

TOWN OF BLACKSTONE, VIRGINIA



ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

TOWN OF BLACKSTONE, VIRGINIA

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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TOWN OF BLACKSTONE, VIRGINIA

TOWN COUNCIL

L. Benjamin Green
Eric M. Nash
Barbara Thompson

William D. Coleburn, Mayor

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

OTHER OFFICIALS

Town Manager
Town Clerk
Chief of Police
Town Attorney

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

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TOWN OF BLACKSTONE, VIRGINIA
FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2015

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FINANCIAL REPORT
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ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Blackstone, Virginia, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Blackstone, Virginia, as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2015, the Town adopted new accounting guidance, GASB Statement Nos. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27* and 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information and schedules related to pension funding on pages 58-59 and 60-62 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2015, on our consideration of Town of Blackstone, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Blackstone, Virginia's internal control over financial reporting and compliance.

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

Richmond, Virginia
December 30, 2015

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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, 2015

| | Primary Government | | |
|---|----------------------------|-----------------------------|----------------------|
| | Governmental Activities | Business-type Activities | Total |
| ASSETS | | | |
| Cash and cash equivalents | \$ 1,434,866 | \$ 1,076,482 | \$ 2,511,348 |
| Receivables (net of allowance for uncollectibles): | | | |
| Taxes receivable | 73,232 | - | 73,232 |
| Accounts receivable | 109,966 | 505,049 | 615,015 |
| Due from other governmental units | 113,888 | 56,109 | 169,997 |
| Prepaid items | 29,219 | - | 29,219 |
| Net pension asset | 235,631 | 86,536 | 322,167 |
| Capital assets (net of accumulated depreciation): | | | |
| Land | 1,192,822 | 249,575 | 1,442,397 |
| Buildings and improvements | 6,179,204 | - | 6,179,204 |
| Utility plant in service | - | 12,467,329 | 12,467,329 |
| Machinery and equipment | 1,291,733 | 196,122 | 1,487,855 |
| Infrastructure | 816,419 | - | 816,419 |
| Total assets | <u>\$ 11,476,980</u> | <u>\$ 14,637,202</u> | <u>\$ 26,114,182</u> |
| DEFERRED OUTFLOW OF RESOURCES | | | |
| Accumulated decrease in fair value of interest rate swap agreement | \$ 40,490 | \$ - | \$ 40,490 |
| Pension contribution subsequent to measurement date | 84,234 | 37,510 | 121,744 |
| Total deferred outflow of resources | <u>\$ 124,724</u> | <u>\$ 37,510</u> | <u>\$ 162,234</u> |
| LIABILITIES | | | |
| Accounts payable | \$ 312,481 | \$ 352,303 | \$ 664,784 |
| Reconciled overdraft payable | - | 137,369 | 137,369 |
| Accrued interest payable | - | 69,232 | 69,232 |
| Customer deposits payable | - | 147,348 | 147,348 |
| Long-term liabilities: | | | |
| Due within one year | 259,903 | 466,006 | 725,909 |
| Due in more than one year | 992,879 | 8,285,079 | 9,277,958 |
| Total liabilities | <u>\$ 1,565,263</u> | <u>\$ 9,457,337</u> | <u>\$ 11,022,600</u> |
| DEFERRED INFLOW OF RESOURCES | | | |
| Deferred revenue - property taxes | \$ 1,975 | \$ - | \$ 1,975 |
| Items related to measurement of net pension asset | 294,181 | 108,035 | 402,216 |
| Total deferred inflow of resources | <u>\$ 296,156</u> | <u>\$ 108,035</u> | <u>\$ 404,191</u> |
| NET POSITION | | | |
| Net investment in capital assets | \$ 8,396,217 | \$ 4,247,104 | \$ 12,643,321 |
| Unrestricted | 1,344,068 | 862,236 | 2,206,304 |
| Total net position | <u>\$ 9,740,285</u> | <u>\$ 5,109,340</u> | <u>\$ 14,849,625</u> |

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

Town of Blackstone, Virginia
Statement of Activities
For the Year Ended June 30, 2015

| 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 | \$ 279,462 | \$ - | \$ - | \$ - | \$ (279,462) | | \$ (279,462) |
| Public safety | 1,459,714 | 35,378 | 116,674 | - | (1,307,662) | | (1,307,662) |
| Public works | 2,262,961 | 629,993 | 1,020,571 | - | (612,397) | | (612,397) |
| Health and welfare | 63,637 | - | 47,000 | - | (16,637) | | (16,637) |
| Parks, recreation, and cultural | 72,641 | - | - | - | (72,641) | | (72,641) |
| Community development | 740,701 | 52,337 | 314,027 | 275,064 | (99,273) | | (99,273) |
| Interest on long-term debt | 78,686 | - | - | - | (78,686) | | (78,686) |
| Total governmental activities | \$ 4,957,802 | \$ 717,708 | \$ 1,498,272 | \$ 275,064 | \$ (2,466,758) | | \$ (2,466,758) |
| Business-type activities: | | | | | | | |
| Electric Fund | \$ 4,326,293 | \$ 4,697,806 | \$ - | \$ - | | \$ 371,513 | \$ 371,513 |
| Water and Sewer Fund | 2,230,445 | 2,305,942 | - | 15,747 | | 91,244 | 91,244 |
| Total business-type activities | \$ 6,556,738 | \$ 7,003,748 | \$ - | \$ 15,747 | | \$ 462,757 | \$ 462,757 |
| Total primary government | \$ 11,514,540 | \$ 7,721,456 | \$ 1,498,272 | \$ 290,811 | | | \$ (2,004,001) |
| General revenues: | | | | | | | |
| General property taxes | | | | | \$ 406,988 | \$ - | \$ 406,988 |
| Other local taxes: | | | | | | | |
| Local sales and use tax | | | | | 170,066 | - | 170,066 |
| Business license tax | | | | | 166,699 | - | 166,699 |
| Restaurant food tax | | | | | 558,764 | - | 558,764 |
| Other local taxes | | | | | 288,685 | - | 288,685 |
| Unrestricted revenues from use of money and property | | | | | 301,133 | - | 301,133 |
| Miscellaneous | | | | | 206,690 | 39,299 | 245,989 |
| Grants and contributions not restricted to specific programs | | | | | 67,234 | - | 67,234 |
| Transfers | | | | | 525,137 | (525,137) | - |
| Total general revenues and transfers | | | | | \$ 2,691,396 | \$ (485,838) | \$ 2,205,558 |
| Change in net position | | | | | \$ 224,638 | \$ (23,081) | \$ 201,557 |
| Net position - beginning, as restated | | | | | 9,515,647 | 5,132,421 | 14,648,068 |
| Net position - ending | | | | | \$ 9,740,285 | \$ 5,109,340 | \$ 14,849,625 |

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

FUND FINANCIAL STATEMENTS

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Town of Blackstone, Virginia
Balance Sheet
Governmental Funds
June 30, 2015

| | <u>General</u> | <u>Capital Projects</u> | <u>Special Revenue</u> | <u>Total</u> |
|---|-------------------|-----------------------------|----------------------------|---------------------|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 636,540 | \$ 351,748 | \$ 446,578 | \$ 1,434,866 |
| Receivables (net of allowance for uncollectibles): | | | | |
| Taxes receivable | 73,232 | - | - | 73,232 |
| Accounts receivable | 96,031 | 13,935 | - | 109,966 |
| Due from other governmental units | 67,544 | 16,131 | 30,213 | 113,888 |
| Prepaid items | - | 29,219 | - | 29,219 |
| Total assets | <u>\$ 873,347</u> | <u>\$ 411,033</u> | <u>\$ 476,791</u> | <u>\$ 1,761,171</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 277,070 | \$ 22,059 | \$ 13,352 | \$ 312,481 |
| Total liabilities | <u>\$ 277,070</u> | <u>\$ 22,059</u> | <u>\$ 13,352</u> | <u>\$ 312,481</u> |
| Deferred inflows of resources: | | | | |
| Unavailable revenue - property taxes | \$ 72,604 | \$ - | \$ - | \$ 72,604 |
| Total deferred inflows of resources | <u>\$ 72,604</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 72,604</u> |
| Fund balances: | | | | |
| Nonspendable | \$ - | \$ 29,219 | \$ 222,212 | \$ 251,431 |
| Restricted | 3,205 | - | 241,227 | 244,432 |
| Committed | - | 359,755 | - | 359,755 |
| Assigned | 24,011 | - | - | 24,011 |
| Unassigned | 496,457 | - | - | 496,457 |
| Total fund balances | <u>\$ 523,673</u> | <u>\$ 388,974</u> | <u>\$ 463,439</u> | <u>\$ 1,376,086</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 873,347</u> | <u>\$ 411,033</u> | <u>\$ 476,791</u> | <u>\$ 1,761,171</u> |

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

Town of Blackstone, Virginia
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2015

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

| | | |
|--|--|--------------|
| Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds | | \$ 1,376,086 |
|--|--|--------------|

| | | |
|---|--|-----------|
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | | 9,480,178 |
|---|--|-----------|

| | | |
|--|--|---------|
| The net pension asset is not an available resource and, therefore, is not reported in the funds. | | 235,631 |
|--|--|---------|

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

| | | | |
|---|-----------|--|-----------|
| Unavailable revenue - property taxes | \$ 70,629 | | |
| Items related to measurement of net pension asset | (294,181) | | (223,552) |
| | | | (223,552) |

| | | |
|--|--|--------|
| Pension contributions subsequent to the measurement date will be a reduction to/increase in the net pension liability/asset in the next fiscal year and, therefore, are not reported in the funds. | | 84,234 |
|--|--|--------|

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 | \$ (128,331) | | |
| General obligation bond | (955,000) | | |
| Capital leases | (128,961) | | (1,212,292) |
| | | | (1,212,292) |

| | | |
|---|--|--------------|
| Net position of governmental activities | | \$ 9,740,285 |
|---|--|--------------|

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

Town of Blackstone, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2015

| | <u>General</u> | <u>Capital Projects</u> | <u>Special Revenue</u> | <u>Total</u> |
|--|---------------------|-----------------------------|----------------------------|---------------------|
| REVENUES | | | | |
| General property taxes | \$ 403,928 | \$ - | \$ - | \$ 403,928 |
| Other local taxes | 1,184,214 | - | - | 1,184,214 |
| Permits, privilege fees, and regulatory licenses | 3,140 | - | - | 3,140 |
| Fines and forfeitures | 32,238 | - | - | 32,238 |
| Revenue from the use of money and property | 19,739 | 280,327 | 1,067 | 301,133 |
| Charges for services | 629,993 | - | 52,337 | 682,330 |
| Miscellaneous | 176,724 | 28,966 | 1,000 | 206,690 |
| Recovered costs | 730,319 | - | 88,986 | 819,305 |
| Intergovernmental: | | | | |
| Commonwealth | 1,181,138 | - | 85,941 | 1,267,079 |
| Federal | 70,341 | 275,064 | 228,086 | 573,491 |
| Total revenues | <u>\$ 4,431,774</u> | <u>\$ 584,357</u> | <u>\$ 457,417</u> | <u>\$ 5,473,548</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government administration | \$ 824,748 | \$ - | \$ - | \$ 824,748 |
| Public safety | 1,340,444 | - | - | 1,340,444 |
| Public works | 2,249,838 | - | - | 2,249,838 |
| Parks, recreation, and cultural | 42,585 | - | - | 42,585 |
| Community development | - | - | 454,935 | 454,935 |
| Capital projects | 200,235 | 288,220 | - | 488,455 |
| Debt service: | | | | |
| Principal retirement | 22,668 | 210,000 | - | 232,668 |
| Interest and other fiscal charges | 4,362 | 74,324 | - | 78,686 |
| Total expenditures | <u>\$ 4,684,880</u> | <u>\$ 572,544</u> | <u>\$ 454,935</u> | <u>\$ 5,712,359</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>\$ (253,106)</u> | <u>\$ 11,813</u> | <u>\$ 2,482</u> | <u>\$ (238,811)</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | \$ 525,137 | \$ 87,413 | \$ 49,290 | \$ 661,840 |
| Transfers out | (136,703) | - | - | (136,703) |
| Issuance of capital lease | 39,000 | - | - | 39,000 |
| Total other financing sources (uses) | <u>\$ 427,434</u> | <u>\$ 87,413</u> | <u>\$ 49,290</u> | <u>\$ 564,137</u> |
| Net change in fund balances | \$ 174,328 | \$ 99,226 | \$ 51,772 | \$ 325,326 |
| Fund balances - beginning | 349,345 | 289,748 | 411,667 | 1,050,760 |
| Fund balances - ending | <u>\$ 523,673</u> | <u>\$ 388,974</u> | <u>\$ 463,439</u> | <u>\$ 1,376,086</u> |

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

Town of Blackstone, Virginia
Reconciliation of Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2015

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

| | | |
|--|----|---------|
| Net change in fund balances - total governmental funds | \$ | 325,326 |
|--|----|---------|

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

| | | |
|-------------------------|------------------|-----------|
| Capital asset additions | \$ 205,772 | |
| Depreciation expense | <u>(568,836)</u> | (363,064) |

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

| | | |
|---|------------------|-----------|
| Increase (decrease) in unavailable property taxes | \$ 3,060 | |
| Increase (decrease) in deferred inflows related to the measurement of net pension liability/asset | <u>(294,181)</u> | (291,121) |

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 | \$ 22,668 | |
| Issuance of capital lease | (39,000) | |
| Principal retirement on general obligation bond | <u>210,000</u> | 193,668 |

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 | \$ (9,362) | |
| (Increase) decrease in net pension liability/asset | 418,547 | |
| Increase (decrease) in deferred outflows related to pension payments subsequent to the measurement date | <u>(49,356)</u> | 359,829 |

| | | |
|---|----|-----------------------|
| Change in net position of governmental activities | \$ | <u><u>224,638</u></u> |
|---|----|-----------------------|

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

Town of Blackstone, Virginia
Statement of Net Position
Proprietary Funds
June 30, 2015

| | Enterprise Funds | | |
|---|---------------------|------------------------|----------------------|
| | <u>Electric</u> | <u>Water and Sewer</u> | <u>Total</u> |
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 1,076,482 | \$ - | \$ 1,076,482 |
| Accounts receivables, net of allowance for uncollectibles | 357,136 | 147,913 | 505,049 |
| Due from other governmental units | - | 56,109 | 56,109 |
| Total current assets | <u>\$ 1,433,618</u> | <u>\$ 204,022</u> | <u>\$ 1,637,640</u> |
| Other assets: | | | |
| Net pension asset | \$ 41,269 | \$ 45,267 | \$ 86,536 |
| Total other assets | <u>\$ 41,269</u> | <u>\$ 45,267</u> | <u>\$ 86,536</u> |
| Noncurrent assets: | | | |
| Capital assets: | | | |
| Land | \$ 238,213 | \$ 11,362 | \$ 249,575 |
| Utility plant in service | 913,109 | 11,554,220 | 12,467,329 |
| Machinery and equipment | 78,633 | 117,489 | 196,122 |
| Total capital assets | <u>\$ 1,229,955</u> | <u>\$ 11,683,071</u> | <u>\$ 12,913,026</u> |
| Total noncurrent assets | <u>\$ 1,229,955</u> | <u>\$ 11,683,071</u> | <u>\$ 12,913,026</u> |
| Total assets | <u>\$ 2,704,842</u> | <u>\$ 11,932,360</u> | <u>\$ 14,637,202</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Pension contributions subsequent to measurement date | \$ 17,888 | \$ 19,622 | \$ 37,510 |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Accounts payable | \$ 289,485 | \$ 62,818 | \$ 352,303 |
| Reconciled overdraft payable | - | 137,369 | 137,369 |
| Accrued interest payable | - | 69,232 | 69,232 |
| Customer deposits payable | - | 147,348 | 147,348 |
| Compensated absences - current portion | 1,915 | 6,601 | 8,516 |
| Bonds payable - current portion | - | 457,490 | 457,490 |
| Total current liabilities | <u>\$ 291,400</u> | <u>\$ 880,858</u> | <u>\$ 1,172,258</u> |
| Noncurrent liabilities: | | | |
| Bonds payable - net of current portion | \$ - | \$ 8,208,432 | \$ 8,208,432 |
| Compensated absences - net of current portion | 17,234 | 59,413 | 76,647 |
| Total noncurrent liabilities | <u>\$ 17,234</u> | <u>\$ 8,267,845</u> | <u>\$ 8,285,079</u> |
| Total liabilities | <u>\$ 308,634</u> | <u>\$ 9,148,703</u> | <u>\$ 9,457,337</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Items related to measurement of net pension asset | \$ 51,521 | \$ 56,514 | \$ 108,035 |
| NET POSITION | | | |
| Net investment in capital assets | \$ 1,229,955 | \$ 3,017,149 | \$ 4,247,104 |
| Unrestricted | 1,132,620 | (270,384) | 862,236 |
| Total net position | <u>\$ 2,362,575</u> | <u>\$ 2,746,765</u> | <u>\$ 5,109,340</u> |

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

Town of Blackstone, Virginia
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2015

| | Enterprise Funds | | |
|---|----------------------------|----------------------------|----------------------------|
| | Water and | | |
| | <u>Electric</u> | <u>Sewer</u> | <u>Total</u> |
| OPERATING REVENUES | | | |
| Charges for services: | | | |
| Water and sewer revenues | \$ - | \$ 2,267,492 | \$ 2,267,492 |
| Electricity | 4,693,816 | - | 4,693,816 |
| Miscellaneous | 7,126 | 32,173 | 39,299 |
| Total operating revenues | <u>\$ 4,700,942</u> | <u>\$ 2,299,665</u> | <u>\$ 7,000,607</u> |
| OPERATING EXPENSES | | | |
| Personnel services | \$ 332,787 | \$ 376,624 | \$ 709,411 |
| Fringe benefits | 91,634 | 105,542 | 197,176 |
| Contractual services | 33,939 | 209,690 | 243,629 |
| Electric power purchased | 2,708,996 | - | 2,708,996 |
| Other supplies and expenses | 1,031,591 | 683,754 | 1,715,345 |
| Depreciation | 126,346 | 685,824 | 812,170 |
| Total operating expenses | <u>\$ 4,325,293</u> | <u>\$ 2,061,434</u> | <u>\$ 6,386,727</u> |
| Operating income (loss) | <u>\$ 375,649</u> | <u>\$ 238,231</u> | <u>\$ 613,880</u> |
| NONOPERATING REVENUES (EXPENSES) | | | |
| Connection/reconnection fees | \$ 3,990 | \$ 38,450 | \$ 42,440 |
| Interest expense | (1,000) | (169,011) | (170,011) |
| Total nonoperating revenues (expenses) | <u>\$ 2,990</u> | <u>\$ (130,561)</u> | <u>\$ (127,571)</u> |
| Income before contributions and transfers | <u>\$ 378,639</u> | <u>\$ 107,670</u> | <u>\$ 486,309</u> |
| Capital contributions and construction grants | \$ - | \$ 15,747 | \$ 15,747 |
| Transfers out | - | (525,137) | (525,137) |
| Change in net position | <u>\$ 378,639</u> | <u>\$ (401,720)</u> | <u>\$ (23,081)</u> |
| Total net position - beginning, as restated | 1,983,936 | 3,148,485 | 5,132,421 |
| Total net position - ending | <u><u>\$ 2,362,575</u></u> | <u><u>\$ 2,746,765</u></u> | <u><u>\$ 5,109,340</u></u> |

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

Town of Blackstone, Virginia
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2015

| | Enterprise Funds | | |
|---|------------------|-----------------|----------------|
| | Electric | Water and Sewer | Total |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts from customers and users | \$ 4,700,367 | \$ 2,280,814 | \$ 6,981,181 |
| Payments for operating expenses | (3,743,000) | (773,017) | (4,516,017) |
| Payments to and for employees | (426,467) | (497,155) | (923,622) |
| Net cash provided by (used for) operating activities | \$ 530,900 | \$ 1,010,642 | \$ 1,541,542 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | |
| Transfers to other funds | \$ - | \$ (525,137) | \$ (525,137) |
| Net cash provided by (used for) noncapital financing activities | \$ - | \$ (525,137) | \$ (525,137) |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| Additions to capital assets | \$ (161,409) | \$ (276,275) | \$ (437,684) |
| Principal payments on bonds and capital leases | (59,075) | (866,482) | (925,557) |
| Connection fees | 3,990 | 38,450 | 42,440 |
| Capital contributions and construction grants | - | 15,279 | 15,279 |
| Proceeds from indebtedness | - | 84,253 | 84,253 |
| Interest payments | (1,000) | (159,468) | (160,468) |
| Net cash provided by (used for) capital and related financing activities | \$ (217,494) | \$ (1,164,243) | \$ (1,381,737) |
| Net increase (decrease) in cash and cash equivalents | \$ 313,406 | \$ (678,738) | \$ (365,332) |
| Cash and cash equivalents - beginning | 763,076 | 678,738 | 1,441,814 |
| Cash and cash equivalents - ending | \$ 1,076,482 | \$ - | \$ 1,076,482 |
| Reconciliation of operating income (loss) to net cash provided by (used for) operating activities: | | | |
| Operating income (loss) | \$ 375,649 | \$ 238,231 | \$ 613,880 |
| Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities: | | | |
| Depreciation expense | 126,346 | 685,824 | 812,170 |
| (Increase) decrease in accounts receivable | (575) | (1,796) | (2,371) |
| (Increase) decrease in net pension asset | (41,269) | (45,267) | (86,536) |
| (Increase) decrease in deferred outflows of resources | 5,509 | 6,041 | 11,550 |
| Increase (decrease) in customer deposits payable | - | (17,055) | (17,055) |
| Increase (decrease) in accounts payable | 47,800 | (16,942) | 30,858 |
| Increase (decrease) in deferred inflows of resources | 51,521 | 56,514 | 108,035 |
| Increase (decrease) in net pension liability | (32,035) | (35,139) | (67,174) |
| Increase (decrease) in compensated absences | (2,046) | 2,862 | 816 |
| Increase (decrease) in reconciled overdraft payable | - | 137,369 | 137,369 |
| Total adjustments | \$ 155,251 | \$ 772,411 | \$ 927,662 |
| Net cash provided by (used for) operating activities | \$ 530,900 | \$ 1,010,642 | \$ 1,541,542 |

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

Town of Blackstone, Virginia
Statement of Fiduciary Net Position
Fiduciary Fund
June 30, 2015

Agency
Fund

ASSETS

Cash and cash equivalents

\$ 35,342

LIABILITIES

Amounts held for others

\$ 35,342

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

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

Note 1—Summary of Significant Accounting Policies:

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

The financial statements of Town of Blackstone, Virginia have been prepared in conformity with the specifications promulgated by the 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 Town's accounting policies are described below.

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

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

Government-wide and Fund Financial Statements

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

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

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

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2015

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

Government-wide and Fund Financial Statements (Continued)

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

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

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

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

A. Financial Reporting Entity

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

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2015

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

B. Individual Component Unit Disclosures

Blended Component Units. The Town has no blended component units at June 30, 2015.

Discretely Presented Component Units. The Town has no discretely presented component units at June 30, 2015.

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

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

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

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

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

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

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

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

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

1. Governmental Funds

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

a. General Fund

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

b. Special Revenue Fund

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

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

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

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

c. Capital Projects Fund

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

2. Proprietary Funds

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

a. Enterprise Funds

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

3. Fiduciary Funds (Trust and Agency Funds)

Fiduciary Funds (Trust and Agency Funds) account for assets held by the Town in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. These funds include Agency Funds. Agency Funds utilize the accrual basis of accounting. 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.

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2015

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

D. Cash and Cash Equivalents

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

E. Investments

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 Town are reported at fair value.

F. Prepaid Items

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

G. Receivables and Payables

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

All trade and property tax receivables are shown net of an allowance for uncollectibles. The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$331,528 at June 30, 2015 and is comprised of property taxes of \$12,539, electric revenues of \$215,932, and water and sewer charges of \$103,057.

Real and Personal Property Tax Data:

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

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

The Town bills and collects its own property taxes.

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2015

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

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.

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. Use of Estimates

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

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2015

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

K. Net Position

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

L. Net Position Flow Assumption

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

M. Long-term Obligations

In the government-wide financial statements, long-term 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;

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

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

IV. Fund Equity (Continued)

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

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

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

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TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

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 | \$ - | \$ 222,212 | \$ - | \$ 222,212 |
| Prepaid items | - | - | 29,219 | 29,219 |
| Total nonspendable fund balance | <u>\$ -</u> | <u>\$ 222,212</u> | <u>\$ 29,219</u> | <u>\$ 251,431</u> |
| Restricted for: | | | | |
| Cemetery | \$ - | \$ 116,228 | \$ - | \$ 116,228 |
| Bus | - | 124,999 | - | 124,999 |
| Shop with a Cop Program | 3,205 | - | - | 3,205 |
| Total restricted fund balance | <u>\$ 3,205</u> | <u>\$ 241,227</u> | <u>\$ -</u> | <u>\$ 244,432</u> |
| Committed to: | | | | |
| Capital projects | \$ - | \$ - | \$ 359,755 | \$ 359,755 |
| Total committed fund balance | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 359,755</u> | <u>\$ 359,755</u> |
| Assigned: | | | | |
| Fire programs fund | \$ 24,011 | \$ - | \$ - | \$ 24,011 |
| Total assigned fund balance | <u>\$ 24,011</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 24,011</u> |
| Unassigned fund balance | \$ 496,457 | \$ - | \$ - | \$ 496,457 |
| Total fund balances | <u><u>\$ 523,673</u></u> | <u><u>\$ 463,439</u></u> | <u><u>\$ 388,974</u></u> | <u><u>\$ 1,376,086</u></u> |

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

O. Deferred Outflows/Inflows of Resources

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

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

P. Adoption of Accounting Principles

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27 and Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68:

The County implemented the financial reporting provisions of the above Statements for the fiscal year ended June 30, 2015. These Statements establish standards for measuring and recognizing assets, liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures related to pensions. Note disclosure and required supplementary information requirements about pensions are also addressed. The requirements of these Statements will improve financial reporting by improving accounting and financial reporting by state and local governments for pensions. The implementation of these statements resulted in a restatement of net position, reference Note 15.

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2015

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, 2015, as adopted, appropriated and legally amended.

Expenditures and Appropriations

Expenditures did not exceed appropriations in any fund at June 30, 2015.

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.

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TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 3—Deposits and Investments (Continued):

Investments

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

Credit Risk of Debt Securities

The Town’s rated debt investments as of June 30, 2015 were rated by Standard and Poor’s and the ratings are presented below using Standard and Poor’s rating scale.

| Town’s Rated Debt Investments’ Values | |
|---------------------------------------|-----------------------------|
| <u>Rated Debt Investments</u> | <u>Fair Quality Ratings</u> |
| | <u>AAAm</u> |
| First American Prime Obligations Fund | <u>\$ 172,098</u> |
| Total | <u><u>\$ 172,098</u></u> |

Interest Rate Risk

| Investment Maturities (in years) | | |
|---------------------------------------|--------------------------|-----------------------------|
| <u>Investment Type</u> | <u>Fair Value</u> | <u>Less Than 1 Year</u> |
| First American Prime Obligations Fund | <u>\$ 172,098</u> | <u>\$ 172,098</u> |
| Total | <u><u>\$ 172,098</u></u> | <u><u>\$ 172,098</u></u> |

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TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 4—Due to/from Other Governments:

At June 30, 2015, the Town has receivables from other governments as follows:

| | <u>Governmental Activities</u> | <u>Business-type Activities</u> |
|--------------------------------------|------------------------------------|-------------------------------------|
| Other Local Governments: | | |
| County of Nottoway | \$ 29,626 | \$ - |
| Commonwealth of Virginia: | | |
| DMV | 3,408 | - |
| Communications tax | 2,917 | - |
| Fort Pickett water and sewer payment | - | 56,109 |
| Fire programs | 4,900 | - |
| VDOT revenue sharing reimbursement | 26,693 | - |
| Federal Government: | | |
| Mass transit grant | 30,213 | - |
| Community development block grant | <u>16,131</u> | <u>-</u> |
| Total due from other governments | <u>\$ 113,888</u> | <u>\$ 56,109</u> |

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TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 5—Capital Assets:

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2015:

| | Balance July 1, 2014 | Additions | Deletions | Balance June 30, 2015 |
|---|-------------------------|--------------|-----------|--------------------------|
| Governmental activities: | | | | |
| Capital assets not subject to depreciation: | | | | |
| Land | \$ 1,192,822 | \$ - | \$ - | \$ 1,192,822 |
| Total capital assets not subject to depreciation | \$ 1,192,822 | \$ - | \$ - | \$ 1,192,822 |
| Capital assets subject to depreciation: | | | | |
| Buildings and improvements | \$ 8,461,640 | \$ - | \$ - | \$ 8,461,640 |
| Infrastructure | 1,079,413 | - | - | 1,079,413 |
| Machinery and equipment | 3,672,677 | 205,772 | - | 3,878,449 |
| Total capital assets subject to depreciation | \$ 13,213,730 | \$ 205,772 | \$ - | \$ 13,419,502 |
| Accumulated depreciation: | | | | |
| Buildings and improvements | \$ 2,063,314 | \$ 219,122 | \$ - | \$ 2,282,436 |
| Infrastructure | 212,315 | 50,679 | - | 262,994 |
| Machinery and equipment | 2,287,681 | 299,035 | - | 2,586,716 |
| Total accumulated depreciation | \$ 4,563,310 | \$ 568,836 | \$ - | \$ 5,132,146 |
| Total capital assets subject to depreciation, net | \$ 8,650,420 | \$ (363,064) | \$ - | \$ 8,287,356 |
| Governmental activities capital assets, net | \$ 9,843,242 | \$ (363,064) | \$ - | \$ 9,480,178 |

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TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 5—Capital Assets: (Continued)

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2015:

| | Balance July 1, 2014 | Additions | Deletions | Balance June 30, 2015 |
|---|-------------------------|--------------|--------------|--------------------------|
| <i>Business-type Activities:</i> | | | | |
| Capital assets not subject to depreciation: | | | | |
| Land | \$ 249,575 | \$ - | \$ - | \$ 249,575 |
| Construction in progress | 2,083,671 | - | 2,083,671 | - |
| Total capital assets not subject to depreciation | \$ 2,333,246 | \$ - | \$ 2,083,671 | \$ 249,575 |
| Capital assets subject to depreciation: | | | | |
| Utility plant in service | \$ 22,958,690 | \$ 2,521,355 | \$ - | \$ 25,480,045 |
| Buildings | 24,852 | - | - | 24,852 |
| Machinery and equipment | 1,218,864 | - | - | 1,218,864 |
| Total capital assets subject to depreciation | \$ 24,202,406 | \$ 2,521,355 | \$ - | \$ 26,723,761 |
| Accumulated depreciation: | | | | |
| Utility plant in service | \$ 12,241,659 | \$ 771,057 | \$ - | \$ 13,012,716 |
| Buildings | 24,852 | - | - | 24,852 |
| Machinery and equipment | 981,629 | 41,113 | - | 1,022,742 |
| Total accumulated depreciation | \$ 13,248,140 | \$ 812,170 | \$ - | \$ 14,060,310 |
| Total capital assets subject to depreciation, net | \$ 10,954,266 | \$ 1,709,185 | \$ - | \$ 12,663,451 |
| Business-type activities capital assets, net | \$ 13,287,512 | \$ 1,709,185 | \$ 2,083,671 | \$ 12,913,026 |

Depreciation expense was charged to functions/programs as follows:

| | |
|---|--------------|
| Governmental activities: | |
| General government administration | \$ 4,570 |
| Public safety | 149,376 |
| Public works | 208,183 |
| Health and welfare | 63,637 |
| Parks, recreation and cultural | 30,732 |
| Community development | 112,338 |
| Total depreciation expense - governmental activities | \$ 568,836 |
| Business-type activities: | |
| Electric fund | \$ 126,346 |
| Water and Sewer fund | 685,824 |
| Total depreciation expense - business-type activities | \$ 812,170 |
| Total depreciation expense - primary government | \$ 1,381,006 |

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 6—Long-term Obligations:

The following is a summary of changes in long-term obligations for the fiscal year-ended June 30, 2015:

| | Restated Balance at July 1, 2014 | Increases | Decreases | Balance at June 30, 2015 | Amounts Due Within One Year |
|---------------------------------|--|-------------------|---------------------|-----------------------------|-----------------------------------|
| Governmental Activities: | | | | | |
| Compensated absences | \$ 118,969 | \$ 19,444 | \$ 10,082 | \$ 128,331 | \$ 12,833 |
| Capital leases (Note 7) | 112,629 | 39,000 | 22,668 | 128,961 | 27,070 |
| General obligation bond | 1,165,000 | - | 210,000 | 955,000 | 220,000 |
| Net pension liability | 182,916 | 447,925 | 630,841 | - | - |
| Derivative instrument liability | 59,600 | - | 19,110 | 40,490 | - |
| Total Governmental Activities | <u>\$ 1,639,114</u> | <u>\$ 506,369</u> | <u>\$ 892,701</u> | <u>\$ 1,252,782</u> | <u>\$ 259,903</u> |
| Business-Type Activities: | | | | | |
| Compensated absences | \$ 84,347 | \$ 9,251 | \$ 8,435 | \$ 85,163 | \$ 8,516 |
| General obligation bond | 5,585,000 | - | 206,000 | 5,379,000 | 199,000 |
| Net pension liability | 67,174 | 164,495 | 231,669 | - | - |
| Revenue bonds | 3,922,226 | 84,253 | 719,557 | 3,286,922 | 258,490 |
| Total Business-Type Activities | <u>\$ 9,658,747</u> | <u>\$ 257,999</u> | <u>\$ 1,165,661</u> | <u>\$ 8,751,085</u> | <u>\$ 466,006</u> |
| Total Primary Government | <u>\$ 11,297,861</u> | <u>\$ 764,368</u> | <u>\$ 2,058,362</u> | <u>\$ 10,003,867</u> | <u>\$ 725,909</u> |

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 |
| 2016 | \$ 220,000 | \$ 48,565 | \$ 27,070 | \$ 4,274 |
| 2017 | 230,000 | 36,891 | 27,125 | 3,272 |
| 2018 | 245,000 | 25,039 | 23,549 | 2,347 |
| 2019 | 260,000 | 12,315 | 24,438 | 1,458 |
| 2021 | - | - | 21,065 | 572 |
| 2022 | - | - | 5,714 | 42 |
| Total | <u>\$ 955,000</u> | <u>\$ 122,810</u> | <u>\$ 128,961</u> | <u>\$ 11,965</u> |

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TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 6—Long-term Obligations: (Continued)

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

| Year Ending June 30 | Business-type Activities | | | |
|------------------------|--------------------------|-------------|-------------------------|---------------------|
| | Revenue Bonds | | General Obligation Bond | |
| | Principal | Interest | Principal | Interest |
| 2016 | \$ 258,490 | \$ - | \$ 199,000 | \$ 158,385 |
| 2017 | 258,489 | - | 203,000 | 152,355 |
| 2018 | 258,489 | - | 212,000 | 146,130 |
| 2019 | 258,489 | - | 216,000 | 139,710 |
| 2020 | 230,947 | - | 225,000 | 133,095 |
| 2021 | 203,407 | - | 228,000 | 126,300 |
| 2022 | 203,412 | - | 237,000 | 119,325 |
| 2023 | 134,637 | - | 245,000 | 112,095 |
| 2024 | 134,637 | - | 252,000 | 104,640 |
| 2025 | 134,637 | - | 259,000 | 96,975 |
| 2026 | 134,637 | - | 266,000 | 89,100 |
| 2027 | 134,637 | - | 278,000 | 80,940 |
| 2028 | 134,637 | - | 284,000 | 72,510 |
| 2029 | 134,637 | - | 295,000 | 63,825 |
| 2030 | 134,637 | - | 305,000 | 54,825 |
| 2031 | 134,637 | - | 315,000 | 45,525 |
| 2032 | 134,637 | - | 325,000 | 35,925 |
| 2033 | 134,637 | - | 334,000 | 26,040 |
| 2034 | 134,192 | - | 347,000 | 15,825 |
| 2035 | - | - | 354,000 | 5,310 |
| Total | <u>\$ 3,286,922</u> | <u>\$ -</u> | <u>\$ 5,379,000</u> | <u>\$ 1,778,835</u> |

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TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 6—Long-term Obligations: (Continued)

Details of Long-term Obligations:

| | <u>Total Amount</u> |
|---|-------------------------|
| <u>Governmental Activities:</u> | |
| Capital Leases (Note 7) | \$ 128,961 |
| <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. | \$ 955,000 |
| Derivative instrument liability | \$ 40,490 |
| Compensated absences (payable from General Fund) | \$ 128,331 |
| Total Long-term Obligations, Governmental Activities | \$ 1,252,782 |

Business-type Activities:

Revenue Bonds:

| | |
|---|--------------|
| \$1,107,095 Utility Revenue Bond, issued February 1, 2000, due in semi-annual installments through August 1, 2019; interest at 0% | \$ 247,869 |
| \$1,386,875 Utility Revenue Bond, issued April 17, 2002, due in semi-annual installments through April 1, 2022; interest at 0% | 481,395 |
| \$2,692,743 VRA Revolving Fund, issued September 2012, not fully drawn down as of June 30, 2013 | 2,557,658 |
| Total Revenue Bonds | \$ 3,286,922 |

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TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2015

Note 6—Long-term Obligations: (Continued)

Business-type Activities: (Continued)

General Obligation Bond:

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

\$ 5,379,000

Compensated absences (payable from Enterprise Fund)

\$ 85,163

Total Long-term Obligations, Business-type Activities

\$ 8,751,085

Total Long-term Obligations, Primary Government

\$ 10,003,867

The Town issued the series 2015 Refunding Bond in the amount of \$5,580,000 to refund the Series 2004 General Obligation Bond. The aggregate difference in the debt service between the refunded debt and the refunding debt was \$841,890 and the economic gain on the transaction was \$621,477.

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 \$995,490 is more than the balance outstanding on the bonds payable of \$955,000. The difference of \$40,490 is reported in these financial statements as a derivative instrument liability within the long-term obligations of the Town.

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

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 6—Long-term Obligations: (Continued)

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

| | | As of and for the year ended June 30, 2015 |
|----------------------|----|---|
| Fair value | \$ | (40,490) |
| Change in fair value | | (19,110) |

Note 7—Capital Leases:

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

The assets acquired through capital leases are as follows:

| | Governmental Activities |
|--------------------------------|----------------------------|
| Asset: | |
| Equipment | \$ 267,420 |
| Less: accumulated depreciation | (110,350) |
| Total | <u>\$ 157,070</u> |

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2015, were as follows:

| Year Ended June 30 | Governmental Activities |
|---|----------------------------|
| 2016 | \$ 31,344 |
| 2017 | 30,397 |
| 2018 | 25,896 |
| 2019 | 25,896 |
| 2020 | 21,637 |
| 2021 | <u>5,756</u> |
| Total minimum lease payments | \$ 140,926 |
| Less: amount representing interest | <u>(11,965)</u> |
| Present value of minimum lease payments | <u>\$ 128,961</u> |

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 8—Unearned and Deferred/Unavailable Revenue:

Unearned and deferred/unavailable revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Unearned and deferred/unavailable revenue is comprised of the following:

Unavailable Property Tax Revenue - Unavailable revenue representing uncollected tax billings not available for funding of current expenditures totaled \$70,629 at June 30, 2015.

Prepaid Property Taxes - Property taxes due subsequent to June 30, 2015 but paid in advance by the taxpayers totaled \$1,975 at June 30, 2015.

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, 2015, there were no matters of litigation involving the Town which would materially affect the Town's financial position should any court decisions on pending matters not be favorable to the Town.

Note 11—Risk Management:

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

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TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2015

Note 12—Pension Plan:

Plan Description

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

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

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

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 12—Pension Plan: (Continued)

Plan Description (Continued)

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

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 12—Pension Plan: (Continued)

Plan Description (Continued)

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

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 12—Pension Plan: (Continued)

Plan Description (Continued)

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

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 12—Pension Plan: (Continued)

Plan Description (Continued)

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

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 12—Pension Plan: (Continued)

Plan Description (Continued)

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

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 12—Pension Plan: (Continued)

Plan Description (Continued)

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

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 12—Pension Plan: (Continued)

Plan Description (Continued)

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

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 12—Pension Plan: (Continued)

Plan Description (Continued)

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

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 12—Pension Plan: (Continued)

Plan Description (Continued)

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

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 12—Pension Plan: (Continued)

Plan Description (Continued)

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

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2015

Note 12—Pension Plan: (Continued)

Plan Description (Continued)

The System issues a publicly available comprehensive annual financial report 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/2014-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Employees Covered by Benefit Terms

As of the June 30, 2013 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

| | Primary Government |
|--|-------------------------------|
| Inactive members or their beneficiaries currently receiving benefits | 16 |
| Inactive members: | |
| Vested inactive members | 12 |
| Non-vested inactive members | 20 |
| Inactive members active elsewhere in VRS | 28 |
| Total inactive members | 60 |
| Active members | 58 |
| Total covered employees | 134 |

Contributions

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

The Town's contractually required contribution rate for the year ended June 30, 2015 was 5.76% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2015

Note 12—Pension Plan: (Continued)

Contributions (Continued)

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Town were \$121,744 and \$182,650 for the years ended June 30, 2015 and June 30, 2014, respectively.

Net Pension Liability (Asset)

The Town's net pension liability (asset) was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation performed as of June 30, 2013, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

Actuarial Assumptions - General Employees

The total pension liability for General Employees in the Town's Retirement Plan was based on an actuarial valuation as of June 30, 2013, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

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

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

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

Largest 10 - Non-LEOS:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2015

Note 12—Pension Plan: (Continued)

Actuarial Assumptions - General Employees (Continued)

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - Non-LEOS:

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

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

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

Actuarial Assumptions - Public Safety Employees

The total pension liability for Public Safety employees in the Town's Retirement Plan was based on an actuarial valuation as of June 30, 2013, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

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

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

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 12—Pension Plan: (Continued)

Actuarial Assumptions - Public Safety Employees (Continued)

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

Largest 10 - Non-LEOS:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) - LEOS:

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

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 12—Pension Plan: (Continued)

Long-Term Expected Rate of Return

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

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

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

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 12—Pension Plan: (Continued)

Discount Rate

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

Changes in Net Pension Liability (Asset)

| | Primary Government | | |
|--|--------------------------------------|--|--|
| | Increase (Decrease) | | |
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (Asset) (a) - (b) |
| Balances at June 30, 2013 | \$ 5,869,733 | \$ 5,619,643 | \$ 250,090 |
| Changes for the year: | | | |
| Service cost | \$ 202,242 | \$ - | \$ 202,242 |
| Interest | 405,478 | - | 405,478 |
| Contributions - employer | - | 182,650 | (182,650) |
| Contributions - employee | - | 101,458 | (101,458) |
| Net investment income | - | 900,522 | (900,522) |
| Benefit payments, including refunds of employee contributions | (154,388) | (154,388) | - |
| Administrative expenses | - | (4,700) | 4,700 |
| Other changes | - | 47 | (47) |
| Net changes | \$ 453,332 | \$ 1,025,589 | \$ (572,257) |
| Balances at June 30, 2014 | \$ 6,323,065 | \$ 6,645,232 | \$ (322,167) |

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 12—Pension Plan: (Continued)

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

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

| | Rate | | |
|-------------------------------|------------|--------------|----------------|
| | (6.00%) | (7.00%) | (8.00%) |
| Town | | | |
| Net Pension Liability (Asset) | \$ 617,608 | \$ (322,167) | \$ (1,085,789) |

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

For the year ended June 30, 2015, the Town recognized pension expense of \$12,609. At June 30, 2015, the Town and reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Primary Government | |
|---|--------------------------------|-------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | \$ - | \$ 402,216 |
| Employer contributions subsequent to the measurement date | 121,744 | - |
| Total | \$ 121,744 | \$ 402,216 |

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TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 12—Pension Plan: (Continued)

\$121,744 reported as deferred outflows of resources related to pensions resulting from the Town's contributions, subsequent to the measurement date will be recognized as a reduction of (increase to) the Net Pension Liability (Asset) in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year ended June 30</u> | | <u>Primary Government</u> |
|---------------------------|----|-------------------------------|
| 2016 | \$ | (100,554) |
| 2017 | | (100,554) |
| 2018 | | (100,554) |
| 2019 | | (100,554) |

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TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 13—Surety Bonds:

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

Note 14—Interfund Transfers:

Interfund transfers for the year ended June 30, 2015 consisted of the following:

| <u>Fund</u> | <u>Transfers In</u> | <u>Transfers Out</u> |
|---------------------|---------------------|----------------------|
| Primary Government: | | |
| General | \$ 525,137 | \$ 136,703 |
| Capital projects | 87,413 | - |
| Special revenue | 49,290 | - |
| Water and sewer | - | 525,137 |
| Total | <u>\$ 661,840</u> | <u>\$ 661,840</u> |

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

Note 15—Restatement of Beginning Net Balance:

The following adjustments were made to beginning net position:

| | <u>Governmental Activities</u> | <u>Business-type Activities</u> | <u>Water and Sewer</u> |
|-------------------------------------|------------------------------------|-------------------------------------|----------------------------|
| Net position as previously reported | \$ 9,564,973 | \$ 1,992,574 | \$ 3,157,961 |
| Implementation of GASB 68: | | | |
| Deferred outflows of resources | 133,590 | 23,397 | 25,663 |
| Net pension liability | <u>(182,916)</u> | <u>(32,035)</u> | <u>(35,139)</u> |
| Net position as restated | <u>\$ 9,515,647</u> | <u>\$ 1,983,936</u> | <u>\$ 3,148,485</u> |

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 16—Upcoming Pronouncements:

Statement No. 72, *Fair Value Measurement and Application*, amends the definitions of fair value used throughout GASB literature to be consistent with the definition and principles provided in FASB Accounting Standards Codification Topic 820, *Fair Value Measurement*. This Statement provides guidance for determining a fair value measurement for financial reporting purposes and for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015. No formal study or estimate of the impact of this standard has been performed.

Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, Accounting and Financial Reporting for Pensions, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68 and amends certain provisions of Statement No. 67, Financial Reporting for Pension Plans, and Statement 68 for pension plans and pensions that are within their respective scopes. The requirements of this Statement that address accounting and financial reporting by employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68 are effective for financial statements for fiscal years beginning after June 15, 2016, and the requirements of this Statement that address financial reporting for assets accumulated for purposes of providing those pensions are effective for fiscal years beginning after June 15, 2015. The requirements of this Statement for pension plans that are within the scope of Statement 67 or for pensions that are within the scope of Statement 68 are effective for fiscal years beginning after June 15, 2015. No formal study or estimate of the impact of this standard has been performed.

Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, improves the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016. No formal study or estimate of the impact of this standard has been performed.

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

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 16—Upcoming Pronouncements (Continued):

Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, objective is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. No formal study or estimate of the impact of this standard has been performed.

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

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REQUIRED SUPPLEMENTARY INFORMATION

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Town of Blackstone, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2015

| | Budgeted Amounts | | Actual | Variance with |
|---|---------------------|---------------------|---------------------|--|
| | <u>Original</u> | <u>Final</u> | <u>Amounts</u> | Final Budget - Positive (Negative) |
| REVENUES | | | | |
| General property taxes | \$ 390,000 | \$ 409,000 | \$ 403,928 | \$ (5,072) |
| Other local taxes | 1,170,000 | 1,206,200 | 1,184,214 | (21,986) |
| Permits, privilege fees, and regulatory licenses | 2,700 | 2,700 | 3,140 | 440 |
| Fines and forfeitures | 30,000 | 34,500 | 32,238 | (2,262) |
| Revenue from the use of money and property | 12,030 | 18,030 | 19,739 | 1,709 |
| Charges for services | 770,000 | 770,000 | 629,993 | (140,007) |
| Miscellaneous | 76,150 | 86,650 | 176,724 | 90,074 |
| Recovered costs | 617,094 | 647,094 | 730,319 | 83,225 |
| Intergovernmental: | | | | |
| Commonwealth | 1,159,020 | 1,212,020 | 1,181,138 | (30,882) |
| Federal | - | 47,000 | 70,341 | 23,341 |
| Total revenues | <u>\$ 4,226,994</u> | <u>\$ 4,433,194</u> | <u>\$ 4,431,774</u> | <u>\$ (1,420)</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government administration | \$ 787,149 | \$ 834,129 | \$ 824,748 | \$ 9,381 |
| Public safety | 1,222,385 | 1,357,885 | 1,340,444 | 17,441 |
| Public works | 1,971,655 | 2,396,655 | 2,249,838 | 146,817 |
| Parks, recreation, and cultural | 41,270 | 42,970 | 42,585 | 385 |
| Capital projects | 129,350 | 147,370 | 200,235 | (52,865) |
| Debt service: | | | | |
| Principal retirement | 60,250 | 105,250 | 22,668 | 82,582 |
| Interest and other fiscal charges | - | - | 4,362 | (4,362) |
| Total expenditures | <u>\$ 4,212,059</u> | <u>\$ 4,884,259</u> | <u>\$ 4,684,880</u> | <u>\$ 199,379</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>\$ 14,935</u> | <u>\$ (451,065)</u> | <u>\$ (253,106)</u> | <u>\$ 197,959</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | \$ 196,768 | \$ 541,768 | \$ 525,137 | \$ (16,631) |
| Transfers out | (211,703) | (136,703) | (136,703) | - |
| Issuance of capital leases | - | 39,000 | 39,000 | - |
| Total other financing sources (uses) | <u>\$ (14,935)</u> | <u>\$ 444,065</u> | <u>\$ 427,434</u> | <u>\$ (16,631)</u> |
| Net change in fund balances | \$ - | \$ (7,000) | \$ 174,328 | \$ 181,328 |
| Fund balances - beginning | - | 7,000 | 349,345 | 342,345 |
| Fund balances - ending | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 523,673</u> | <u>\$ 523,673</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, 2015

| | Budgeted Amounts | | Actual | Variance with |
|---|-------------------|-------------------|-------------------|------------------------------------|
| | Original | Final | Amounts | Final Budget - Positive (Negative) |
| REVENUES | | | | |
| Revenue from the use of money and property | \$ 1,000 | \$ 1,000 | \$ 1,067 | \$ 67 |
| Charges for services | 32,200 | 32,200 | 52,337 | 20,137 |
| Miscellaneous | - | - | 1,000 | 1,000 |
| Recovered costs | 122,665 | 122,665 | 88,986 | (33,679) |
| Intergovernmental: | | | | |
| Commonwealth | 119,200 | 119,200 | 85,941 | (33,259) |
| Federal | 313,685 | 313,685 | 228,086 | (85,599) |
| Total revenues | <u>\$ 588,750</u> | <u>\$ 588,750</u> | <u>\$ 457,417</u> | <u>\$ (131,333)</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Community development | \$ 598,110 | \$ 598,110 | \$ 454,935 | \$ 143,175 |
| Total expenditures | <u>\$ 598,110</u> | <u>\$ 598,110</u> | <u>\$ 454,935</u> | <u>\$ 143,175</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>\$ (9,360)</u> | <u>\$ (9,360)</u> | <u>\$ 2,482</u> | <u>\$ 11,842</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | \$ 3,500 | \$ 3,500 | \$ 49,290 | \$ 45,790 |
| Transfers out | (8,940) | (8,940) | - | 8,940 |
| Total other financing sources (uses) | <u>\$ (5,440)</u> | <u>\$ (5,440)</u> | <u>\$ 49,290</u> | <u>\$ 54,730</u> |
| Net change in fund balances | \$ (14,800) | \$ (14,800) | \$ 51,772 | \$ 66,572 |
| Fund balances - beginning | 14,800 | 14,800 | 411,667 | 396,867 |
| Fund balances - ending | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 463,439</u> | <u>\$ 463,439</u> |

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

| | 2014 |
|--|--------------|
| Total pension liability | |
| Service cost | \$ 202,242 |
| Interest | 405,478 |
| Benefit payments, including refunds of employee contributions | (154,388) |
| Net change in total pension liability | \$ 453,332 |
| Total pension liability - beginning | 5,869,733 |
| Total pension liability - ending (a) | \$ 6,323,065 |
| Plan fiduciary net position | |
| Contributions - employer | \$ 182,650 |
| Contributions - employee | 101,458 |
| Net investment income | 900,522 |
| Benefit payments, including refunds of employee contributions | (154,388) |
| Administrative expense | (4,700) |
| Other | 47 |
| Net change in plan fiduciary net position | \$ 1,025,589 |
| Plan fiduciary net position - beginning | 5,619,643 |
| Plan fiduciary net position - ending (b) | \$ 6,645,232 |
| Town's net pension liability (asset) - ending (a) - (b) | \$ (322,167) |
| Plan fiduciary net position as a percentage of the total pension liability | 105.10% |
| Covered-employee payroll | \$ 2,042,247 |
| Town's net pension liability (asset) as a percentage of covered-employee payroll | -15.78% |

Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, no other data is available. However, additional years will be included as they become available.

Town of Blackstone, Virginia
Schedule of Employer Contributions
For the Year Ended June 30, 2015

| <u>Date</u> | <u>Contractually Required Contribution (1)</u> | <u>Contributions in Relation to Contractually Required Contribution (2)</u> | <u>Contribution Deficiency (Excess) (3)</u> | <u>Employer's Covered Employee Payroll (4)</u> | <u>Contributions as a % of Covered Employee Payroll (5)</u> |
|--------------------|--|---|---|--|---|
| Primary Government | | | | | |
| 2015 | \$ 121,744 | \$ 121,744 | \$ - | \$ 2,113,608 | 5.76% |

Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, no other data is available. However, additional years will be included as they become available.

Town of Blackstone, Virginia
Notes to Required Supplementary Information
For the Year Ended June 30, 2015

Changes of benefit terms - There have been no significant changes to the System benefit provisions since the prior actuarial valuation. A hybrid plan with changes to the defined benefit plan structure and a new defined contribution component were adopted in 2012. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. The liabilities presented do not reflect the hybrid plan since it covers new members joining the System after the valuation date of June 30, 2013 and the impact on the liabilities as of the measurement date of June 30, 2014 are minimal.

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

Largest 10 - Non-LEOS:

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

Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

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

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

All Others (Non 10 Largest) - LEOS:

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

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OTHER SUPPLEMENTARY INFORMATION

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*INDIVIDUAL FUND FINANCIAL
STATEMENT AND SCHEDULE*

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Town of Blackstone, Virginia
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Capital Projects Fund
For the Year Ended June 30, 2015

| | Budgeted Amounts | | | Variance with Final Budget Positive (Negative) |
|---|---------------------|---------------------|-------------------|---|
| | Original | Final | Actual | |
| REVENUES | | | | |
| Revenue from the use of money and property | \$ 279,977 | \$ 279,977 | \$ 280,327 | \$ 350 |
| Miscellaneous | 34,300 | 34,800 | 28,966 | (5,834) |
| Intergovernmental: | | | | |
| Federal | 1,214,549 | 1,214,549 | 275,064 | (939,485) |
| Total revenues | <u>\$ 1,528,826</u> | <u>\$ 1,529,326</u> | <u>\$ 584,357</u> | <u>\$ (944,969)</u> |
| EXPENDITURES | | | | |
| Capital projects | \$ 1,250,262 | \$ 1,250,762 | \$ 288,220 | \$ 962,542 |
| Debt service: | | | | |
| Principal retirement | 172,210 | 172,210 | 210,000 | (37,790) |
| Interest and other fiscal charges | 93,790 | 93,790 | 74,324 | 19,466 |
| Total expenditures | <u>\$ 1,516,262</u> | <u>\$ 1,516,762</u> | <u>\$ 572,544</u> | <u>\$ 944,218</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>\$ 12,564</u> | <u>\$ 12,564</u> | <u>\$ 11,813</u> | <u>\$ (751)</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | \$ 17,413 | \$ 17,413 | \$ 87,413 | \$ 70,000 |
| Transfers out | (29,977) | (29,977) | - | 29,977 |
| Total other financing sources and uses | <u>\$ (12,564)</u> | <u>\$ (12,564)</u> | <u>\$ 87,413</u> | <u>\$ 99,977</u> |
| Net change in fund balances | \$ - | \$ - | \$ 99,226 | \$ 99,226 |
| Fund balances - beginning | - | - | 289,748 | 289,748 |
| Fund balances - ending | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 388,974</u> | <u>\$ 388,974</u> |

Town of Blackstone, Virginia
Fiduciary Fund
Statement of Changes in Assets and Liabilities - Agency Fund
For the Year Ended June 30, 2015

| | <u>Balance Beginning of Year</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance End of Year</u> |
|--------------------------------------|--|-------------------|-------------------|------------------------------------|
| Blackstone Memorial Center Committee | | | | |
| Assets: | | | | |
| Cash and cash equivalents | \$ 35,338 | \$ 4 | \$ - | \$ 35,342 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Liabilities: | | | | |
| Amounts held for others | \$ 35,338 | \$ 4 | \$ - | \$ 35,342 |
| | <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, 2015

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 | \$ 320,000 | \$ 334,000 | \$ 327,665 | \$ (6,335) |
| Personal property taxes | 62,000 | 62,000 | 63,849 | 1,849 |
| Penalties | 5,500 | 5,500 | 5,625 | 125 |
| Interest | 2,500 | 7,500 | 6,789 | (711) |
| Total general property taxes | <u>\$ 390,000</u> | <u>\$ 409,000</u> | <u>\$ 403,928</u> | <u>\$ (5,072)</u> |
| Other local taxes: | | | | |
| Local sales and use taxes | \$ 170,000 | \$ 170,000 | \$ 170,066 | \$ 66 |
| Consumption tax | 10,000 | 10,000 | 10,629 | 629 |
| Business license taxes | 163,000 | 166,200 | 166,699 | 499 |
| Motor vehicle licenses | 50,000 | 50,000 | 50,626 | 626 |
| Bank stock taxes | 100,000 | 113,000 | 113,194 | 194 |
| Cigarette taxes | 105,000 | 105,000 | 90,552 | (14,448) |
| Hotel and motel room taxes | 30,000 | 30,000 | 23,684 | (6,316) |
| Restaurant food taxes | 542,000 | 562,000 | 558,764 | (3,236) |
| Total other local taxes | <u>\$ 1,170,000</u> | <u>\$ 1,206,200</u> | <u>\$ 1,184,214</u> | <u>\$ (21,986)</u> |
| Permits, privilege fees, and regulatory licenses: | | | | |
| Permits and other licenses | <u>\$ 2,700</u> | <u>\$ 2,700</u> | <u>\$ 3,140</u> | <u>\$ 440</u> |
| Fines and forfeitures: | | | | |
| Court fines and forfeitures | <u>\$ 30,000</u> | <u>\$ 34,500</u> | <u>\$ 32,238</u> | <u>\$ (2,262)</u> |
| Revenue from use of money and property: | | | | |
| Revenue from use of money | \$ 3,030 | \$ 3,030 | \$ 4,789 | \$ 1,759 |
| Revenue from use of property | 9,000 | 15,000 | 14,950 | (50) |
| Total revenue from use of money and property | <u>\$ 12,030</u> | <u>\$ 18,030</u> | <u>\$ 19,739</u> | <u>\$ 1,709</u> |
| Charges for services: | | | | |
| Charges for sanitation and waste removal | \$ 320,000 | \$ 320,000 | \$ 307,531 | \$ (12,469) |
| Charges for aviation fuel | 450,000 | 450,000 | 322,462 | (127,538) |
| Total charges for services | <u>\$ 770,000</u> | <u>\$ 770,000</u> | <u>\$ 629,993</u> | <u>\$ (140,007)</u> |
| Miscellaneous revenue: | | | | |
| Miscellaneous | <u>\$ 76,150</u> | <u>\$ 86,650</u> | <u>\$ 176,724</u> | <u>\$ 90,074</u> |

Town of Blackstone, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2015

Schedule 1
Page 2 of 4

| <u>Fund, Major and Minor Revenue Source</u> | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|---|----------------------------|-------------------------|---------------------|---|
| General Fund: (Continued) | | | | |
| Revenue from local sources: (Continued) | | | | |
| Recovered costs: | | | | |
| General administration allocation | \$ 434,094 | \$ 434,094 | \$ 434,094 | \$ - |
| DMV | 30,000 | 30,000 | 30,229 | 229 |
| Garage labor | 10,000 | 10,000 | 87,082 | 77,082 |
| Grant administration | - | - | 1,700 | 1,700 |
| Recovered costs | 35,000 | 65,000 | 78,179 | 13,179 |
| Nottoway County - decal money | 30,000 | 30,000 | 28,960 | (1,040) |
| County fire and rescue | 8,000 | 8,000 | 27,027 | 19,027 |
| County recreation | 2,000 | 2,000 | - | (2,000) |
| Excise tax refund | 30,000 | 30,000 | 8,215 | (21,785) |
| Payment in lieu of taxes-Electric fund | 38,000 | 38,000 | 34,833 | (3,167) |
| Total recovered costs | <u>\$ 617,094</u> | <u>\$ 647,094</u> | <u>\$ 730,319</u> | <u>\$ 83,225</u> |
| Total revenue from local sources | <u>\$ 3,067,974</u> | <u>\$ 3,174,174</u> | <u>\$ 3,180,295</u> | <u>\$ 6,121</u> |
| Intergovernmental: | | | | |
| Revenue from the Commonwealth: | | | | |
| Noncategorical aid: | | | | |
| Rolling stock tax | \$ 6,600 | \$ 6,600 | \$ 6,332 | \$ (268) |
| Auto rental tax | - | - | 146 | 146 |
| Communications tax | 16,000 | 16,000 | 17,770 | 1,770 |
| Personal property tax relief funds | 42,986 | 42,986 | 42,986 | - |
| Total noncategorical aid | <u>\$ 65,586</u> | <u>\$ 65,586</u> | <u>\$ 67,234</u> | <u>\$ 1,648</u> |
| Categorical aid: | | | | |
| Other categorical aid: | | | | |
| Streets and highway maintenance | \$ 932,587 | \$ 985,587 | \$ 986,431 | \$ 844 |
| DJCP grants for law enforcement | 85,529 | 85,529 | 85,528 | (1) |
| Litter control | 2,118 | 2,118 | 2,115 | (3) |
| Revenue share grant | 49,000 | 49,000 | 26,692 | (22,308) |
| Highway safety grant | 11,500 | 11,500 | - | (11,500) |
| Fire programs | 9,000 | 9,000 | 11,471 | 2,471 |
| Asset forfeiture funds | - | - | 1,667 | 1,667 |
| Vest reimbursement grant | 3,700 | 3,700 | - | (3,700) |
| Total other categorical aid | <u>\$ 1,093,434</u> | <u>\$ 1,146,434</u> | <u>\$ 1,113,904</u> | <u>\$ (32,530)</u> |
| Total categorical aid | <u>\$ 1,093,434</u> | <u>\$ 1,146,434</u> | <u>\$ 1,113,904</u> | <u>\$ (32,530)</u> |
| Total revenue from the Commonwealth | <u>\$ 1,159,020</u> | <u>\$ 1,212,020</u> | <u>\$ 1,181,138</u> | <u>\$ (30,882)</u> |

Town of Blackstone, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2015

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 | \$ - | \$ - | \$ 433 | \$ 433 |
| Transportation safety | - | - | 8,354 | 8,354 |
| USDA grant | - | 47,000 | 47,000 | - |
| Department of Justice grant | - | - | 9,654 | 9,654 |
| Volunteer fire assistance grant | - | - | 4,900 | 4,900 |
| Total other categorical aid | \$ - | \$ 47,000 | \$ 70,341 | \$ 23,341 |
| Total revenue from the federal government | \$ - | \$ 47,000 | \$ 70,341 | \$ 23,341 |
| Total General Fund | \$ 4,226,994 | \$ 4,433,194 | \$ 4,431,774 | \$ (1,420) |
| Special Revenue Fund: | | | | |
| Revenue from local sources: | | | | |
| Revenue from use of money and property: | | | | |
| Revenue from the use of money | \$ 1,000 | \$ 1,000 | \$ 1,067 | \$ 67 |
| Charges for services: | | | | |
| Charges for cemetery care | \$ 1,200 | \$ 1,200 | \$ 9,200 | \$ 8,000 |
| Cemetery lot sales | 3,000 | 3,000 | 20,900 | 17,900 |
| Charges for bus fares | 28,000 | 28,000 | 22,237 | (5,763) |
| Total charges for services | \$ 32,200 | \$ 32,200 | \$ 52,337 | \$ 20,137 |
| Miscellaneous revenue: | | | | |
| Miscellaneous | \$ - | \$ - | \$ 1,000 | \$ 1,000 |
| Total miscellaneous revenue | \$ - | \$ - | \$ 1,000 | \$ 1,000 |
| Recovered costs: | | | | |
| Reimbursement from localities | \$ 122,665 | \$ 122,665 | \$ 88,986 | \$ (33,679) |
| Total recovered costs | \$ 122,665 | \$ 122,665 | \$ 88,986 | \$ (33,679) |
| Total revenue from local sources | \$ 155,865 | \$ 155,865 | \$ 143,390 | \$ (12,475) |
| Revenue from the Commonwealth: | | | | |
| Categorical aid: | | | | |
| Transportation grant | \$ 119,200 | \$ 119,200 | \$ 85,941 | \$ (33,259) |
| Total revenue from the Commonwealth | \$ 119,200 | \$ 119,200 | \$ 85,941 | \$ (33,259) |

Town of Blackstone, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2015

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 | \$ 313,685 | \$ 313,685 | \$ 228,086 | \$ (85,599) |
| Total revenue from the federal government | \$ 313,685 | \$ 313,685 | \$ 228,086 | \$ (85,599) |
| Total Special Revenue Fund | \$ 588,750 | \$ 588,750 | \$ 457,417 | \$ (131,333) |
| Capital Projects Fund: | | | | |
| Revenue from local sources: | | | | |
| Revenue from use of money and property: | | | | |
| Revenue from the use of property | \$ 279,977 | \$ 279,977 | \$ 280,327 | \$ 350 |
| Total revenue from use of money and property | \$ 279,977 | \$ 279,977 | \$ 280,327 | \$ 350 |
| Miscellaneous revenue: | | | | |
| Miscellaneous | \$ 34,300 | \$ 34,800 | \$ 28,966 | \$ (5,834) |
| Total revenue from local sources | \$ 314,277 | \$ 314,777 | \$ 309,293 | \$ (5,484) |
| Intergovernmental: | | | | |
| Revenue from the federal government: | | | | |
| Categorical aid: | | | | |
| Community development block grant | \$ 1,214,549 | \$ 1,214,549 | \$ 275,064 | \$ (939,485) |
| Total revenue from the federal government | \$ 1,214,549 | \$ 1,214,549 | \$ 275,064 | \$ (939,485) |
| Total Capital Projects Fund | \$ 1,528,826 | \$ 1,529,326 | \$ 584,357 | \$ (944,969) |
| Grand Total Revenues -- Primary Government | \$ 6,344,570 | \$ 6,551,270 | \$ 5,473,548 | \$ (1,077,722) |

Town of Blackstone, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2015

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 | \$ 41,380 | \$ 36,380 | \$ 32,687 | \$ 3,693 |
| General and financial administration: | | | | |
| Town Manager and financial administration | \$ 725,469 | \$ 777,149 | \$ 771,461 | \$ 5,688 |
| Independent Auditor | 20,300 | 20,600 | 20,600 | - |
| Total general and financial administration | \$ 745,769 | \$ 797,749 | \$ 792,061 | \$ 5,688 |
| Total general government administration | \$ 787,149 | \$ 834,129 | \$ 824,748 | \$ 9,381 |
| Public safety: | | | | |
| Law enforcement and traffic control: | | | | |
| Police | \$ 1,017,968 | \$ 1,105,968 | \$ 1,099,909 | \$ 6,059 |
| Fire and rescue services: | | | | |
| Fire department | \$ 204,417 | \$ 251,917 | \$ 240,535 | \$ 11,382 |
| Total public safety | \$ 1,222,385 | \$ 1,357,885 | \$ 1,340,444 | \$ 17,441 |
| Public works: | | | | |
| Maintenance of highways, streets, bridges and sidewalks: | | | | |
| Street maintenance | \$ 877,220 | \$ 1,407,220 | \$ 1,316,460 | \$ 90,760 |
| Traffic lights | 3,600 | 3,600 | 2,636 | 964 |
| Total maintenance of highways, streets, bridges & sidewalks | \$ 880,820 | \$ 1,410,820 | \$ 1,319,096 | \$ 91,724 |
| Sanitation and waste removal: | | | | |
| Refuse collection | \$ 319,220 | \$ 319,220 | \$ 315,581 | \$ 3,639 |
| Maintenance of general buildings and grounds: | | | | |
| General properties | \$ 550,590 | \$ 445,590 | \$ 438,226 | \$ 7,364 |
| Garage department | 221,025 | 221,025 | 213,820 | 7,205 |
| Fuel purchases | - | - | (36,885) | 36,885 |
| Total maintenance of general buildings and grounds | \$ 771,615 | \$ 666,615 | \$ 615,161 | \$ 51,454 |
| Total public works | \$ 1,971,655 | \$ 2,396,655 | \$ 2,249,838 | \$ 146,817 |

Town of Blackstone, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2015

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 | \$ 30,845 | \$ 30,845 | \$ 30,573 | \$ 272 |
| Library: | | | | |
| Contribution to library | \$ 2,000 | \$ 2,000 | \$ 2,000 | \$ - |
| Library administration | 8,425 | 10,125 | 10,012 | 113 |
| Total library | \$ 10,425 | \$ 12,125 | \$ 12,012 | \$ 113 |
| Total parks, recreation, and cultural | \$ 41,270 | \$ 42,970 | \$ 42,585 | \$ 385 |
| Capital projects: | | | | |
| Administration | \$ 7,500 | \$ 17,500 | \$ 6,140 | \$ 11,360 |
| Police department | 18,700 | 18,700 | 112,954 | (94,254) |
| Street maintenance | 42,800 | 50,800 | 50,567 | 233 |
| Garbage department | 25,000 | 25,000 | 7,084 | 17,916 |
| General | - | 20 | 13 | 7 |
| Fire department | 24,600 | 24,600 | 23,477 | 1,123 |
| Library | 10,750 | 10,750 | - | 10,750 |
| Total capital projects | \$ 129,350 | \$ 147,370 | \$ 200,235 | \$ (52,865) |
| Debt service: | | | | |
| Principal retirement | \$ 60,250 | \$ 105,250 | \$ 22,668 | \$ 82,582 |
| Interest and other fiscal charges | - | - | 4,362 | (4,362) |
| Total debt service | \$ 60,250 | \$ 105,250 | \$ 27,030 | \$ 78,220 |
| Total General Fund | \$ 4,212,059 | \$ 4,884,259 | \$ 4,684,880 | \$ 199,379 |
| Special Revenue Fund: | | | | |
| Community Development: | | | | |
| Planning and community development: | | | | |
| Bus program | \$ 587,050 | \$ 587,050 | \$ 442,190 | \$ 144,860 |
| Cemetery | 11,060 | 11,060 | 12,745 | (1,685) |
| Total planning and community development | \$ 598,110 | \$ 598,110 | \$ 454,935 | \$ 143,175 |
| Total Special Revenue Fund | \$ 598,110 | \$ 598,110 | \$ 454,935 | \$ 143,175 |

Town of Blackstone, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2015

Schedule 2
Page 3 of 3

| <u>Fund, Function, Activity and Element</u> | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | Variance with Final Budget - Positive (Negative) |
|---|----------------------------|-------------------------|---------------------|---|
| Capital Projects Fund: | | | | |
| Capital projects: | | | | |
| Church Street project | \$ 1,229,462 | \$ 1,229,462 | \$ 272,850 | \$ 956,612 |
| Medical center | 20,800 | 20,800 | 15,018 | 5,782 |
| CDBG projects | - | 500 | 352 | 148 |
| Total capital projects | <u>\$ 1,250,262</u> | <u>\$ 1,250,762</u> | <u>\$ 288,220</u> | <u>\$ 962,542</u> |
| Debt service: | | | | |
| Principal retirement | \$ 172,210 | \$ 172,210 | \$ 210,000 | \$ (37,790) |
| Interest and other fiscal charges | 93,790 | 93,790 | 74,324 | 19,466 |
| Total debt service | <u>\$ 266,000</u> | <u>\$ 266,000</u> | <u>\$ 284,324</u> | <u>\$ (18,324)</u> |
| Total Capital Projects Fund | <u>\$ 1,516,262</u> | <u>\$ 1,516,762</u> | <u>\$ 572,544</u> | <u>\$ 944,218</u> |
| Total Primary Government | <u>\$ 6,326,431</u> | <u>\$ 6,999,131</u> | <u>\$ 5,712,359</u> | <u>\$ 1,286,772</u> |

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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 |
|-------------|-----------------------------------|---------------|--------------|--------------------|---------------------------------|-----------------------|----------------------------|------------------|--------------|
| 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 |
| 2013-14 | 394,002 | 1,417,354 | 2,455,263 | 63,637 | 77,746 | 740,463 | 74,059 | 6,590,681 | 11,813,205 |
| 2014-15 | 279,462 | 1,459,714 | 2,262,961 | 63,637 | 72,641 | 740,701 | 78,686 | 6,556,738 | 11,514,540 |

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 stone Taxes | Other Local Taxes | Unrestricted Investment Earnings | Miscellaneous | Grants and Contributions Not Restricted to Specific Programs | Total |
| | | | | | | | | | | |
| 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 |
| 2013-14 | 7,940,599 | 1,520,869 | 261,239 | | 396,882 | 1,211,102 | 301,730 | 254,845 | 61,343 | 11,948,609 |
| 2014-15 | 7,721,456 | 1,498,272 | 290,811 | | 406,988 | 1,184,214 | 301,133 | 245,989 | 67,234 | 11,716,097 |

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 |
|-------------|-----------------------------------|---------------|--------------|---------------------------------|-----------------------|--------------|--------------|
| 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 |
| 2014 | 816,634 | 1,234,279 | 2,864,976 | 49,014 | 454,775 | 282,960 | 5,702,638 |
| 2015 | 824,748 | 1,340,444 | 2,249,838 | 42,585 | 454,935 | 311,354 | 5,223,904 |

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

(2) Excludes expenditures for capital projects.

Table 4

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

| Fiscal Year | General Property Taxes | Other Local Taxes | Permits, Privilege Fees, Regulatory Licenses | Fines and Forfeitures | Revenue from the Use of Money and Property | Charges for Services | Miscellaneous | Recovered Costs | Inter-governmental | Total |
|-------------|------------------------|-------------------|--|-----------------------|--|----------------------|---------------|-----------------|--------------------|--------------|
| 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 |
| 2014 | 403,667 | 1,211,102 | 4,345 | 30,916 | 21,753 | 1,134,812 | 156,308 | 680,400 | 1,582,212 | 5,225,515 |
| 2015 | 403,928 | 1,184,214 | 3,140 | 32,238 | 20,806 | 682,330 | 177,724 | 819,305 | 1,565,506 | 4,889,191 |

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

(2) Excludes Capital projects fund.

Table 5

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

| Fiscal Year | Total Tax Levy (1,2) | Current Tax Collections (1,2) | Percent of Levy Collected | Delinquent Tax Collections (1) | Total Tax Collections | Percent of Total Tax Collections to Tax Levy | Outstanding Delinquent Taxes (1) | Percent of Delinquent Taxes to Tax Levy |
|-------------|----------------------|-------------------------------|---------------------------|--------------------------------|-----------------------|--|----------------------------------|---|
| 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% |
| 2014 | 440,704 | 426,248 | 96.72% | 7,942 | 434,190 | 98.52% | 54,561 | 12.38% |
| 2015 | 435,685 | 414,839 | 95.22% | 19,661 | 434,500 | 99.73% | 60,880 | 13.97% |

(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 |
|----------------|--------------------|----------------------|---------------------------|-----------------|-----------------------|----------------|
| 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 |
| 2014 | 160,190,541 | 12,712,449 | 1,295,547 | 219,921 | 4,737,411 | 179,155,869 |
| 2015 | 164,124,609 | 15,317,746 | 1,543,514 | 195,505 | 4,746,566 | 185,927,940 |

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

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

Table 7

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

| Fiscal Year | Real Estate | | Personal Property | | Machinery and Tools | | Mobile Homes | | Public Utility | |
|----------------|-------------|------|----------------------|------|------------------------|------|-----------------|------|----------------|----------------------|
| | | | | | | | | | Real Estate | Personal Property |
| 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 |
| 2014 | | 0.20 | | 0.65 | | 0.65 | | 0.20 | 0.20 | 0.65 |
| 2015 | | 0.20 | | 0.65 | | 0.65 | | 0.20 | 0.20 | 0.65 |

(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 | | | |
| 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 | 131 | 0.27% | 131 |
| 2009 | 3,675 | 174,082,628 | 8,200,000 | 6,145,000 | 2,055,000 | 559 | 1.18% | 559 |
| 2010 | 3,621 | 173,676,510 | 7,900,000 | 6,005,000 | 1,895,000 | 523 | 1.09% | 523 |
| 2011 | 3,621 | 174,943,120 | 7,585,000 | 5,860,000 | 1,725,000 | 476 | 0.99% | 476 |
| 2012 | 3,621 | 175,439,572 | 7,260,000 | 5,715,000 | 1,545,000 | 427 | 0.88% | 427 |
| 2013 | 3,621 | 176,728,052 | 6,925,000 | 5,565,000 | 1,360,000 | 376 | 0.77% | 376 |
| 2014 | 3,621 | 179,155,869 | 6,750,000 | 5,585,000 | 1,165,000 | 322 | 0.65% | 322 |
| 2015 | 3,621 | 185,927,940 | 6,334,000 | 5,379,000 | 955,000 | 264 | 0.51% | 264 |

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

(2) From Table 6

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

Table 9

Town of Blackstone, Virginia
Computation of Legal Debt Margin
June 30, 2015

| | |
|--|-----------------------|
| Assessed value of real property, January 1, 2014 (1) | <u>\$ 168,830,680</u> |
| Debt limit: 10% of assessed value | \$ 16,883,068 |
| Amount of debt applicable to debt limit: | |
| Gross debt (2) | \$ 9,620,922 |
| Less: Revenue bonds | <u>(3,286,922)</u> |
| Net general obligation bonds and loans | <u>\$ 6,334,000</u> |
| Legal debt limit | <u>\$ 10,549,068</u> |

(1) Assessed value of real property, including public service corporations as of January 1, 2014.

(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, 2015, and the related notes to the financial statements, which collectively comprise Town of Blackstone, Virginia's basic financial statements and have issued our report thereon dated December 30, 2015.

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 extending to the right.

Richmond, Virginia
December 30, 2015

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, 2015. 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, 2015.

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 long horizontal line.

Richmond, Virginia
December 30, 2015

Town of Blackstone, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

| 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 | \$ 433 |
| Department of Agriculture: | | | |
| Direct Payments: | | | |
| Cooperative Forestry Assistance | 10.664 | N/A | \$ 4,900 |
| Community Facilities Loans and Grants | 10.780 | N/A | 86,000 |
| Total Department of Agriculture | | | \$ 90,900 |
| Department of Justice: | | | |
| Direct payments: | | | |
| Bulletproof Vest Partnership Program | 16.607 | N/A | \$ 5,167 |
| Pass-through Payments: | | | |
| Edward Byrne Memorial Justice Assistance Grant Program | 16.738 | 39001-81000 | \$ 4,487 |
| Total Department of Justice | | | \$ 9,654 |
| Department of Transportation: | | | |
| Pass-through Payments: | | | |
| Virginia Department of Transportation: | | | |
| State and Community Highway Safety | 20.600 | 6050700- 52099/53042/53069/53364 | \$ 8,354 |
| Department of Rail and Public Transportation: | | | |
| Formula Grants for Rural Areas | 20.509 | 6090100- 42008/42512/42513/43011 | 228,086 |
| Total Department of Transportation | | | \$ 236,440 |
| 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 | \$ 275,064 |
| Total Expenditures of Federal Awards | | | \$ 612,491 |

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, 2015

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, 2015. 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 | \$ 70,341 |
| Special Revenue Fund | 228,086 |
| Capital Projects Fund | 275,064 |
| Total primary government | \$ 573,491 |
| Lease Proceeds | \$ 39,000 |
| Total federal expenditures per basic financial statements | \$ 612,491 |

Total federal expenditures per the Schedule of Expenditures
of Federal Awards

\$ 612,491

Town of Blackstone, Virginia
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015

Section I-Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? yes ✓ no

Federal Awards

Internal control over major programs:

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

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

Any findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? yes ✓ no

Identification of major programs:

CFDA Number(s)
14.228

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

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? ✓ yes no

Section II-Financial Statement Findings

None

Section III-Federal Award Findings and Questioned Costs

None

Town of Blackstone, Virginia

Summary Schedule of Prior Year Findings
For the Year Ended June 30, 2015

There were no prior year findings and questioned costs.