\$ 19,530
<u>General Obligation Bond:</u>	
\$2,055,000 general obligation bond issued May 21, 2009, due in annual installments through May 1, 2019 with interest due monthly at varying rates.	\$ 1,360,000
Derivative instrument liability	\$ 77,893
Compensated absences (payable from General Fund)	\$ 137,122
Total Long-Term Obligations, Governmental Activities	\$ 1,594,545

Business-Type Activities:

Capital Lease (Note 7)	\$ 31,773
<u>Revenue Bonds:</u>	
\$2,431,481 Utility Revenue Bond, Series 1995, issued July 7, 1995, due in semi-annual installments through April 1, 2016; interest at 3%	\$ 476,052
\$1,107,095 Utility Revenue Bond, issued February 1, 2000, due in semi-annual installments through August 1, 2019; interest at 0%	358,033
\$1,386,875 Utility Revenue Bond, issued April 17, 2002, due in semi-annual installments through April 1, 2022; interest at 0%	618,936
\$559,000 Utility Revenue Refunding Bond, issued December 19, 2011, due in semi - annual installments through October 1, 2016; interest at 5%	399,000
\$2,692,743 VRA Revolving Fund, issued September 2012, not fully drawn down as of June 30, 2013	2,408,740
Total Revenue Bonds	\$ 4,260,761

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) AS OF JUNE 30, 2013

Note 6—Long-Term Obligations: (Continued)

Business-Type Activities: (Continued)

General Obligation Bond:

\$6,665,000 General Obligation Bond, issued December 15, 2004, due in annual principal installments through August 1, 2034; interest payable semi-annually at rates varying from 2.5% to 5.0%

\$ 5,565,000

Compensated absences (payable from Enterprise Fund)

\$ 83,912

Total Long-Term Obligations, Business-Type Activities

\$ 9,941,446

Total Long-Term Obligations, Primary Government

\$ 11,535,991

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 \$1,437,893 is more than the balance outstanding on the bonds payable of \$1,360,000. The difference of \$77,843 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, 2013	
Fair value	\$	(77,893)
Change in fair value		(45,900)

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2013

Note 7—Capital Leases:

The government has entered into lease agreements as lessee for financing the acquisition of three (3) police cruisers, two (2) trucks for the police department, a truck for the fire department, a street sweeper for the street department, two (2) backhoes, a tractor, a bucket truck and two (2) police cars. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

	Governmental Activities	Business-type Activities
Asset:		
Equipment	\$ 945,697	\$ 140,812
Less: accumulated depreciation	(567,114)	(42,244)
Total	<u>\$ 378,583</u>	<u>\$ 98,568</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2013, were as follows:

Year Ended June 30	Governmental Activities	Business-type Activities
2014	\$ 5,448	\$ 32,168
2015	5,448	-
2016	5,448	-
2017	4,501	-
Total minimum lease payments	\$ 20,845	\$ 32,168
Less: amount representing interest	(1,315)	(395)
Present value of minimum lease payments	<u>\$ 19,530</u>	<u>\$ 31,773</u>

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) AS OF JUNE 30, 2013

Note 8—Unavailable Revenue:

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. Unavailable revenue of \$905 and \$74,354 totaling \$75,259 is comprised of the following:

Unavailable Property Tax Revenue - Unavailable revenue representing uncollected tax billings not available for funding of current expenditures totaled \$74,354 at June 30, 2013.

Prepaid Property Taxes - Property taxes due subsequent to June 30, 2013 but paid in advance by the taxpayers totaled \$905 at June 30, 2013.

Note 9—Commitments and Contingent Liabilities:

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

Note 10—Litigation:

At June 30, 2013, there were no matters of litigation involving the Town which would materially affect the Town's financial position should any court decisions on pending matters not be favorable to the Town.

Note 11—Risk Management:

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates with other localities in a public entity risk pool for their coverage of worker's compensation and public officials' liability. The Town pays an annual premium to the pools for its general insurance through member premiums. The Town continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) AS OF JUNE 30, 2013

Note 12—Defined Benefit Pension Plan:

A. Plan Description

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

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

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

- Members hired before July 1, 2010 and who were vested as of January 1, 2013 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit early at age 55 with at least five years of service credit or age 50 with at least ten years of service credit.
- Members hired or rehired on or after July 1, 2010 and Plan 1 members who were not vested on January 1, 2013 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.
- Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the member's plan apply.

The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's average final compensation multiplied by the member's total service credit. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under Plan 2, average final compensation is the average of the member's 60 consecutive months of highest compensation. The retirement multiplier for non-hazardous duty members is 1.70%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier for eligible political subdivision hazardous duty employees other than sheriffs and jail superintendents is 1.70% or 1.85% as elected by the employer. The multiplier for Plan 2 members was reduced to 1.65% effective January 1, 2013 unless they are hazardous duty employees and their employer has elected the enhanced retirement multiplier. At retirement, members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option Payment (PLOP) or the Advance Pension Option. A retirement reduction factor is applied to the Basic Benefit amount for members electing the Survivor Option, PLOP or Advance Pension Option or those retiring with a reduced benefit.

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) AS OF JUNE 30, 2013

Note 12—Defined Benefit Pension Plan: (Continued)

A. Plan Description (Continued)

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

The System issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS website at: <http://www.varetire.org/Pdf/Publications/2012-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be 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% member contribution. This could be phased in over a period 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. In addition, the Town is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The Town's contribution rate for the fiscal year ended 2013 was 8.97% of annual covered payroll.

C. Annual Pension Cost

For the fiscal year 2013, the Town's annual pension cost of \$177,115 was equal to the Town's required and actual contributions.

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2013

Note 12—Defined Benefit Pension Plan: (Continued)

C. Annual Pension Cost (Continued)

Three Year Trend Information for Town of Blackstone			
Fiscal Year Ending	Annual Pension Cost (APC) (1)	Percentage of APC Contributed	Net Pension Obligation
Town:			
June 30, 2013	\$ 177,115	100%	\$ -
June 30, 2012	168,472	100%	-
June 30, 2011	161,661	100%	-

(1) Employer portion only

The fiscal year 2013 required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of 7.00%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees, 3.75% to 6.20% per year for teachers, and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year for Plan 1 employees and 2.25% for Plan 2 employees. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the Town's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The Town's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2011 for the Unfunded Actuarial Accrued Liability (UAAL) was 30 years.

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2013

Note 12—Defined Benefit Pension Plan: (Continued)

D. Funded Status and Funding Progress

As of June 30, 2012, the most recent actuarial valuation date, the plan was 79.05% funded. The actuarial accrued liability for benefits was \$6,326,513, and the actuarial value of assets was \$5,000,881, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,325,632. The covered payroll (annual payroll of active employees covered by the plan) was \$1,906,767, and ratio of the UAAL to the covered payroll was 69.52%.

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

Note 13—Surety Bonds:

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

Note 14—Interfund Transfers:

Interfund transfers for the year ended June 30, 2013 consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General	\$ 54,835	\$ 68,168
Capital projects	13,568	-
Special revenue	60,424	46,548
Water and sewer	-	13,661
Total	\$ <u>128,827</u>	\$ <u>128,377</u>

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

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REQUIRED SUPPLEMENTARY INFORMATION

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION:

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

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Town of Blackstone, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
REVENUES				
General property taxes	\$ 379,500	\$ 379,500	\$ 405,650	\$ 26,150
Other local taxes	1,143,050	1,143,050	1,185,004	41,954
Permits, privilege fees, and regulatory licenses	2,700	2,700	3,610	910
Fines and forfeitures	30,000	30,000	22,459	(7,541)
Revenue from the use of money and property	29,047	32,847	22,074	(10,773)
Charges for services	346,100	346,100	822,744	476,644
Miscellaneous	403,830	633,098	166,362	(466,736)
Recovered costs	824,852	824,852	881,024	56,172
Intergovernmental revenues:				
Commonwealth	958,245	958,245	1,100,440	142,195
Federal	11,423	11,423	14,521	3,098
Total revenues	<u>\$ 4,128,747</u>	<u>\$ 4,361,815</u>	<u>\$ 4,623,888</u>	<u>\$ 262,073</u>
EXPENDITURES				
Current:				
General government administration	\$ 817,976	\$ 822,976	\$ 765,294	\$ 57,682
Public safety	1,247,903	1,334,803	1,315,433	19,370
Public works	1,732,400	1,956,450	1,880,862	75,588
Parks, recreation, and cultural	32,437	34,137	34,069	68
Capital projects	69,750	83,050	52,604	30,446
Debt service:				
Principal retirement	48,351	48,351	30,241	18,110
Interest and other fiscal charges	1,253	1,253	1,253	-
Total expenditures	<u>\$ 3,950,070</u>	<u>\$ 4,281,020</u>	<u>\$ 4,079,756</u>	<u>\$ 201,264</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 178,677</u>	<u>\$ 80,795</u>	<u>\$ 544,132</u>	<u>\$ 463,337</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 27,654	\$ 34,204	\$ 54,385	\$ 20,181
Transfers out	(206,331)	(226,899)	(68,168)	158,731
Total other financing sources (uses)	<u>\$ (178,677)</u>	<u>\$ (192,695)</u>	<u>\$ (13,783)</u>	<u>\$ 178,912</u>
Net change in fund balances	\$ -	\$ (111,900)	\$ 530,349	\$ 642,249
Fund balances - beginning	-	111,900	496,533	384,633
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,026,882</u>	<u>\$ 1,026,882</u>

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, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Revenue from the use of money and property	\$ 6,500	\$ 6,500	\$ (1,532)	\$ (8,032)
Charges for services	47,644	47,644	29,030	(18,614)
Miscellaneous	-	-	10,960	10,960
Recovered costs	135,850	135,850	87,870	(47,980)
Intergovernmental revenues:				
Commonwealth	138,308	138,308	127,810	(10,498)
Federal	422,037	422,037	272,597	(149,440)
Total revenues	<u>\$ 750,339</u>	<u>\$ 750,339</u>	<u>\$ 526,735</u>	<u>\$ (223,604)</u>
EXPENDITURES				
Current:				
Community development	\$ 755,839	\$ 755,839	\$ 512,445	\$ 243,394
Total expenditures	<u>\$ 755,839</u>	<u>\$ 755,839</u>	<u>\$ 512,445</u>	<u>\$ 243,394</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (5,500)</u>	<u>\$ (5,500)</u>	<u>\$ 14,290</u>	<u>\$ 19,790</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ 38,677	\$ 60,424	\$ 21,747
Transfers out	(16,500)	(55,177)	(46,548)	8,629
Total other financing sources (uses)	<u>\$ (16,500)</u>	<u>\$ (16,500)</u>	<u>\$ 13,876</u>	<u>\$ 30,376</u>
Net change in fund balances	\$ (22,000)	\$ (22,000)	\$ 28,166	\$ 50,166
Fund balances - beginning	22,000	22,000	398,873	376,873
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 427,039</u>	<u>\$ 427,039</u>

Town of Blackstone, Virginia
Schedule of Pension Funding Progress
As of June 30, 2013

Primary Government:

Town Retirement Plan

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio Assets as % of AAL (2) / (3)	Annual Covered Payroll	UAAL as a % of Covered Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2012	\$ 5,000,881	\$ 6,326,513	\$ 1,325,632	79.05%	\$ 1,906,767	69.52%
6/30/2011	4,874,613	6,223,905	1,349,292	78.32%	2,048,920	65.85%
6/30/2010	4,699,403	5,896,700	1,197,297	79.70%	1,965,416	60.92%
6/30/2009	4,644,200	5,830,307	1,186,107	79.66%	2,046,913	57.95%
6/30/2008	4,494,584	5,513,125	1,018,541	81.53%	2,065,020	49.32%
6/30/2007	3,894,016	4,951,720	1,057,704	78.64%	1,880,938	56.23%
6/30/2006	3,405,296	4,680,774	1,275,478	72.75%	1,733,932	73.56%
6/30/2005	3,091,307	4,866,281	1,774,974	63.53%	1,840,612	96.43%
6/30/2004	2,939,210	4,132,576	1,193,366	71.12%	1,761,596	67.74%
6/30/2003	2,795,147	3,646,087	850,940	76.66%	1,426,220	59.66%

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OTHER SUPPLEMENTARY INFORMATION

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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, 2013

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Revenue from the use of money and property	\$ 279,977	\$ 279,977	\$ 279,977	\$ -
Miscellaneous	28,842	28,842	24,083	(4,759)
Intergovernmental revenues:				
Federal	852,660	85,000	475,123	390,123
Total revenues	<u>\$ 1,161,479</u>	<u>\$ 393,819</u>	<u>\$ 779,183</u>	<u>\$ 385,364</u>
EXPENDITURES				
Capital projects	\$ 945,466	\$ 1,030,466	\$ 416,431	\$ 614,035
Debt service:				
Principal retirement	172,210	172,210	185,000	(12,790)
Interest and other fiscal charges	93,790	93,790	75,158	18,632
Total expenditures	<u>\$ 1,211,466</u>	<u>\$ 1,296,466</u>	<u>\$ 676,589</u>	<u>\$ 619,877</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (49,987)</u>	<u>\$ (902,647)</u>	<u>\$ 102,594</u>	<u>\$ 1,005,241</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 78,829	\$ -	\$ 13,568	\$ 13,568
Total other financing sources and uses	<u>\$ 78,829</u>	<u>\$ -</u>	<u>\$ 13,568</u>	<u>\$ 13,568</u>
Net change in fund balances	\$ 28,842	\$ (902,647)	\$ 116,162	\$ 1,018,809
Fund balances - beginning	(28,842)	902,647	97,840	(804,807)
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 214,002</u>	<u>\$ 214,002</u>

Town of Blackstone, Virginia
Fiduciary Fund
Statement of Changes in Assets and Liabilities - Agency Fund
For the Year Ended June 30, 2013

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
Blackstone Memorial Center Committee				
Assets:				
Cash and cash equivalents	\$ 39,593	\$ 438	\$ 4,728	\$ 35,303
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Liabilities:				
Amounts held for others	\$ 39,593	\$ 438	\$ 4,728	\$ 35,303
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

SUPPORTING SCHEDULES

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Town of Blackstone, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2013

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	\$ 303,100	\$ 303,100	\$ 332,069	\$ 28,969
Real and personal public service corporation taxes	7,900	7,900	-	(7,900)
Personal property taxes	62,000	62,000	59,583	(2,417)
Penalties	4,000	4,000	7,261	3,261
Interest	2,500	2,500	6,737	4,237
Total general property taxes	\$ 379,500	\$ 379,500	\$ 405,650	\$ 26,150
Other local taxes:				
Local sales and use taxes	\$ 160,000	\$ 160,000	\$ 166,657	\$ 6,657
Consumption tax	10,000	10,000	10,693	693
Franchise license taxes	16,000	16,000	-	(16,000)
Business license taxes	163,950	163,950	165,004	1,054
Motor vehicle licenses	50,000	50,000	55,001	5,001
Bank stock taxes	105,000	105,000	92,129	(12,871)
Cigarette taxes	85,000	85,000	117,033	32,033
Hotel and motel room taxes	27,500	27,500	31,987	4,487
Restaurant food taxes	525,600	525,600	546,500	20,900
Total other local taxes	\$ 1,143,050	\$ 1,143,050	\$ 1,185,004	\$ 41,954
Permits, privilege fees, and regulatory licenses:				
Permits and other licenses	\$ 2,700	\$ 2,700	\$ 3,610	\$ 910
Fines and forfeitures:				
Court fines and forfeitures	\$ 30,000	\$ 30,000	\$ 22,459	\$ (7,541)
Revenue from use of money and property:				
Revenue from use of money	\$ 470	\$ 4,270	\$ 5,549	\$ 1,279
Revenue from use of property	28,577	28,577	16,525	(12,052)
Total revenue from use of money and property	\$ 29,047	\$ 32,847	\$ 22,074	\$ (10,773)
Charges for services:				
Charges for sanitation and waste removal	\$ 309,000	\$ 309,000	\$ 307,631	\$ (1,369)
Charges for garage services	36,100	36,100	15,459	(20,641)
Charges for airport maintenance	1,000	1,000	-	(1,000)
Charges for aviation fuel	-	-	499,654	499,654
Total charges for services	\$ 346,100	\$ 346,100	\$ 822,744	\$ 476,644
Miscellaneous revenue:				
Miscellaneous	\$ 403,830	\$ 633,098	\$ 166,362	\$ (466,736)

Town of Blackstone, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2013

Schedule 1
Page 2 of 4

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Recovered costs:				
General administration allocation	\$ 434,094	\$ 434,094	\$ 456,720	\$ 22,626
DMV	30,000	30,000	29,359	(641)
Zoning variance	2,500	2,500	-	(2,500)
Garage labor	65,300	65,300	16,346	(48,954)
County fire and rescue	25,000	25,000	88,453	63,453
County recreation	-	-	(2,000)	(2,000)
Excise tax refund	8,000	8,000	32,188	24,188
Payment in lieu of taxes-Electric fund	259,958	259,958	259,958	-
Total recovered costs	<u>\$ 824,852</u>	<u>\$ 824,852</u>	<u>\$ 881,024</u>	<u>\$ 56,172</u>
Total revenue from local sources	<u>\$ 3,159,079</u>	<u>\$ 3,392,147</u>	<u>\$ 3,508,927</u>	<u>\$ 116,780</u>
Intergovernmental revenues:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Rolling stock tax	\$ 5,500	\$ 5,500	\$ 12,999	\$ 7,499
Communications tax	-	-	18,241	18,241
Personal property tax relief funds	42,986	42,986	42,986	-
Total noncategorical aid	<u>\$ 48,486</u>	<u>\$ 48,486</u>	<u>\$ 74,226</u>	<u>\$ 25,740</u>
Categorical aid:				
Other categorical aid:				
Streets and highway maintenance	\$ 821,260	\$ 821,260	\$ 932,587	\$ 111,327
DJCP grants for law enforcement	70,000	70,000	85,528	15,528
Emergency response grant	-	-	557	557
Law enforcement block grant	5,524	5,524	5,141	(383)
Litter control	1,975	1,975	2,401	426
Fire programs	11,000	11,000	-	(11,000)
Total other categorical aid	<u>\$ 909,759</u>	<u>\$ 909,759</u>	<u>\$ 1,026,214</u>	<u>\$ 116,455</u>
Total categorical aid	<u>\$ 909,759</u>	<u>\$ 909,759</u>	<u>\$ 1,026,214</u>	<u>\$ 116,455</u>
Total revenue from the Commonwealth	<u>\$ 958,245</u>	<u>\$ 958,245</u>	<u>\$ 1,100,440</u>	<u>\$ 142,195</u>

Town of Blackstone, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2013

Schedule 1
Page 3 of 4

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Revenue from the federal government:				
Other categorical aid:				
Disaster assistance	\$ -	\$ -	\$ 2,197	\$ 2,197
Transportation safety	11,423	11,423	12,324	901
Total other categorical aid	<u>\$ 11,423</u>	<u>\$ 11,423</u>	<u>\$ 14,521</u>	<u>\$ 3,098</u>
Total revenue from the federal government	<u>\$ 11,423</u>	<u>\$ 11,423</u>	<u>\$ 14,521</u>	<u>\$ 3,098</u>
Total General Fund	<u><u>\$ 4,128,747</u></u>	<u><u>\$ 4,361,815</u></u>	<u><u>\$ 4,623,888</u></u>	<u><u>\$ 262,073</u></u>
Special Revenue Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	<u>\$ 6,500</u>	<u>\$ 6,500</u>	<u>\$ (1,532)</u>	<u>\$ (8,032)</u>
Charges for services:				
Charges for cemetery care	\$ 1,000	\$ 1,000	\$ -	\$ (1,000)
Cemetery lot sales	2,000	2,000	4,850	2,850
Charges for bus fares	44,644	44,644	24,180	(20,464)
Total charges for services	<u>\$ 47,644</u>	<u>\$ 47,644</u>	<u>\$ 29,030</u>	<u>\$ (18,614)</u>
Miscellaneous revenue:				
Miscellaneous	\$ -	\$ -	\$ 10,960	\$ 10,960
Total miscellaneous revenue	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,960</u>	<u>\$ 10,960</u>
Recovered costs:				
Reimbursement from localities	\$ 135,850	\$ 135,850	\$ 87,870	\$ (47,980)
Total recovered costs	<u>\$ 135,850</u>	<u>\$ 135,850</u>	<u>\$ 87,870</u>	<u>\$ (47,980)</u>
Total revenue from local sources	<u>\$ 189,994</u>	<u>\$ 189,994</u>	<u>\$ 126,328</u>	<u>\$ (63,666)</u>
Revenue from the Commonwealth:				
Categorical aid:				
Transportation grant	\$ 138,308	\$ 138,308	\$ 104,710	\$ (33,598)
Airport grant	-	-	23,100	23,100
Total categorical aid	<u>\$ 138,308</u>	<u>\$ 138,308</u>	<u>\$ 127,810</u>	<u>\$ (10,498)</u>
Total revenue from the Commonwealth	<u>\$ 138,308</u>	<u>\$ 138,308</u>	<u>\$ 127,810</u>	<u>\$ (10,498)</u>

Town of Blackstone, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2013

Schedule 1
Page 4 of 4

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Special Revenue Fund: (Continued)				
Revenue from the federal government:				
Categorical aid:				
Transportation grant	\$ 422,037	\$ 422,037	\$ 240,106	\$ (181,931)
Transportation grant - ARRA	-	-	32,491	32,491
Total categorical aid	\$ 422,037	\$ 422,037	\$ 272,597	\$ (149,440)
Total revenue from the federal government	\$ 422,037	\$ 422,037	\$ 272,597	\$ (149,440)
Total Special Revenue Fund	\$ 750,339	\$ 750,339	\$ 526,735	\$ (223,604)
Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of property	\$ 279,977	\$ 279,977	\$ 279,977	\$ -
Total revenue from use of money and property	\$ 279,977	\$ 279,977	\$ 279,977	\$ -
Miscellaneous revenue:				
Miscellaneous	\$ 28,842	\$ 28,842	\$ 24,083	\$ (4,759)
Total revenue from local sources	\$ 308,819	\$ 308,819	\$ 304,060	\$ (4,759)
Intergovernmental revenues:				
Revenue from the federal government:				
Categorical aid:				
Community development block grant	\$ 852,660	\$ 85,000	\$ 475,123	\$ 390,123
Total revenue from the federal government	\$ 852,660	\$ 85,000	\$ 475,123	\$ 390,123
Total Capital Projects Fund	\$ 1,161,479	\$ 393,819	\$ 779,183	\$ 385,364
Grand Total Revenues -- Primary Government	\$ 6,040,565	\$ 5,505,973	\$ 5,929,806	\$ 423,833

Town of Blackstone, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2013

Schedule 2
Page 1 of 3

<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	\$ 51,456	\$ 51,456	\$ 19,574	\$ 31,882
General and financial administration:				
Town Manager and financial administration	\$ 746,520	\$ 751,520	\$ 725,720	\$ 25,800
Independent Auditor	20,000	20,000	20,000	-
Total general and financial administration	\$ 766,520	\$ 771,520	\$ 745,720	\$ 25,800
Total general government administration	\$ 817,976	\$ 822,976	\$ 765,294	\$ 57,682
Public safety:				
Law enforcement and traffic control:				
Police	\$ 1,035,155	\$ 1,037,655	\$ 1,026,294	\$ 11,361
Fire and rescue services:				
Fire department	\$ 212,748	\$ 297,148	\$ 289,139	\$ 8,009
Total public safety	\$ 1,247,903	\$ 1,334,803	\$ 1,315,433	\$ 19,370
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Street maintenance	\$ 791,479	\$ 791,479	\$ 831,263	\$ (39,784)
Traffic lights	2,320	2,320	2,288	32
Total maintenance of highways, streets, bridges & sidewalks	\$ 793,799	\$ 793,799	\$ 833,551	\$ (39,752)
Sanitation and waste removal:				
Refuse collection	\$ 330,822	\$ 330,822	\$ 292,096	\$ 38,726
Maintenance of general buildings and grounds:				
General properties	\$ 382,808	\$ 567,858	\$ 513,329	\$ 54,529
Garage department	224,971	224,971	205,912	19,059
Fuel purchases	-	39,000	35,974	3,026
Total maintenance of general buildings and grounds	\$ 607,779	\$ 831,829	\$ 755,215	\$ 76,614
Total public works	\$ 1,732,400	\$ 1,956,450	\$ 1,880,862	\$ 75,588

Town of Blackstone, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2013

Schedule 2
Page 2 of 3

<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)				
Parks, recreation, and cultural:				
Cultural enrichment:				
Museum	\$ 23,637	\$ 25,337	\$ 25,317	\$ 20
Library:				
Contribution to library	\$ 2,000	\$ 2,000	\$ 2,000	\$ -
Library administration	6,800	6,800	6,752	48
Total library	\$ 8,800	\$ 8,800	\$ 8,752	\$ 48
Total parks, recreation, and cultural	\$ 32,437	\$ 34,137	\$ 34,069	\$ 68
Capital projects:				
Administration	\$ 10,500	\$ 10,500	\$ 9,339	\$ 1,161
Police department	21,250	21,250	9,694	11,556
Street maintenance	-	12,500	6,063	6,437
Garbage department	8,000	8,800	8,639	161
Fire department	30,000	30,000	18,869	11,131
Total capital projects	\$ 69,750	\$ 83,050	\$ 52,604	\$ 30,446
Debt service:				
Principal retirement	\$ 48,351	\$ 48,351	\$ 30,241	\$ 18,110
Interest and other fiscal charges	1,253	1,253	1,253	-
Total debt service	\$ 49,604	\$ 49,604	\$ 31,494	\$ 18,110
Total General Fund	\$ 3,950,070	\$ 4,281,020	\$ 4,079,756	\$ 201,264
Special Revenue Fund:				
Community Development:				
Planning and community development:				
Bus program	\$ 740,839	\$ 740,839	\$ 503,702	\$ 237,137
Cemetery	15,000	15,000	5,174	9,826
Airport	-	-	3,569	(3,569)
Total planning and community development	\$ 755,839	\$ 755,839	\$ 512,445	\$ 243,394
Total Special Revenue Fund	\$ 755,839	\$ 755,839	\$ 512,445	\$ 243,394

Town of Blackstone, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2013

Schedule 2
Page 3 of 3

<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>
Capital Projects Fund:				
Capital projects:				
Church Street project	\$ 931,489	\$ 931,489	\$ 395,470	\$ 536,019
Indoor plumbing	-	-	10,000	(10,000)
Medical center	13,977	13,977	-	13,977
Downtown revitalization	-	85,000	10,961	74,039
Total capital projects	<u>\$ 945,466</u>	<u>\$ 1,030,466</u>	<u>\$ 416,431</u>	<u>\$ 614,035</u>
 Debt service:				
Principal retirement	\$ 172,210	\$ 172,210	\$ 185,000	\$ (12,790)
Interest and other fiscal charges	93,790	93,790	75,158	18,632
Total debt service	<u>\$ 266,000</u>	<u>\$ 266,000</u>	<u>\$ 260,158</u>	<u>\$ 5,842</u>
 Total Capital Projects Fund	<u>\$ 1,211,466</u>	<u>\$ 1,296,466</u>	<u>\$ 676,589</u>	<u>\$ 619,877</u>
 Total Primary Government	<u>\$ 5,917,375</u>	<u>\$ 6,333,325</u>	<u>\$ 5,268,790</u>	<u>\$ 1,064,535</u>

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OTHER STATISTICAL INFORMATION

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Table 1

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

Fiscal Year	General Government Administration	Public Safety	Public Works	Health and Welfare	Parks, Recreation, and Cultural	Community Development	Interest on Long-Term Debt	Enterprise Funds		Total
2003-04	\$ 312,959	\$ 1,287,012	\$ 549,128	\$ -	\$ 9,069	\$ 169,581	\$ 16,594	\$ 6,057,729	\$	8,402,072
2004-05	247,110	1,056,944	996,097	-	11,672	243,017	8,325	5,639,032		8,202,197
2005-06	379,338	1,330,903	1,229,299	-	11,566	312,198	6,906	5,939,434		9,209,644
2006-07	438,710	1,381,715	1,667,300	-	(242,019)	390,624	3,194	6,458,979		10,098,503
2007-08	765,509	1,564,640	3,126,359	47,121	25,640	472,599	21,556	6,659,667		12,683,091
2008-09	273,519	1,317,646	1,389,844	100,000	31,555	233,371	100,989	6,579,703		10,026,627
2009-10	720,992	1,132,805	2,674,742	63,787	31,664	117,731	105,556	5,600,173		10,447,450
2010-11	595,710	1,431,174	1,721,599	63,637	70,165	979,646	106,279	6,558,636		11,526,846
2011-12	521,580	1,333,146	1,358,171	66,112	56,315	1,019,675	93,037	7,026,437		11,474,473
2012-13	329,954	1,264,552	1,643,590	63,637	46,604	901,498	76,411	6,358,400		10,684,646

Table 2

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

Fiscal Year	PROGRAM REVENUES				GENERAL REVENUES					
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		General Property Taxes	Other Local Taxes	Unrestricted Investment Earnings	Miscellaneous	Contributions Not Restricted to Specific Programs	Total
2003-04	\$ 4,661,406	\$ 885,540	\$ 166,436	\$	313,722	772,506	\$ 137,237	\$ 162,415	\$ 56,031	\$ 7,155,293
2004-05	5,685,997	1,193,327	317,341		308,648	786,977	84,943	69,134	48,790	8,495,157
2005-06	6,183,042	1,681,177	61,759		320,134	820,539	166,090	221,919	51,081	9,505,741
2006-07	6,708,900	1,210,377	121,763		392,458	862,395	127,463	185,919	52,099	9,661,374
2007-08	7,098,916	1,131,351	3,183,061		382,855	864,671	78,049	252,156	52,425	13,043,484
2008-09	7,029,526	1,718,438	1,996,751		398,720	1,094,802	48,291	131,022	48,633	12,466,183
2009-10	6,656,870	1,315,904	681,243		413,321	1,155,000	296,502	396,473	61,821	10,977,134
2010-11	7,130,890	2,097,298	265,785		399,600	1,167,131	406,865	228,476	67,248	11,763,293
2011-12	7,215,069	1,421,850	130,435		384,286	1,234,668	288,911	268,797	66,729	11,010,745
2012-13	7,316,769	1,441,142	922,371		396,805	1,185,004	300,519	235,640	74,226	11,872,476

Table 3

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

Fiscal Year	General Government Administration	Public Safety	Public Works	Parks, Recreation, and Cultural	Community Development	Debt Service	Total
2004	\$ 599,803	\$ 1,082,439	\$ 1,369,793	\$ 6,954	\$ 58,781	\$ 49,815	\$ 3,167,585
2005	577,595	1,082,161	1,390,467	5,247	49,713	85,915	3,191,098
2006	696,102	1,158,600	1,426,872	11,451	85,486	85,915	3,464,426
2007	792,118	1,135,603	1,842,748	8,091	252,843	49,815	4,081,218
2008	881,308	1,366,326	2,508,697	11,000	238,804	120,218	5,126,353
2009	864,999	1,183,054	1,655,405	10,499	318,784	787,675	4,820,416
2010	1,144,515	1,185,585	2,090,957	19,024	465,277	362,361	5,267,719
2011	961,268	1,247,469	2,260,429	55,525	1,148,834	364,815	6,038,340
2012	918,135	1,256,031	1,936,704	44,177	606,722	348,342	5,110,111
2013	765,294	1,315,433	1,880,862	34,069	512,445	291,652	4,799,755

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

(2) Excludes expenditures for capital projects.

Table 4

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

Fiscal Year	General Property Taxes	Other Local Taxes	Permits, Privilege Fees, Regulatory Licenses	Fines and Forfeitures	Revenue from the Use of Money and Property	Charges for Services	Miscellaneous	Recovered Costs	Inter-governmental	Total
2004	\$ 309,998	\$ 772,506	\$ 4,188	\$ 35,951	\$ 114,590	\$ 252,414	\$ 154,055	\$ 1,314,498	\$ 1,015,093	\$ 3,973,293
2005	296,102	786,977	820	38,204	18,392	851,774	23,624	1,120,248	1,242,117	4,378,258
2006	325,612	820,539	895	33,055	21,126	438,991	134,772	1,127,899	1,732,258	4,635,147
2007	391,102	862,395	1,500	28,728	40,740	823,118	185,288	902,288	1,384,239	4,619,398
2008	388,355	864,671	1,805	30,142	36,621	1,115,387	236,096	1,062,803	4,142,053	7,877,933
2009	378,692	1,094,802	670	32,406	48,153	744,923	98,258	1,356,787	2,049,443	5,804,134
2010	384,442	1,155,000	955	20,980	46,004	878,722	90,939	1,465,876	1,605,230	5,648,148
2011	383,061	1,167,131	3,595	34,384	146,483	603,232	133,678	1,388,455	2,089,816	5,949,835
2012	383,182	1,234,668	2,810	36,549	6,928	997,210	153,861	1,403,957	1,488,579	5,707,744
2013	405,650	1,185,004	3,610	22,459	20,542	851,774	177,322	968,894	1,515,368	5,150,623

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

(2) Excludes Capital projects funds.

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
2004	\$ 366,339	\$ 342,061	93.37%	\$ 2,797	\$ 344,858	94.14%	\$ 19,818	5.41%
2005	347,742	328,309	94.41%	2,304	330,613	95.07%	26,270	7.55%
2006	356,439	351,394	98.58%	5,024	356,418	99.99%	24,958	7.00%
2007	433,157	425,429	98.22%	-	425,429	98.22%	26,237	6.06%
2008	427,249	420,649	98.46%	757	421,406	98.63%	31,204	7.30%
2009	423,708	406,576	95.96%	8,463	415,039	97.95%	36,635	8.65%
2010	417,968	410,236	98.15%	8,201	418,437	100.11%	59,502	14.24%
2011	417,800	405,130	96.97%	11,169	416,299	99.64%	68,833	16.48%
2012	416,716	403,244	96.77%	12,848	416,092	99.85%	69,712	16.73%
2013	424,152	417,836	98.51%	16,801	434,637	102.47%	57,766	13.62%

(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
2004	\$ 115,920,896	\$ 15,545,085	\$ 1,455,650	\$ 483,625	\$ 5,636,593	\$ 139,041,849
2005	116,642,006	13,548,593	2,274,611	450,949	5,339,664	138,255,823
2006	117,739,751	14,833,072	2,329,980	449,227	4,242,097	139,594,127
2007	153,074,984	15,935,101	1,851,056	476,386	5,210,837	176,548,364
2008	152,806,641	15,309,035	1,739,285	453,044	4,946,755	175,254,760
2009	153,148,654	15,082,778	1,662,745	374,435	3,814,016	174,082,628
2010	153,997,331	13,790,012	1,867,357	314,950	3,706,860	173,676,510
2011	155,688,423	13,283,866	1,776,616	296,735	3,897,480	174,943,120
2012	156,165,542	13,174,066	1,411,581	246,305	4,442,078	175,439,572
2013	157,806,241	14,539,977	1,064,449	255,501	3,061,884	176,728,052

(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	
	\$	0.20	\$				Real Estate	Personal Property
2004	\$	0.20	\$	0.65	0.65	0.20	0.20	0.65
2005		0.20		0.65	0.65	0.20	0.20	0.65
2006		0.20		0.65	0.65	0.20	0.20	0.65
2007		0.20		0.65	0.65	0.20	0.20	0.65
2008		0.20		0.65	0.65	0.20	0.20	0.65
2009		0.20		0.65	0.65	0.20	0.20	0.65
2010		0.20		0.65	0.65	0.20	0.20	0.65
2011		0.20		0.65	0.65	0.20	0.20	0.65
2012		0.20		0.65	0.65	0.20	0.20	0.65
2013		0.20		0.65	0.65	0.20	0.20	0.65

(1) Per \$100 of assessed value.

Table 8

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

Fiscal Year	Population (1)	Assessed Value (2)	Gross Bonded Debt (3)	Less:		Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
				Payable from Enterprise Revenue	Debt			
2004	3,675	\$ 139,041,849	\$ -	-	\$ -	-	0.00%	\$ -
2005	3,675	138,255,823	6,665,000	6,665,000	-	-	0.00%	-
2006	3,675	139,594,127	6,540,000	6,540,000	-	-	0.00%	-
2007	3,675	176,548,364	6,410,000	6,410,000	-	-	0.00%	-
2008	3,675	175,254,760	6,760,000	6,280,000	480,000	480,000	0.27%	131
2009	3,675	174,082,628	8,200,000	6,145,000	2,055,000	2,055,000	1.18%	559
2010	3,621	173,676,510	7,900,000	6,005,000	1,895,000	1,895,000	1.09%	523
2011	3,621	174,943,120	7,585,000	5,860,000	1,725,000	1,725,000	0.99%	476
2012	3,621	175,439,572	7,260,000	5,715,000	1,545,000	1,545,000	0.88%	427
2013	3,621	176,728,052	6,925,000	5,565,000	1,360,000	1,360,000	0.77%	376

(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.
Excludes revenue bonds, capital leases, and compensated absences.

Table 9

Town of Blackstone, Virginia
Computation of Legal Debt Margin
At June 30, 2013

Assessed value of real property, January 1, 2012 (1)	\$ 163,512,426
Debt limit: 10% of assessed value	\$ 16,351,243
Amount of debt applicable to debt limit:	
Gross debt (2)	\$ 11,185,761
Less: Revenue bonds	(4,260,761)
Net general obligation bonds and loans	\$ 6,925,000
Legal debt limit	\$ 9,426,243

(1) Assessed value of real property, including public service corporations as of January 1, 2012.

(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, 2013, and the related notes to the financial statements, which collectively comprise the Town of Blackstone, Virginia's basic financial statements, and have issued our report thereon dated January 10, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

Richmond, Virginia
January 10, 2014

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report on Compliance For Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133

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

Report on Compliance for Each Major Federal Program

We have audited Town of Blackstone, Virginia's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Town of Blackstone, Virginia's major federal programs for the year ended June 30, 2013. Town of Blackstone, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Town of Blackstone, Virginia's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Town of Blackstone, Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Town of Blackstone, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of Town of Blackstone, Virginia is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Town of Blackstone, Virginia's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Town of Blackstone, Virginia's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

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

Richmond, Virginia
January 10, 2014

Town of Blackstone, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

Federal Grantor/Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Homeland Security: Pass Through Payments: Department of Emergency Services: Disaster Grants - Public Assistance	97.036	7760200-158	\$ 2,197
Department of Transportation: Pass Through Payments: Department of Motor Vehicles: State and Community Highway Safety	20.600	6050700- 52099/53042/53069/53364	\$ 12,324
Department of Rail and Public Transportation: Formula Grants for Other Than Urbanized Areas	20.509	6090100- 42008/42512/42513/43011	\$ 240,106
ARRA - Formula Grants for Other Than Urbanized Areas	20.509	6090100-44010	32,491
Total Department of Rail and Public Transportation			\$ 272,597
Total Department of Transportation			\$ 284,921
Environmental Protection Agency: Pass Through Payments: Department of Environmental Quality Capitalization Grants for Clean Water State Revolving Funds	66.458	5150300-90311/90312	\$ 2,379,990
Department of Housing and Urban Development: Pass Through Payments: Department of Housing and Community Development: Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	5330500-50790	\$ 475,123
Total Expenditures of Federal Awards			\$ 3,142,231

See accompanying notes to schedule of expenditures of federal awards.

Town of Blackstone, Virginia

Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the Town of Blackstone, Virginia under programs of the federal government for the year ended June 30, 2013. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Because the Schedule presents only a selected portion of the operations of the Town of Blackstone, Virginia, it is not intended to and does not present the financial position, changes in Net Position, or cash flows of the Town of Blackstone, Virginia.

Note 2 - Summary of Significant Accounting Policies

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

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

Note 3 - Relationship to Financial Statements

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

Intergovernmental federal revenues per the basic financial statements:

Primary government:

General Fund	\$	14,521
Special Revenue Fund		272,597
Proprietary Fund:		
Loan Proceeds		2,408,740
Less non-federal portion		(475,998)
Federal construction grant		447,248
Capital Projects Fund		475,123
Total primary government	\$	<u>3,142,231</u>

Total federal expenditures per basic financial
statements

\$ 3,142,231

Total federal expenditures per the Schedule of Expenditures
of Federal Awards

\$ 3,142,231

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