

TOWN OF BLACKSTONE, VIRGINIA



ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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TOWN OF BLACKSTONE, VIRGINIA

TOWN COUNCIL

Barbara Thompson
Lonnie Morgan
Eric M. Nash

William D. Coleburn, Mayor

Nathaniel Miller
Christine Hasbrouck
Tom Wilkinson
Sheila Jones

OTHER OFFICIALS

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

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

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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, 2019, 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, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 17 to the financial statements, in 2019, the Town adopted new accounting guidance, GASB Statement No. 88 *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. Our opinion is not modified with respect to this matter.

Restatement of Beginning Balances

As described in Note 19 to the financial statements, in 2019, the Town restated beginning balances related to water and sewer balances previously reported in the Capital Projects Fund. 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 management's discussion and analysis, budgetary comparison information and schedules related to pension and OPEB funding on pages 4-13, 71-72 and 73-79 is presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Town of Blackstone, Virginia's basic financial statements. The 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.

Other Matters (Continued)

Supplementary and Other Information (Continued)

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2019, on our consideration of Town of Blackstone, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Town of Blackstone, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Blackstone, Virginia's internal control over financial reporting and compliance.



Richmond, Virginia
October 18, 2019

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Management's Discussion and Analysis

Fiscal Year July 1, 2018 – June 30, 2019

This section of the Town of Blackstone's (the Town's) annual financial report presents an overall synopsis of the Town's financial activities for the fiscal year ended June 30, 2019. To enhance readers' understanding of the Town's financial performance, this discussion and analysis should be read in conjunction with the transmittal letter in the front of this report, the Town's basic financial statements, and supplementary information following this section.

FINANCIAL HIGHLIGHTS

Government-Wide Financial Statements

- The assets and deferred outflows of resources of the Town of Blackstone exceeded the Town's liabilities and deferred outflows of resources at the close of fiscal year 2019 by \$20.4 million (net position). Of this amount, \$6.2 million represents an unrestricted net position, which may be used to meet the Town's ongoing obligations; \$14.2 million represents a restricted net position related to net investment in capital assets, and is not available for expenditure (Exhibit 1).
- The Town's total net position increased by \$1.6 million from the prior year. Of this amount, the business-type activities net position increased \$1.2 million while governmental activities net position increased by \$0.4 million (Exhibit 2).
- The Town's total outstanding general obligation debt (leases & bonds) at June 30, 2019, was \$10.6 million. This includes \$10.4 million in business-type activities debt and \$0.2 million in governmental activities (details provided in Note 6 – Notes to the Financial Statements). The Town issued a new USDA loan in the amount of \$27,000 to fund the acquisition of police vehicles and a new capital lease in the amount of \$54,699 for a Computer Aided Dispatch and Records Management System.

Fund Financial Statements

- General Fund revenues (less transfers and debt proceeds) increased by \$217,618 from FY 2018, primarily due to revenue increases in general property taxes and other local taxes.
- Expenditures in the general fund increased \$512,302, largely due to capital project investments for public safety.
- At the close of FY 2019, unassigned fund balance for the General Fund was (\$19,000), which is generally unchanged from FY18.
- Assigned fund balance reported in the General Fund represents equity generated through operation of the airport fuel farm, which management has assigned for operation of the airport. Restricted fund balances include donations for various community functions of the police department.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

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

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

OVERVIEW OF THE FINANCIAL STATEMENTS: (CONTINUED)

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

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

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

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

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

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OVERVIEW OF THE FINANCIAL STATEMENTS: (CONTINUED)

Government-Wide Financial Statements Analysis

Over time, net position may serve as a useful indicator of a government's financial position. At the close of the most recent fiscal year, the Town's assets exceeded its liabilities by \$20,372,138.

SUMMARY STATEMENT OF NET POSITION (Exhibit 1) June 30, 2019 and 2018 (as restated)

	Governmental Activities		Business-type Activities		Total	
	FY 2019	FY 2018	FY 2019	FY 2018	FY 2019	FY 2018
Current and other assets	\$ 2,123,455	\$ 1,722,240	\$ 7,865,101	\$ 8,767,495	\$ 9,988,556	\$ 10,489,735
Capital assets	10,155,746	10,135,961	13,135,996	11,256,862	23,291,742	21,392,823
Deferred outflow of resources	66,900	70,408	29,630	34,543	96,530	104,951
Total assets & deferred outflow of resources	\$ 12,346,101	\$ 11,928,609	\$ 21,030,727	\$ 20,058,900	\$ 33,376,828	\$ 31,987,509
Current and other liabilities	\$ 630,419	\$ 402,773	\$ 1,107,844	\$ 515,208	\$ 1,738,263	\$ 917,981
Long-term liabilities	387,045	613,565	10,543,042	11,143,502	10,930,087	11,757,067
Deferred inflow of resources	243,401	318,932	92,939	172,417	336,340	491,349
Total liabilities & deferred inflow of resources	\$ 1,260,865	\$ 1,335,270	\$ 11,743,825	\$ 11,831,127	\$ 13,004,690	\$ 13,166,397
Net position:						
Net investment in capital assets	\$ 9,953,812	\$ 9,691,155	\$ 4,236,765	\$ 3,871,160	\$ 14,190,577	\$ 13,562,315
Unrestricted net position	1,131,424	902,184	5,050,137	4,356,613	6,181,561	5,258,797
Total Net position	\$ 11,085,236	\$ 10,593,339	\$ 9,286,902	\$ 8,227,773	\$ 20,372,138	\$ 18,821,112

The largest portion of the Town's total net position of \$20,372,138 is its \$14,190,577 net investment in capital assets (e.g. land, buildings and improvements, machinery and equipment), less any related debt used to acquire or construct those assets that are still outstanding. The Town uses these capital assets to provide services to citizens. Consequently, these assets are not available for future spending. The remaining net position is \$6,181,561. Governmental activities have \$1,131,424 in unrestricted net position, and business-type activities have \$5,050,137 in unrestricted net position.

OVERVIEW OF THE FINANCIAL STATEMENTS: (CONTINUED)

Statement of Activities

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

SUMMARY STATEMENT OF CHANGES IN NET POSITION (Exhibit 2) For the Fiscal Years Ended June 30, 2019 and 2018 (as restated)

	Governmental Activities		Business-type Activities		Total	
	FY 2019	FY 2018	FY 2019	FY 2018	FY 2019	FY 2018
Revenues						
Program Revenues:						
Charges for Services	\$ 777,430	\$ 791,027	\$ 7,333,794	\$ 7,239,852	\$ 8,111,224	\$ 8,030,879
Operating grants & contributions	1,856,219	2,247,926	-	-	1,856,219	2,247,926
Capital grants & contributions	18,511	7,819	-	-	18,511	7,819
General Revenues:						
Real estate & personal property taxes	533,584	498,533	-	-	533,584	498,533
Other local taxes	1,407,365	1,345,775	-	-	1,407,365	1,345,775
Use of money & property	299,986	313,531	53768	20,128	353,754	333,659
Miscellaneous	155,564	256,967	-	-	155,564	256,967
Grants & gifts - non-restricted	71,468	60,653	45640	90,203	117,108	150,856
Total Revenues	\$ 5,120,127	\$ 5,522,231	\$ 7,433,202	\$ 7,350,183	\$ 12,553,329	\$ 12,872,414
Expenses						
General government	\$ 337,448	\$ 323,397	\$ -	\$ -	\$ 337,448	\$ 323,397
Public safety	1,510,995	1,192,583	-	-	1,510,995	1,192,583
Public works	2,188,453	1,377,062	-	-	2,188,453	1,377,062
Health and welfare	63,637	63,637	-	-	63,637	63,637
Parks, recreation, cultural	63,410	49,935	-	-	63,410	49,935
Community development	669,006	1,564,174	-	-	669,006	1,564,174
Interest & fees on long-term debt	5,505	29,825	-	-	5,505	29,825
Electric	-	-	3,844,055	3,617,864	3,844,055	3,617,864
Water & Sewer	-	-	2,319,794	2,251,840	2,319,794	2,251,840
Total Expenses	\$ 4,838,454	\$ 4,600,613	\$ 6,163,849	\$ 5,869,704	\$ 11,002,303	\$ 10,470,317
Excess of revenue over expenses	\$ 281,673	\$ 921,618	\$ 1,269,353	\$ 1,480,479	\$ 1,551,026	\$ 2,402,097
Transfers	84,000	58,912	-84,000	-58,912	-	-
Increase (decrease) in net position	\$ 365,673	\$ 980,530	\$ 1,185,353	\$ 1,421,567	\$ 1,551,026	\$ 2,402,097
Net position – beginning of year - restated	10,719,563	9,739,033	8,101,549	6,679,982	18,821,112	16,419,015
Net position – ending of year	\$ 11,085,236	\$ 10,719,563	\$ 9,286,902	\$ 8,101,549	\$ 20,372,138	\$ 18,821,112

OVERVIEW OF THE FINANCIAL STATEMENTS: (CONTINUED)

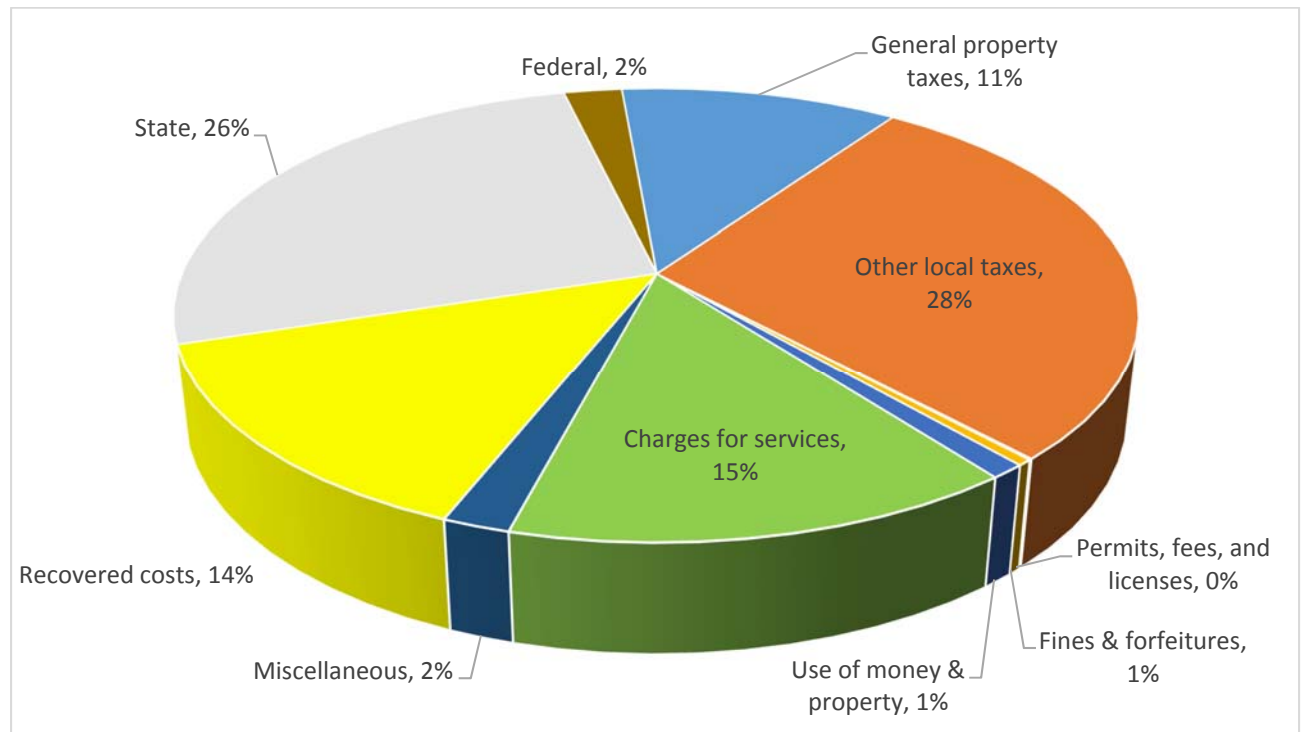
Governmental Funds

Other local tax revenues, which totaled \$1,407,365, are the largest source of income to the Town and consist primarily of local option sales taxes, business licenses, motor vehicle license, lodging, and meals taxes. The Town received \$1,407,365 or 5.0% more revenue in FY 2019 from these sources than in FY 2018.

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

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

REVENUES BY SOURCE
GENERAL FUND

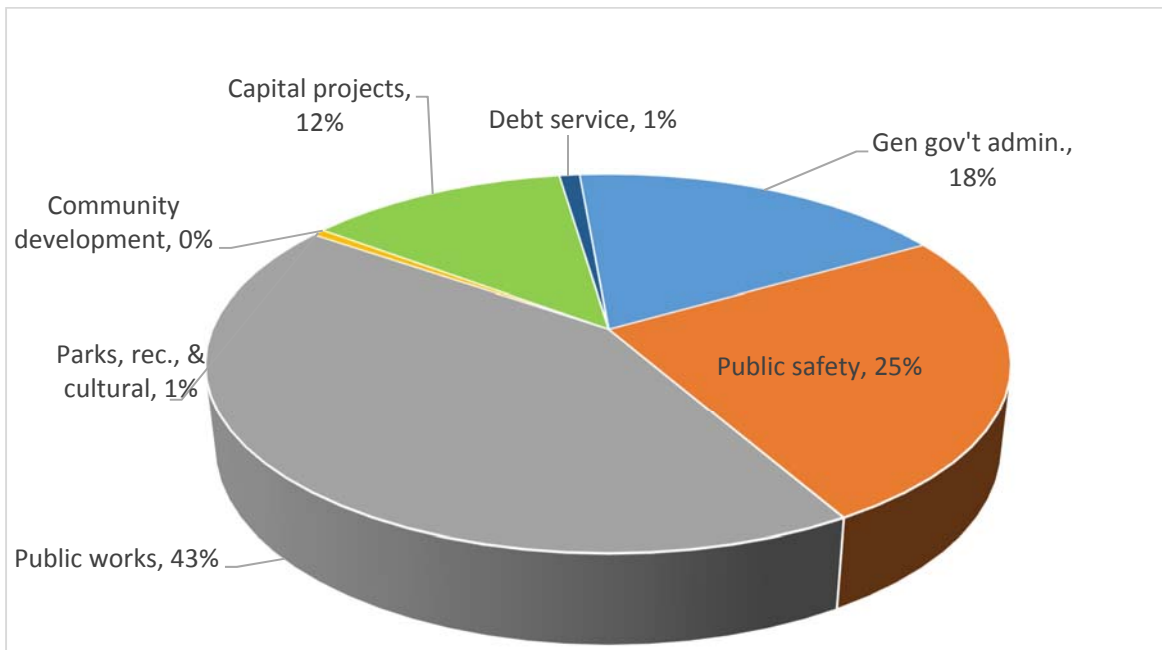


OVERVIEW OF THE FINANCIAL STATEMENTS: (CONTINUED)

Governmental Funds (Continued)

The Town's expenses for governmental activities cover a wide range of services, with \$2.2 million or 43.0% related to public works, \$1.3 million or 25% for public safety and \$927,630 or 18% for general government. The chart below provides an overview of general fund expenditures as reflected in Exhibit 5, the Statement of Revenue, Expenditure, and Changes in Fund Balance.

GENERAL FUND EXPENDITURES
BY PROGRAM



Business-type Activities

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

Business-type activities are shown in detail on Exhibit 7. The ending net position of both enterprise funds increased in comparison with the prior fiscal year, with the net position of the electric fund increasing from \$4.5 million to \$5.4 million. The ending net position of the water & sewer fund increased from \$3.6 million to \$3.9 million.

Operating revenues for both enterprise funds totaled \$7.3 million in FY2018 and FY2019. Operating expenses for both funds increased slightly in FY2019, increasing from \$5.7 million (as restated) to \$5.9 million.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

Governmental Funds. The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. At the end of the current fiscal year, the Town's governmental funds reported a combined ending fund balance of \$699,490 compared to \$815,408 last year (as restated). The various components are discussed below.

General fund. The general fund is the chief operating fund of the Town. At the conclusion of the current fiscal year, the combined fund balance totaled \$180,000, which reflects a \$58,228 decrease from the prior year ending fund balance of \$238,228. Of the \$180,000 balance, a negative (\$19,000) represents unassigned funds. This indicates that the Town's short term liabilities and deferred inflows of resources exceed the current assets, requiring other balances to be used to support necessary cash flow.

Capital projects fund. The capital projects fund accounts for all general government construction projects, excluding capital projects related to business-type activities which are accounted for elsewhere. At the end of the current fiscal year, the restricted fund balance totaled \$114,293, which is related to specific community development projects and the medical center building.

Special revenue fund. The Town's cemetery and bus operations are accounted for in the special revenue fund. The special revenue fund has nonspendable fund balance of \$233,130, which represents funds in a permanent endowment for the operation of the cemetery. The restricted portion of the fund balance of \$172,067 is shared between the operating funds of the cemetery and the bus system.

Proprietary funds. The Town's Propriety Funds (Enterprise Funds) provide the same type of information found in the government-wide financial statements, but in more detail. The Town's enterprise funds account for its municipal electric and water and sewer. Total net position of the enterprise funds at the end of the current fiscal year totaled \$9,286,902, an increase of \$1,185,353 over the prior (restated) balance of \$8,101,549. Information supporting the analysis of the proprietary funds was discussed previously.

GENERAL FUND BUDGETARY HIGHLIGHTS

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

GENERAL FUND BUDGETARY HIGHLIGHTS: (CONTINUED)

During the year, Town Council revises the budget as needed. Actual expenditures varied significantly from the final budgeted amount for the General Fund. Expenditures for General Government Administration and Public Works were \$323,397 and \$1,377,062, below budget, respectively. General Government expenditures were less than budget primarily due to position vacancies and capital project funds appropriated but not spent in information technology. Public Works savings were the result of unspent capital outlay funds.

The difference between the original budget and the final amended budget for the Town's General Fund expenditures was approximately \$132,603 representing an increase in appropriations. The variance is mainly due to the following appropriations and anticipated expenditures made during FY 2019:

- \$ 32,300 -increase in appropriation for Christmas Decorations
- \$ 23,212 - increased appropriation for personal property ditch repairs
- \$ 39,660 - police department grant to cover vehicle acquisition
- \$ 37,431 -Purchase of vehicle for police department-no grant acquired

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2019, totaled \$23,291,742 net of accumulated depreciation. Investment in capital assets includes land and easements, buildings, infrastructure, machinery and equipment, and construction in progress. Business-type capital assets increased overall during FY 2019, due in large part to bond-funded construction in progress for water and sewer projects. Governmental activities capital assets remained largely the same due to the construction and acquisition of new capital assets roughly matching the depreciation expense for the year.

The following table summarizes capital assets, net of depreciation:

	Governmental Activities		Business Type Activities		Total	
	FY 2019	FY 2018	FY 2019	FY 2018	FY 2019	FY 2018
Land	\$ 1,192,822	\$ 1,192,822	\$ 249,575	\$ 249,575	\$ 1,442,397	\$ 1,442,397
Construction in progress	52,287	45,100	3,048,263	395,326	3,100,550	440,426
Buildings	5,318,257	5,532,869	-	-	5,318,257	5,532,869
Machinery and equipment	1,527,501	1,292,009	262,839	318,854	1,790,340	1,610,863
Infrastructure	2,064,879	2,073,161	9,575,319	10,293,107	11,640,198	12,366,268
TOTAL	\$ 10,155,746	\$ 10,135,961	\$ 13,135,996	\$ 11,256,862	\$ 23,291,742	\$ 21,392,823

CAPITAL ASSETS AND DEBT ADMINISTRATION (CONTINUED)

Debt Administration. The Town's total outstanding general obligation debt at June 30, 2019 was \$10,632,608. Of this total, \$201,934 is debt of governmental activities, consisting of capital leases and USDA loans for vehicle and equipment purchases. The remaining \$10,430,674 is related to Enterprise Fund (water & sewer and electric,) debt, which is directly supported by revenues generated from operations and not supported by taxes. Additional details on the long-term debt activity can be located in Note 6, Long-Term Obligations.

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

		FY 2019	FY 2018
General Government Activities:			
Bonded Debt- Governmental	\$	0	\$ 260,000
Bonded Debt- Enterprise		8,205,250	8,520,250
Total Long -Term Debt	\$	8,205,250	\$ 8,780,250
Per Capita Governmental	\$	0	\$ 72
Total Per Capita Debt	\$	2,266	\$ 2,425

ECONOMIC FACTORS

- The 2018 unemployment rate for Nottoway County, which includes the Town of Blackstone, was 3.1% compared to 3.0% for Virginia and the national rate of 3.9%.

REQUEST FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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Town of Blackstone, Virginia
Statement of Net Position
June 30, 2019

	Primary Government		
	Governmental	Business-type	
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 692,018	\$ 5,350,959	\$ 6,042,977
Receivables (net of allowance for uncollectibles):			
Taxes receivable	93,205	-	93,205
Accounts receivable	252,502	556,195	808,697
Due from other governmental units	387,020	118,137	505,157
Restricted assets:			
Cash and cash equivalents - unspent bond proceeds	-	1,531,443	1,531,443
Net pension asset	698,710	308,367	1,007,077
Capital assets (net of accumulated depreciation):			
Land	1,192,822	249,575	1,442,397
Buildings and improvements	5,318,257	-	5,318,257
Utility plant in service	-	9,575,319	9,575,319
Machinery and equipment	1,527,501	262,839	1,790,340
Infrastructure	2,064,879	-	2,064,879
Construction in progress	52,287	3,048,263	3,100,550
Total assets	<u>\$ 12,279,201</u>	<u>\$ 21,001,097</u>	<u>\$ 33,280,298</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension related items	\$ 54,077	\$ 23,867	\$ 77,944
OPEB related items	12,823	5,763	18,586
Total deferred outflows of resources	<u>\$ 66,900</u>	<u>\$ 29,630</u>	<u>\$ 96,530</u>
LIABILITIES			
Accounts payable	\$ 630,419	\$ 819,656	\$ 1,450,075
Accrued interest payable	-	84,445	84,445
Customer deposits payable	-	203,743	203,743
Long-term liabilities:			
Due within one year	59,044	562,855	621,899
Due in more than one year	328,001	9,980,187	10,308,188
Total liabilities	<u>\$ 1,017,464</u>	<u>\$ 11,650,886</u>	<u>\$ 12,668,350</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue - property taxes	\$ 4,389	\$ -	\$ 4,389
Pension related items	219,144	83,807	302,951
OPEB related items	19,868	9,132	29,000
Total deferred inflows of resources	<u>\$ 243,401</u>	<u>\$ 92,939</u>	<u>\$ 336,340</u>
NET POSITION			
Net investment in capital assets	\$ 9,953,812	\$ 4,236,765	\$ 14,190,577
Unrestricted	1,131,424	5,050,137	6,181,561
Total net position	<u>\$ 11,085,236</u>	<u>\$ 9,286,902</u>	<u>\$ 20,372,138</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, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
PRIMARY GOVERNMENT:							
Governmental activities:							
General government administration	\$ 337,448	\$ -	\$ -	\$ -	\$ (337,448)		\$ (337,448)
Public safety	1,510,995	39,283	193,709	-	(1,278,003)		(1,278,003)
Public works	2,188,453	704,395	1,130,470	-	(353,588)		(353,588)
Health and welfare	63,637	-	25,000	-	(38,637)		(38,637)
Parks, recreation, and cultural	63,410	-	-	-	(63,410)		(63,410)
Community development	669,006	33,752	507,040	18,511	(109,703)		(109,703)
Interest on long-term debt	5,505	-	-	-	(5,505)		(5,505)
Total governmental activities	<u>\$ 4,838,454</u>	<u>\$ 777,430</u>	<u>\$ 1,856,219</u>	<u>\$ 18,511</u>	<u>\$ (2,186,294)</u>		<u>\$ (2,186,294)</u>
Business-type activities:							
Electric Fund	\$ 3,844,055	\$ 4,727,210	\$ -	\$ -		\$ 883,155	\$ 883,155
Water and Sewer Fund	2,319,794	2,606,584	-	-		286,790	286,790
Total business-type activities	<u>\$ 6,163,849</u>	<u>\$ 7,333,794</u>	<u>\$ -</u>	<u>\$ -</u>		<u>\$ 1,169,945</u>	<u>\$ 1,169,945</u>
Total primary government	<u>\$ 11,002,303</u>	<u>\$ 8,111,224</u>	<u>\$ 1,856,219</u>	<u>\$ 18,511</u>			<u>\$ (1,016,349)</u>
General revenues:							
General property taxes					\$ 533,584	\$ -	\$ 533,584
Other local taxes:							
Local sales and use tax					209,198	-	209,198
Business license tax					189,018	-	189,018
Restaurant food tax					675,820	-	675,820
Other local taxes					333,329	-	333,329
Unrestricted revenues from use of money and property					299,986	53,768	353,754
Miscellaneous					155,564	45,640	201,204
Grants and contributions not restricted to specific programs					71,468	-	71,468
Transfers					84,000	(84,000)	-
Total general revenues and transfers					<u>\$ 2,551,967</u>	<u>\$ 15,408</u>	<u>\$ 2,567,375</u>
Change in net position					<u>\$ 365,673</u>	<u>\$ 1,185,353</u>	<u>\$ 1,551,026</u>
Net position - beginning, as restated					10,719,563	8,101,549	18,821,112
Net position - ending					<u>\$ 11,085,236</u>	<u>\$ 9,286,902</u>	<u>\$ 20,372,138</u>

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, 2019

	<u>General</u>	<u>Capital Projects</u>	<u>Special Revenue</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 180,110	\$ 120,269	\$ 391,639	\$ 692,018
Receivables (net of allowance for uncollectibles):				
Taxes receivable	93,205	-	-	93,205
Accounts receivable	252,502	-	-	252,502
Due from other governmental units	107,638	4,950	274,432	387,020
Total assets	<u>\$ 633,455</u>	<u>\$ 125,219</u>	<u>\$ 666,071</u>	<u>\$ 1,424,745</u>
LIABILITIES				
Accounts payable	\$ 358,619	\$ 10,926	\$ 260,874	\$ 630,419
Total liabilities	<u>\$ 358,619</u>	<u>\$ 10,926</u>	<u>\$ 260,874</u>	<u>\$ 630,419</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	\$ 94,836	\$ -	\$ -	\$ 94,836
Total deferred inflows of resources	<u>\$ 94,836</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 94,836</u>
FUND BALANCES				
Nonspendable	\$ -	\$ -	\$ 233,130	\$ 233,130
Restricted	44,938	-	172,067	217,005
Committed	-	114,293	-	114,293
Assigned	154,062	-	-	154,062
Unassigned	(19,000)	-	-	(19,000)
Total fund balances	<u>\$ 180,000</u>	<u>\$ 114,293</u>	<u>\$ 405,197</u>	<u>\$ 699,490</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 633,455</u>	<u>\$ 125,219</u>	<u>\$ 666,071</u>	<u>\$ 1,424,745</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, 2019

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds		\$	699,490
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			10,155,746
Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.			
Unavailable revenue - property taxes	\$	90,447	
Net pension asset		698,710	789,157
Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.			
Pension related items	\$	54,077	
OPEB related items		12,823	66,900
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. The following is a summary of items supporting this adjustment:			
Compensated absences	\$	(75,495)	
Net OPEB liability		(109,616)	
USDA loan		(120,456)	
Capital leases		(81,478)	(387,045)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.			
Pension related items	\$	(219,144)	
OPEB related items		(19,868)	(239,012)
Net position of governmental activities			<u>\$ 11,085,236</u>

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

Town of Blackstone, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2019

	<u>General</u>	<u>Capital Projects</u>	<u>Special Revenue</u>	<u>Total</u>
REVENUES				
General property taxes	\$ 549,036	\$ -	\$ -	\$ 549,036
Other local taxes	1,407,365	-	-	1,407,365
Permits, privilege fees, and regulatory licenses	4,260	-	-	4,260
Fines and forfeitures	21,135	-	-	21,135
Revenue from the use of money and property	50,818	242,582	6,586	299,986
Charges for services	718,283	-	33,752	752,035
Miscellaneous	95,297	56,036	4,231	155,564
Recovered costs	695,029	-	95,354	790,383
Intergovernmental:				
Commonwealth	1,299,984	5,612	108,614	1,414,210
Federal	115,051	29,071	387,866	531,988
Total revenues	<u>\$ 4,956,258</u>	<u>\$ 333,301</u>	<u>\$ 636,403</u>	<u>\$ 5,925,962</u>
EXPENDITURES				
Current:				
General government administration	\$ 927,630	\$ -	\$ -	\$ 927,630
Public safety	1,283,978	-	-	1,283,978
Public works	2,200,295	-	-	2,200,295
Parks, recreation, and cultural	29,560	-	-	29,560
Community development	315	-	656,053	656,368
Capital projects	638,593	161,341	-	799,934
Debt service:				
Principal retirement	44,309	260,000	-	304,309
Interest and other fiscal charges	5,505	-	-	5,505
Total expenditures	<u>\$ 5,130,185</u>	<u>\$ 421,341</u>	<u>\$ 656,053</u>	<u>\$ 6,207,579</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (173,927)</u>	<u>\$ (88,040)</u>	<u>\$ (19,650)</u>	<u>\$ (281,617)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 34,000	\$ 50,000	\$ -	\$ 84,000
Issuance of USDA loan	27,000	-	-	27,000
Issuance of capital lease	54,699	-	-	54,699
Total other financing sources (uses)	<u>\$ 115,699</u>	<u>\$ 50,000</u>	<u>\$ -</u>	<u>\$ 165,699</u>
Net change in fund balances	\$ (58,228)	\$ (38,040)	\$ (19,650)	\$ (115,918)
Fund balances - beginning, as restated	238,228	152,333	424,847	815,408
Fund balances - ending	<u>\$ 180,000</u>	<u>\$ 114,293</u>	<u>\$ 405,197</u>	<u>\$ 699,490</u>

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

Town of Blackstone, Virginia
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2019

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

Net change in fund balances - total governmental funds \$ (115,918)

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

Capital asset additions	\$ 719,752	
Depreciation expense	<u>(676,939)</u>	42,813

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase Net Position. (23,028)

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

Property taxes (15,452)

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:

Proceeds of capital lease	\$ (54,699)	
Proceeds of USDA loan	(27,000)	
Principal retirement on capital leases	24,437	
Principal retirement on USDA loans	19,872	
Principal retirement on general obligation bond	<u>260,000</u>	222,610

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	\$ 189	
Pension expense	246,039	
OPEB expense	<u>8,420</u>	254,648

Change in net position of governmental activities \$ 365,673

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

Town of Blackstone, Virginia
Statement of Net Position
Proprietary Funds
June 30, 2019

	Enterprise Funds		
	Electric	Water and Sewer	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 4,224,733	\$ 1,126,226	\$ 5,350,959
Accounts receivables, net of allowance for uncollectibles	385,557	170,638	556,195
Due from other governmental units	-	118,137	118,137
Total current assets	\$ 4,610,290	\$ 1,415,001	\$ 6,025,291
Other assets:			
Net pension asset	\$ 139,984	\$ 168,383	\$ 308,367
Total other assets	\$ 139,984	\$ 168,383	\$ 308,367
Noncurrent assets:			
Restricted current assets:			
Cash and cash equivalents - unspent bond proceeds	\$ -	\$ 1,531,443	\$ 1,531,443
Total restricted current assets	\$ -	\$ 1,531,443	\$ 1,531,443
Capital assets (net of depreciation):			
Land	\$ 238,213	\$ 11,362	\$ 249,575
Utility plant in service	500,373	9,074,946	9,575,319
Machinery and equipment	176,807	86,032	262,839
Construction in progress	-	3,048,263	3,048,263
Total capital assets	\$ 915,393	\$ 12,220,603	\$ 13,135,996
Total noncurrent assets	\$ 915,393	\$ 13,752,046	\$ 14,667,439
Total assets	\$ 5,665,667	\$ 15,335,430	\$ 21,001,097
DEFERRED OUTFLOWS OF RESOURCES			
Pension related items	\$ 10,832	\$ 13,035	\$ 23,867
OPEB related items	2,777	2,986	5,763
Total deferred outflows of resources	\$ 13,609	\$ 16,021	\$ 29,630
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 218,922	\$ 600,734	\$ 819,656
Accrued interest payable	-	84,445	84,445
Customer deposits payable	-	203,743	203,743
Compensated absences - current portion	2,271	3,927	6,198
Bonds payable - current portion	-	556,657	556,657
Total current liabilities	\$ 221,193	\$ 1,449,506	\$ 1,670,699
Noncurrent liabilities:			
Compensated absences - net of current portion	\$ 20,444	\$ 35,342	\$ 55,786
Bonds payable - net of current portion	-	9,874,017	9,874,017
Net OPEB liability	26,112	24,272	50,384
Total noncurrent liabilities	\$ 46,556	\$ 9,933,631	\$ 9,980,187
Total liabilities	\$ 267,749	\$ 11,383,137	\$ 11,650,886
DEFERRED INFLOWS OF RESOURCES			
Pension related items	\$ 29,554	\$ 54,253	\$ 83,807
OPEB related items	4,732	4,400	9,132
Total deferred inflows of resources	\$ 34,286	\$ 58,653	\$ 92,939
NET POSITION			
Net investment in capital assets	\$ 915,393	\$ 3,321,372	\$ 4,236,765
Unrestricted	4,461,848	588,289	5,050,137
Total net position	\$ 5,377,241	\$ 3,909,661	\$ 9,286,902

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, 2019

	Enterprise Funds		
	Electric	Water and Sewer	Total
OPERATING REVENUES			
Charges for services:			
Water and sewer revenues	\$ -	\$ 2,551,396	\$ 2,551,396
Electricity	4,719,107	-	4,719,107
Miscellaneous	9,316	36,324	45,640
Total operating revenues	<u>\$ 4,728,423</u>	<u>\$ 2,587,720</u>	<u>\$ 7,316,143</u>
OPERATING EXPENSES			
Personnel services	\$ 311,541	\$ 388,818	\$ 700,359
Fringe benefits	57,614	91,230	148,844
Contractual services	37,220	263,834	301,054
Electric power purchased	2,259,203	-	2,259,203
Other supplies and expenses	1,033,285	689,786	1,723,071
Depreciation	145,192	628,611	773,803
Total operating expenses	<u>\$ 3,844,055</u>	<u>\$ 2,062,279</u>	<u>\$ 5,906,334</u>
Operating income (loss)	<u>\$ 884,368</u>	<u>\$ 525,441</u>	<u>\$ 1,409,809</u>
NONOPERATING REVENUES (EXPENSES)			
Connection/reconnection fees	\$ 8,103	\$ 55,188	\$ 63,291
Interest income	21,148	32,620	53,768
Interest expense	-	(257,515)	(257,515)
Total nonoperating revenues (expenses)	<u>\$ 29,251</u>	<u>\$ (169,707)</u>	<u>\$ (140,456)</u>
Income before transfers	<u>\$ 913,619</u>	<u>\$ 355,734</u>	<u>\$ 1,269,353</u>
Transfers out	<u>\$ (84,000)</u>	<u>\$ -</u>	<u>\$ (84,000)</u>
Change in net position	<u>\$ 829,619</u>	<u>\$ 355,734</u>	<u>\$ 1,185,353</u>
Total net position - beginning, as restated	4,547,622	3,553,927	8,101,549
Total net position - ending	<u><u>\$ 5,377,241</u></u>	<u><u>\$ 3,909,661</u></u>	<u><u>\$ 9,286,902</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, 2019

	Enterprise Funds		
	Water and		
	Electric	Sewer	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 4,758,973	\$ 2,605,167	\$ 7,364,140
Payments for operating expenses	(3,342,677)	(416,045)	(3,758,722)
Payments to and for employees	(410,887)	(535,801)	(946,688)
Net cash provided by (used for) operating activities	\$ 1,005,409	\$ 1,653,321	\$ 2,658,730
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers to other funds	\$ (84,000)	\$ -	\$ (84,000)
Net cash provided by (used for) noncapital financing activities	\$ (84,000)	\$ -	\$ (84,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	\$ -	\$ (2,652,937)	\$ (2,652,937)
Principal payments on bonds and capital leases	-	(601,030)	(601,030)
Connection fees	8,103	55,188	63,291
Capital contributions and construction grants	-	(70,123)	(70,123)
Interest payments	-	(255,449)	(255,449)
Net cash provided by (used for) capital and related financing activities	\$ 8,103	\$ (3,524,351)	\$ (3,516,248)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	\$ 21,148	\$ 32,620	\$ 53,768
Net cash provided by (used for) investing activities	\$ 21,148	\$ 32,620	\$ 53,768
Net increase (decrease) in cash and cash equivalents	\$ 950,660	\$ (1,838,410)	\$ (887,750)
Cash and cash equivalents - beginning, as restated	3,274,073	4,496,079	7,770,152
Cash and cash equivalents - ending	\$ 4,224,733	\$ 2,657,669	\$ 6,882,402
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ 884,368	\$ 525,441	\$ 1,409,809
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	145,192	628,611	773,803
(Increase) decrease in accounts receivable	30,550	(28)	30,522
(Increase) decrease in prepaid items	3,788	10,835	14,623
(Increase) decrease in net pension asset	8,619	(32,109)	(23,490)
(Increase) decrease in deferred outflows of resources	4,402	511	4,913
Increase (decrease) in customer deposits payable	-	17,475	17,475
Increase (decrease) in accounts payable	(16,757)	526,740	509,983
Increase (decrease) in deferred inflows of resources	(55,401)	(24,077)	(79,478)
Increase (decrease) in net OPEB liability	(653)	(607)	(1,260)
Increase (decrease) in compensated absences	1,301	529	1,830
Total adjustments	\$ 121,041	\$ 1,127,880	\$ 1,248,921
Net cash provided by (used for) operating activities	\$ 1,005,409	\$ 1,653,321	\$ 2,658,730

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

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TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

Note 1—Summary of Significant Accounting Policies:

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

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

Financial Statement Presentation

Government-wide and Fund Financial Statements

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

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

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

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2019

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

Government-wide and Fund Financial Statements (Continued)

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

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

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

Budgetary Comparison Schedules - Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in one way or another in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. Many governments revise their original budgets over the course of the year for a variety of reasons. The budgetary comparison schedules present the original budget, the final budget, and the actual activity of the major governmental funds.

A. Financial Reporting Entity

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

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2019

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, 2019.

Discretely Presented Component Units. The Town has no discretely presented component units at June 30, 2019.

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.

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

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2019

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

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

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

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

1. Governmental Funds

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

a. General Fund

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

b. Special Revenue Fund

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

c. Capital Projects Fund

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

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2019

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

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

2. Proprietary Funds

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

a. Enterprise Funds

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

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

D. Cash and Cash Equivalents

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

E. Investments

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

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

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).

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2019

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

G. Receivables and Payables (Continued)

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 \$385,380 at June 30, 2019 and is comprised of property taxes of \$7,995, electric revenues of \$261,605, and water and sewer charges of \$115,780.

Real and Personal Property Tax Data:

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

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

The Town bills and collects its own property taxes.

H. Capital Assets

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

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

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

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

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

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2019

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

I. Compensated Absences

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

J. Use of Estimates

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

K. Net Position

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

L. Net Position Flow Assumption

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

M. Long-term Obligations

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

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

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2019

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

N. Fund Balance

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

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

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

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

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TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

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

N. Fund Balance (Continued)

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

	General	Capital Projects	Special Revenue	Total
Fund balances:				
Nonspendable:				
Cemetery perpetual care	\$ -	\$ -	\$ 233,130	\$ 233,130
Total nonspendable fund balance	\$ -	\$ -	\$ 233,130	\$ 233,130
Restricted:				
Cemetery	\$ -	\$ -	\$ 57,854	\$ 57,854
Bus	-	-	114,213	114,213
Asset forfeiture	8,047	-	-	8,047
Youth donations	3,207	-	-	3,207
Special donations	2,241	-	-	2,241
Benefit bass tournament	4,275	-	-	4,275
S. Wray donation	22,663	-	-	22,663
Shop with a Cop Program	4,505	-	-	4,505
Total restricted fund balance	\$ 44,938	\$ -	\$ 172,067	\$ 217,005
Committed:				
Capital projects	\$ -	\$ 114,293	\$ -	\$ 114,293
Total committed fund balance	\$ -	\$ 114,293	\$ -	\$ 114,293
Assigned:				
Airport fuel farm	\$ 154,062	\$ -	\$ -	\$ 154,062
Total assigned fund balance	\$ 154,062	\$ -	\$ -	\$ 154,062
Unassigned	\$ (19,000)	\$ -	\$ -	\$ (19,000)
Total fund balances	\$ 180,000	\$ 114,293	\$ 405,197	\$ 699,490

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2019

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

O. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town has one item that qualifies for reporting in this category. It is comprised of certain items related to the measurement of the net pension asset and net OPEB liability and contributions to the pension and OPEB plans made during the current year and subsequent to the net pension asset and net OPEB liability measurement date. For more detailed information on these items, reference the related notes.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has multiple items that qualify for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30, and amounts prepaid and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis amounts prepaid are reported as deferred inflows of resources. In addition, certain items related to the measurement of the net pension asset and net OPEB liability are reported as deferred inflows of resources. For more detailed information on these items, reference the related notes.

P. Pensions

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

Q. Other Postemployment Benefits

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

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2019

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, 2019, as adopted, appropriated and legally amended.

Expenditures and Appropriations

Expenditures exceeded appropriations by \$202,544 in the General Fund at June 30, 2019.

Note 3—Deposits and Investments:

Deposits

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

Investments

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

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

Note 3—Deposits and Investments: (Continued)

Credit Risk of Debt Securities

The Town's rated debt investments as of June 30, 2019 were rated by Standard and Poor's and the ratings are presented below using Standard and Poor's rating scale.

Town's Rated Debt Investments' Values		
Rated Debt Investments	Fair Quality Ratings	
	AAAm	AA+f
First American Treasury Obligations Fund	\$ 102,330	\$ -
Virginia Investment Pool	-	1,261,117
Total	\$ 102,330	\$ 1,261,117

Interest Rate Risk

Investment Maturities (in years)		
Investment Type	Fair Value	Less Than 1 Year
First American Treasury Obligations Fund	\$ 102,330	\$ 102,330
Virginia Investment Pool	1,261,117	1,261,117
Total	\$ 1,363,447	\$ 1,363,447

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TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

Note 4—Due from Other Governments:

At June 30, 2019, the Town has receivables from other governments as follows:

	Governmental Activities	Business-type Activities
Other Local Governments:		
County of Nottoway	\$ 70,930	\$ -
Commonwealth of Virginia:		
Rolling stock tax	5,857	-
DMV	2,421	-
Communications tax	2,413	-
Fort Pickett water and sewer payment	-	118,137
Auto rental tax	33	-
VDOT revenue sharing reimbursement	4,950	-
Emergency response grant	5,252	-
Transportation grant	40,697	-
Federal Government:		
Mass transit grant	233,735	-
FEMA grant	20,732	-
Total due from other governments	<u>\$ 387,020</u>	<u>\$ 118,137</u>

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TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

Note 5—Capital Assets:

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2019:

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
<i>Governmental activities:</i>				
Capital assets not subject to depreciation:				
Land	\$ 1,192,822	\$ -	\$ -	\$ 1,192,822
Construction in progress	45,100	41,287	34,100	52,287
Total capital assets not subject to depreciation	\$ 1,237,922	\$ 41,287	\$ 34,100	\$ 1,245,109
Capital assets subject to depreciation:				
Buildings and improvements	\$ 8,461,640	\$ -	\$ -	\$ 8,461,640
Infrastructure	2,512,291	62,545	-	2,574,836
Machinery and equipment	4,643,836	650,020	422,776	4,871,080
Total capital assets subject to depreciation	\$ 15,617,767	\$ 712,565	\$ 422,776	\$ 15,907,556
Accumulated depreciation:				
Buildings and improvements	\$ 2,928,771	\$ 214,612	\$ -	\$ 3,143,383
Infrastructure	439,130	70,827	-	509,957
Machinery and equipment	3,351,827	391,500	399,748	3,343,579
Total accumulated depreciation	\$ 6,719,728	\$ 676,939	\$ 399,748	\$ 6,996,919
Total capital assets subject to depreciation, net	\$ 8,898,039	\$ 35,626	\$ 23,028	\$ 8,910,637
Governmental activities capital assets, net	\$ 10,135,961	\$ 76,913	\$ 57,128	\$ 10,155,746

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TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

Note 5—Capital Assets: (Continued)

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2019:

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
<i>Business-type Activities:</i>				
Capital assets not subject to depreciation:				
Land	\$ 249,575	\$ -	\$ -	\$ 249,575
Construction in progress	395,326	2,652,937	-	3,048,263
Total capital assets not subject to depreciation	\$ 644,901	\$ 2,652,937	\$ -	\$ 3,297,838
Capital assets subject to depreciation:				
Utility plant in service	\$ 25,537,950	\$ -	\$ -	\$ 25,537,950
Buildings	24,852	-	-	24,852
Machinery and equipment	1,386,201	-	-	1,386,201
Total capital assets subject to depreciation	\$ 26,949,003	\$ -	\$ -	\$ 26,949,003
Accumulated depreciation:				
Utility plant in service	\$ 15,244,843	\$ 717,788	\$ -	\$ 15,962,631
Buildings	24,852	-	-	24,852
Machinery and equipment	1,067,347	56,015	-	1,123,362
Total accumulated depreciation	\$ 16,337,042	\$ 773,803	\$ -	\$ 17,110,845
Total capital assets subject to depreciation, net	\$ 10,611,961	\$ (773,803)	\$ -	\$ 9,838,158
Business-type activities capital assets, net	\$ 11,256,862	\$ 1,879,134	\$ -	\$ 13,135,996

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TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

Note 5—Capital Assets: (Continued)

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government administration	\$ 24,165
Public safety	196,529
Public works	120,120
Health and welfare	63,637
Parks, recreation and cultural	32,750
Community development	239,738
Total depreciation expense - governmental activities	<u>\$ 676,939</u>
Business-type activities:	
Electric fund	\$ 145,192
Water and Sewer fund	628,611
Total depreciation expense - business-type activities	<u>\$ 773,803</u>
Total depreciation expense - primary government	<u><u>\$ 1,450,742</u></u>

Note 6—Long-term Obligations:

The following is a summary of changes in long-term obligations for the fiscal year-ended June 30, 2019:

	Restated Balance at July 1, 2018	Increases	Decreases	Balance at June 30, 2019	Amounts Due Within One Year
Governmental Activities:					
Compensated absences	\$ 75,684	\$ 7,379	\$ 7,568	\$ 75,495	\$ 7,550
Net OPEB liability	112,356	23,979	26,719	109,616	-
Capital leases (Note 7)	51,216	54,699	24,437	81,478	30,567
Direct borrowings:					
USDA loans	113,328	27,000	19,872	120,456	20,927
General obligation bonds	260,000	-	260,000	-	-
Derivative instrument liability	981	-	981	-	-
Total Governmental Activities	<u>\$ 613,565</u>	<u>\$ 113,057</u>	<u>\$ 339,577</u>	<u>\$ 387,045</u>	<u>\$ 59,044</u>
Business-type Activities:					
Compensated absences	\$ 60,154	\$ 7,845	\$ 6,015	\$ 61,984	\$ 6,198
Net OPEB liability	51,644	11,021	12,281	50,384	-
General obligation bonds	8,520,250	-	315,000	8,205,250	353,250
Revenue bonds	2,511,454	-	286,030	2,225,424	203,407
Total Business-type Activities	<u>\$ 11,143,502</u>	<u>\$ 18,866</u>	<u>\$ 619,326</u>	<u>\$ 10,543,042</u>	<u>\$ 562,855</u>
Total Primary Government	<u><u>\$ 11,757,067</u></u>	<u><u>\$ 131,923</u></u>	<u><u>\$ 958,903</u></u>	<u><u>\$ 10,930,087</u></u>	<u><u>\$ 621,899</u></u>

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

Note 6—Long-term Obligations: (Continued)

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

Year Ending June 30	Governmental Activities			
	Direct Borrowings		Capital Leases	
	USDA Loans			
	Principal	Interest	Principal	Interest
2020	\$ 20,927	\$ 3,481	\$ 30,567	\$ 572
2021	21,590	2,818	17,013	42
2022	22,239	2,169	11,299	-
2023	19,065	1,479	11,299	-
2024	14,196	936	11,300	-
2025	14,164	500	-	-
2026	8,275	85	-	-
Total	<u>\$ 120,456</u>	<u>\$ 11,468</u>	<u>\$ 81,478</u>	<u>\$ 614</u>

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TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

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
2020	\$ 203,407	\$ -	\$ 353,250	\$ 254,871
2021	203,407	-	388,250	243,723
2022	203,412	-	402,500	231,611
2023	134,637	-	415,750	219,062
2024	134,637	-	427,750	206,102
2025	134,637	-	440,750	192,754
2026	134,637	-	453,750	178,986
2027	134,637	-	471,750	164,719
2028	134,637	-	484,500	149,967
2029	134,637	-	502,000	134,722
2030	134,637	-	518,500	118,933
2031	134,637	-	535,500	102,604
2032	134,637	-	553,000	85,722
2033	134,637	-	569,000	68,289
2034	134,191	-	590,000	50,266
2035	-	-	605,000	31,653
2036	-	-	259,250	17,958
2037	-	-	114,750	9,266
2038	-	-	120,000	4,058
Total	<u>\$ 2,225,424</u>	<u>\$ -</u>	<u>\$ 8,205,250</u>	<u>\$ 2,465,266</u>

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TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

Note 6—Long-term Obligations: (Continued)

Details of Long-term Obligations:

	<u>Total Amount</u>
<u>Governmental Activities:</u>	
Capital Leases (Note 7)	<u>\$ 81,478</u>
<u>Direct Borrowings:</u>	
<u>USDA Loans:</u>	
\$125,657 USDA loan issued January 19, 2016, due in monthly installments of \$1,222 through January 19, 2026 with interest due at 3.125%.	\$ 86,994
\$18,000 USDA loan issued June 6, 2017, due in monthly installments of \$322 through June 6, 2022 with interest due at 2.75%.	11,081
\$27,000 USDA loan issued Junly 24, 2018, due in monthly installments of \$490 through July 24, 2023 with interest due at 3.375%.	<u>22,381</u>
Total USDA Loans	<u>\$ 120,456</u>
Compensated absences (payable from General Fund)	<u>\$ 75,495</u>
Net OPEB liability	<u>\$ 109,616</u>
Total Long-term Obligations, Governmental Activities	<u>\$ 387,045</u>

The Town's outstanding notes from direct borrowings related to governmental activities of \$120,456 contain a provision that in an event of default, outstanding amounts become immediately due if the Town is unable to make payment.

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TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2019

Note 6—Long-term Obligations: (Continued)

Details of Long-term Obligations: (Continued)

Business-type Activities:

Revenue Bonds:

\$1,386,875 Utility Revenue Bond, issued April 17, 2002, due in semi-annual installments of \$34,385 through April 1, 2022; interest at 0%.	\$ 206,314
\$2,692,743 VRA Revolving Fund, issued September 2012, due in annual installments of \$67,618 through March 3, 2033; interest at 0%.	2,019,110
Total Revenue Bonds	<u>\$ 2,225,424</u>

General Obligation Bonds:

\$5,580,000 Refunding General Obligation Bond, issued February 27, 2014, due in annual principal installments through August 1, 2034; interest payable semi-annually at rate of 3.00%.	\$ 4,549,000
\$2,421,000 Refunding General Obligation Bond, issued July 7, 2016, due in annual principal installments through February 1, 2036; interest payable semi-annually at rate of 2.48%.	2,109,000
\$1,547,250 general obligation bond issued June 15, 2018, due in annual principal installments ranging from \$27,250 to \$120,000 through May 1, 2038 with interest payable semi-annually at 4.49%.	1,547,250
Total General Obligation Bonds	<u>\$ 8,205,250</u>
Compensated absences (payable from Enterprise Fund)	<u>\$ 61,984</u>
Net OPEB liability	<u>\$ 50,384</u>
Total Long-term Obligations, Business-type Activities	<u>\$ 10,543,042</u>
Total Long-term Obligations, Primary Government	<u><u>\$ 10,930,087</u></u>

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2019

Note 7—Capital Leases:

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

The assets acquired through capital leases are as follows:

	Governmental Activities
Asset:	
Equipment	\$ 280,163
Less: accumulated depreciation	(222,383)
Total	<u>\$ 57,780</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2019, were as follows:

Year Ended June 30	Governmental Activities
2020	\$ 31,139
2021	17,055
2022	11,299
2023	11,299
2024	<u>11,300</u>
Total minimum lease payments	\$ 82,092
Less: amount representing interest	<u>(614)</u>
Present value of minimum lease payments	<u>\$ 81,478</u>

Note 8—Deferred/Unavailable Revenue:

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

Unavailable Property Tax Revenue - Unavailable revenue representing uncollected tax billings not available for funding of current expenditures totaled \$90,447 at June 30, 2019.

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2019

Note 8—Deferred/Unavailable Revenue: (Continued)

Prepaid Property Taxes - Property taxes due subsequent to June 30, 2019 but paid in advance by the taxpayers totaled \$4,389 at June 30, 2019.

Note 9—Litigation:

At June 30, 2019, there were no matters of litigation involving the Town which would materially affect the Town's financial position should any court decisions on pending matters not be favorable to the Town.

Note 10—Risk Management:

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

Note 11—Pension Plans:

Plan Description

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

Benefit Structures

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

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

Note 11—Pension Plans: (Continued)

Benefit Structures (Continued)

- b. Employees hired on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013 are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of creditable service or when the sum of their age and service equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of creditable service. Hazardous duty employees are eligible for an unreduced benefit beginning at age 60 with at least 5 years of creditable service or age 50 with at least 25 years of creditable service. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of creditable service.
- c. Non-hazardous duty employees hired on or after January 1, 2014 are covered by the Hybrid Plan combining the features of a defined benefit plan and a defined contribution plan. Plan 1 and Plan 2 members also had the option of opting into this plan during the election window held January 1 - April 30, 2014 with an effective date of July 1, 2014. Employees covered by this plan are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of creditable service, or when the sum of their age and service equal 90. Employees may retire with a reduced benefit as early as age 60 with at least 5 years of creditable service. For the defined contribution component, members are eligible to receive distributions upon leaving employment, subject to restrictions.

Average Final Compensation and Service Retirement Multiplier

The VRS defined benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the employee's average final compensation multiplied by the employee's total creditable service. Under Plan 1, average final compensation is the average of the employee's 36 consecutive months of highest compensation and the multiplier is 1.7% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.7% or 1.85% for hazardous duty employees as elected by the employer. Under Plan 2, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the retirement multiplier is 1.65% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.7% or 1.85% for hazardous duty employees as elected by the employer. Under the Hybrid Plan, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the multiplier is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

Note 11—Pension Plans: (Continued)

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

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

Employees Covered by Benefit Terms

As of the June 30, 2017 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	25
Inactive members:	
Vested inactive members	14
Non-vested inactive members	17
Inactive members active elsewhere in VRS	35
Total inactive members	66
Active members	55
Total covered employees	146

Contributions

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

The Town's contractually required employer contribution rate for the year ended June 30, 2019 was 4.11% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2019

Note 11—Pension Plans: (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 \$77,944 and \$93,508 for the years ended June 30, 2019 and June 30, 2018, respectively.

Net Pension Asset

The net pension asset is calculated separately for each employer and represents that particular employer's total pension asset determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. For the Town, the net pension asset was measured as of June 30, 2018. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation performed as of June 30, 2017 rolled forward to the measurement date of June 30, 2018.

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, 2017, 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, 2018.

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

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

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

Note 11—Pension Plans: (Continued)

Actuarial Assumptions - General Employees (Continued)

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2019

Note 11—Pension Plans: (Continued)

Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the Town's Retirement Plan was based on an actuarial valuation as of June 30, 2017, 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, 2018.

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

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

Mortality rates:

Largest 10 - Hazardous Duty: 70% of deaths are assumed to be service related

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

Note 11—Pension Plans: (Continued)

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Increased rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

All Others (Non 10 Largest) - Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

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TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

Note 11—Pension Plans: (Continued)

Long-Term Expected Rate of Return

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

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

* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the Town was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2018, the alternate rate was the employer contribution rate used in FY 2012 or 90% of the actuarially determined employer contribution rate from the June 30, 2015 actuarial valuations, whichever was greater. From July 1, 2018 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

Note 11—Pension Plans: (Continued)

Changes in Net Pension Liability (Asset)

	Primary Government		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2017	\$ 7,200,718	\$ 8,006,591	\$ (805,873)
Changes for the year:			
Service cost	\$ 168,972	\$ -	\$ 168,972
Interest	494,317	-	494,317
Differences between expected and actual experience	(70,757)	-	(70,757)
Contributions - employer	-	93,508	(93,508)
Contributions - employee	-	112,322	(112,322)
Net investment income	-	593,513	(593,513)
Benefit payments, including refunds			
Refunds of employee contributions	(278,100)	(278,100)	-
Administrative expenses	-	(5,078)	5,078
Other changes	-	(529)	529
Net changes	\$ 314,432	\$ 515,636	\$ (201,204)
Balances at June 30, 2018	\$ 7,515,150	\$ 8,522,227	\$ (1,007,077)

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

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

	Rate		
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
Town's Net Pension Liability (Asset)	\$ 31,805	\$ (1,007,077)	\$ (1,861,005)

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

Note 11—Pension Plans: (Continued)

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

For the year ended June 30, 2019, the Town recognized pension expense of (\$263,706). At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Primary Government	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 138,417
Change in assumptions	-	87,531
Net difference between projected and actual earnings on pension plan investments	-	77,003
Employer contributions subsequent to the measurement date	77,944	-
Total	\$ 77,944	\$ 302,951

\$77,944 reported as deferred outflows of resources related to pensions resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of (increase to) the Net Pension Liability (Asset) in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ended June 30	Primary Government
2020	\$ (142,407)
2021	(70,551)
2022	(82,839)
2023	(7,154)
2024	-
Thereafter	-

Note 11—Pension Plans: (Continued)

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

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

Plan Description

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

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

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

Eligible Employees

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

Benefit Amounts

The GLI Program is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, safety belt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value. For covered members with at least 30 years of creditable service, the minimum benefit payable was set at \$8,000 by statute. The amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and was increased to \$8,279 effective July 1, 2018.

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

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

Contributions

The contribution requirements for the GLI Program are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% x 60%) and the employer component was 0.52% (1.31% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2019 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the Group Life Insurance Program from the entity were \$10,586 and \$10,462 for the years ended June 30, 2019 and June 30, 2018, respectively.

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

At June 30, 2019, the entity reported a liability of \$160,000 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2018 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Program for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the participating employer's proportion was 0.01058% as compared to 0.01090% at June 30, 2017.

For the year ended June 30, 2019, the participating employer recognized GLI OPEB expense of (\$2,000). Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2019, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 8,000	\$ 3,000
Net difference between projected and actual earnings on GLI OPEB program investments	-	5,000
Change in assumptions	-	7,000
Changes in proportion	-	14,000
Employer contributions subsequent to the measurement date	10,586	-
Total	\$ 18,586	\$ 29,000

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

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

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

\$10,586 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2020	\$ (5,000)
2021	(5,000)
2022	(5,000)
2023	(4,000)
2024	(2,000)
Thereafter	-

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2017, 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, 2018.

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

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

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

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

Actuarial Assumptions: (Continued)

Mortality Rates - General State Employees

Pre-Retirement:

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

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% increase compounded from ages 70 to 85.

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

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

Actuarial Assumptions: (Continued)

Mortality Rates - Teachers

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

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

Actuarial Assumptions: (Continued)

Mortality Rates - SPORS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

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

Actuarial Assumptions: (Continued)

Mortality Rates - VaLORS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

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

Actuarial Assumptions: (Continued)

Mortality Rates - JRS Employees

Pre-Retirement:

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

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% compounding increase from ages 70 to 85.

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

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

Actuarial Assumptions: (Continued)

Mortality Rates - Largest Ten Locality Employers - General Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

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

Actuarial Assumptions: (Continued)

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

Mortality Rates - Largest Ten Locality Employers - Hazardous Duty Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

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

Actuarial Assumptions: (Continued)

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

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

Actuarial Assumptions: (Continued)

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

NET GLI OPEB Liability

The net OPEB liability (NOL) for the GLI Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2018, NOL amounts for the GLI Program are as follows (amounts expressed in thousands):

	Group Life Insurance OPEB Program
Total GLI OPEB Liability	\$ 3,113,508
Plan Fiduciary Net Position	1,594,773
Employers' Net GLI OPEB Liability (Asset)	\$ 1,518,735
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	51.22%

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

Note 12—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)**Long-Term Expected Rate of Return**

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

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

*The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

Discount Rate

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

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2019

Note 12—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)**Sensitivity of the Employer's Proportionate Share of the Net GLI OPEB Liability to Changes in the Discount Rate**

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

	Rate		
	1% Decrease	Current Discount	1% Increase
	(6.00%)	(7.00%)	(8.00%)
Town's proportionate share of the Group Life Insurance Program			
Net OPEB Liability	\$ 210,000	\$ 160,000	\$ 120,000

GLI Program Fiduciary Net Position

Detailed information about the GLI Program's Fiduciary Net Position is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 13—Surety Bonds:

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

Note 14—Interfund Transfers:

Interfund transfers for the year ended June 30, 2019 consisted of the following:

Fund	Transfers In	Transfers Out
Primary Government:		
General	\$ 34,000	\$ -
Capital projects	50,000	-
Electric	-	84,000
Total	\$ 84,000	\$ 84,000

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2019

Note 14—Interfund Transfers: (Continued)

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

Note 15—Fair Value Measurement:

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

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

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

The Town has the following recurring fair value measurements as of June 30, 2019:

Investment type	Balance June 30, 2019	Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Primary Government				
Money market fund:				
First American Treasury Obligations Fund	\$ 102,330	\$ 102,330	\$ -	\$ -
	\$ 102,330	\$ 102,330	\$ -	\$ -
Investments measured at the net asset value (NAV):				
VML/VACo Virginia Investment Pool	\$ 1,261,117			
Total measured at the NAV	\$ 1,261,117			

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2019

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

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

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

The current-year OPEB expense/expenditure for the insured benefits is defined as the amount of premiums or other payments required for the insured benefits for the reporting period in accordance with the agreement with the insurance company for LODA and a change in liability to the insurer equal to the difference between amounts recognized as OPEB expense and amounts paid by the employer to the insurer. The Town's LODA coverage is fully covered or "insured" through VML. This is built into the LODA coverage cost presented in the annual renewals. The Town's LODA premium for the year ended June 30, 2019 was \$20,406.

Note 17 - Adoption of Accounting Principles:

The Town implemented the financial reporting provisions of Governmental Accounting Standards Board Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements* during the fiscal year ended June 30, 2019. This Statement clarifies which liabilities governments should include when disclosing information related to debt. It also requires that additional essential information related to debt be disclosed in notes to financial statements. No restatement was required as a result of this implementation.

Note 18—Upcoming Pronouncements:

Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

Statement No. 87, *Leases*, requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, provides guidance for reporting capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

TOWN OF BLACKSTONE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2019

Note 18—Upcoming Pronouncements: (Continued)

Statement No. 90, *Majority Equity Interests - An Amendment of GASB Statements No. 14 and No. 61*, provides guidance for reporting a government's majority equity interest in a legally separate organization and for reporting financial statement information for certain component units. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.

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

Note 19—Restatement of Net Position and Fund Balance:

The following adjustments were made to beginning net position and fund balance:

	Net Position		Fund Balance
	Governmental Activities	Business-type Activities Water and Sewer	Capital Projects
Balance, July 1, 2018, as previously stated	\$ 10,609,213	\$ 3,664,277	\$ 1,589,233
Transfer of general obligation bond	1,547,250	(1,547,250)	-
Transfer of unspent bond proceeds	(1,500,012)	1,500,012	(1,500,012)
Transfer of accounts payable	63,112	(63,112)	63,112
Balance, July 1, 2018, as restated	<u>\$ 10,719,563</u>	<u>\$ 3,553,927</u>	<u>\$ 152,333</u>

Note 20—Commitments and Contingencies:

The following contracts were outstanding as of June 30, 2019:

Project	Contractor	Contract Amount	Amount Outstanding
WWTP, WTP Improvements	H.G. Reynolds Company, Inc.	\$ 2,292,905	\$ 707,299
East End Improvements, WTP Improvements	Libson Buildings and Infrastructure, Inc.	1,213,005	254,367

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, 2019

	Budgeted Amounts		Actual	Variance with
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
REVENUES				
General property taxes	\$ 450,565	\$ 547,976	\$ 549,036	\$ 1,060
Other local taxes	1,194,700	1,390,484	1,407,365	16,881
Permits, privilege fees, and regulatory licenses	3,200	3,200	4,260	1,060
Fines and forfeitures	21,700	21,700	21,135	(565)
Revenue from the use of money and property	23,200	23,200	50,818	27,618
Charges for services	772,500	772,500	718,283	(54,217)
Miscellaneous	-	25,192	95,297	70,105
Recovered costs	715,058	715,058	695,029	(20,029)
Intergovernmental:				
Commonwealth	1,231,359	1,231,359	1,299,984	68,625
Federal	-	64,042	115,051	51,009
Total revenues	\$ 4,412,282	\$ 4,794,711	\$ 4,956,258	\$ 161,547
EXPENDITURES				
Current:				
General government administration	\$ 889,596	\$ 923,406	\$ 927,630	\$ (4,224)
Public safety	1,234,650	1,234,650	1,283,978	(49,328)
Public works	2,163,775	2,211,369	2,200,295	11,074
Parks, recreation, and cultural	22,600	22,600	29,560	(6,960)
Community development	-	-	315	(315)
Capital projects	403,000	704,025	638,593	65,432
Debt service:				
Principal retirement	50,775	50,775	44,309	6,466
Interest and other fiscal charges	6,260	6,260	5,505	755
Total expenditures	\$ 4,770,656	\$ 5,153,085	\$ 5,130,185	\$ 22,900
Excess (deficiency) of revenues over (under) expenditures	\$ (358,374)	\$ (358,374)	\$ (173,927)	\$ 184,447
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 34,000	\$ 34,000	\$ 34,000	\$ -
Issuance of USDA loan	-	-	27,000	27,000
Issuance of capital lease	-	-	54,699	54,699
Total other financing sources (uses)	\$ 34,000	\$ 34,000	\$ 115,699	\$ 81,699
Net change in fund balances	\$ (324,374)	\$ (324,374)	\$ (58,228)	\$ 266,146
Fund balances - beginning	324,374	324,374	238,228	(86,146)
Fund balances - ending	\$ -	\$ -	\$ 180,000	\$ 180,000

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, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget - Positive <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
REVENUES				
Revenue from the use of money and property	\$ 250	\$ 250	\$ 6,586	\$ 6,336
Charges for services	41,538	41,538	33,752	(7,786)
Miscellaneous	-	-	4,231	4,231
Recovered costs	95,062	95,062	95,354	292
Intergovernmental:				
Commonwealth	129,515	129,515	108,614	(20,901)
Federal	454,875	454,875	387,866	(67,009)
Total revenues	<u>\$ 721,240</u>	<u>\$ 721,240</u>	<u>\$ 636,403</u>	<u>\$ (84,837)</u>
EXPENDITURES				
Current:				
Community development	\$ 769,950	\$ 769,950	\$ 656,053	\$ 113,897
Total expenditures	<u>\$ 769,950</u>	<u>\$ 769,950</u>	<u>\$ 656,053</u>	<u>\$ 113,897</u>
Net change in fund balances	\$ (48,710)	\$ (48,710)	\$ (19,650)	\$ 29,060
Fund balances - beginning	48,710	48,710	424,847	376,137
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 405,197</u>	<u>\$ 405,197</u>

Town of Blackstone, Virginia
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
For the Measurement Dates of June 30, 2014 through June 30, 2018

	2018	2017	2016	2015	2014
Total pension liability					
Service cost	\$ 168,972	\$ 192,963	\$ 205,442	\$ 202,800	\$ 202,242
Interest	494,317	492,549	464,412	436,936	405,478
Changes in assumptions	-	(222,193)	-	-	-
Differences between expected and actual experience	(70,757)	(195,722)	(70,416)	(71,906)	-
Benefit payments, including refunds of employee contributions	(278,100)	(206,580)	(188,378)	(162,254)	(154,388)
Net change in total pension liability	\$ 314,432	\$ 61,017	\$ 411,060	\$ 405,576	\$ 453,332
Total pension liability - beginning	7,200,718	7,139,701	6,728,641	6,323,065	5,869,733
Total pension liability - ending (a)	<u>\$ 7,515,150</u>	<u>\$ 7,200,718</u>	<u>\$ 7,139,701</u>	<u>\$ 6,728,641</u>	<u>\$ 6,323,065</u>
Plan fiduciary net position					
Contributions - employer	\$ 93,508	\$ 69,399	\$ 119,272	\$ 121,223	\$ 182,650
Contributions - employee	112,322	102,844	103,383	105,159	101,458
Net investment income	593,513	878,767	125,007	307,829	900,522
Benefit payments, including refunds of employee contributions	(278,100)	(206,580)	(188,378)	(162,254)	(154,388)
Administrative expense	(5,078)	(5,017)	(4,308)	(4,089)	(4,700)
Other	(529)	(782)	(52)	(64)	47
Net change in plan fiduciary net position	\$ 515,636	\$ 838,631	\$ 154,924	\$ 367,804	\$ 1,025,589
Plan fiduciary net position - beginning	8,006,591	7,167,960	7,013,036	6,645,232	5,619,643
Plan fiduciary net position - ending (b)	<u>\$ 8,522,227</u>	<u>\$ 8,006,591</u>	<u>\$ 7,167,960</u>	<u>\$ 7,013,036</u>	<u>\$ 6,645,232</u>
Town's net pension liability (asset) - ending (a) - (b)	\$ (1,007,077)	\$ (805,873)	\$ (28,259)	\$ (284,395)	\$ (322,167)
Plan fiduciary net position as a percentage of the total pension liability	113.40%	111.19%	100.40%	104.23%	105.10%
Covered payroll	\$ 2,011,967	\$ 2,011,054	\$ 2,090,676	\$ 2,113,608	\$ 2,032,098
Town's net pension liability (asset) as a percentage of covered payroll	-50.05%	-40.07%	-1.35%	-13.46%	-15.85%

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

Town of Blackstone, Virginia
Schedule of Employer Contributions - Pension
For the Years Ended June 30, 2010 through June 30, 2019

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
Primary Government					
2019	\$ 77,944	\$ 77,944	\$ -	\$ 2,035,841	3.83%
2018	93,508	93,508	-	2,011,967	4.65%
2017	69,399	69,399	-	2,011,054	3.45%
2016	119,272	119,272	-	2,090,676	5.70%
2015	121,223	121,223	-	2,113,608	5.74%
2014	182,279	182,279	-	2,032,098	8.97%
2013	177,115	177,115	-	1,974,531	8.97%
2012	168,301	168,301	-	2,042,484	8.24%
2011	164,103	164,103	-	1,991,544	8.24%
2010	163,283	163,283	-	1,894,234	8.62%

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

Town of Blackstone, Virginia
Notes to Required Supplementary Information - Pension
For the Year Ended June 30, 2019

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

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

Largest 10 - Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

Largest 10 - Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Increased rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

All Others (Non 10 Largest) - Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

Town of Blackstone, Virginia
Schedule of Town's Share of Net OPEB Liability
Group Life Insurance Program
For the Measurement Dates of June 30, 2018 and June 30, 2017

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

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

Town of Blackstone, Virginia
Schedule of Employer Contributions
Group Life Insurance Program
For the Years Ended June 30, 2014 through June 30, 2019

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

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

Town of Blackstone, Virginia
Notes to Required Supplementary Information
Group Life Insurance Program
For the Year Ended June 30, 2019

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

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

General State Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%

Teachers

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

SPORS Employees

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

VaLORS Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%

Town of Blackstone, Virginia
Notes to Required Supplementary Information
Group Life Insurance Program
For the Year Ended June 30, 2019 (Continued)

JRS Employees

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

Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

Non-Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

Largest Ten Locality Employers - Hazardous Duty Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

Non-Largest Ten Locality Employers - Hazardous Duty Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

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OTHER SUPPLEMENTARY INFORMATION

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*COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES*

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Town of Blackstone, Virginia
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Capital Projects Fund
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		(Negative)
REVENUES				
Revenue from the use of money and property	\$ 258,728	\$ 258,728	\$ 242,582	\$ (16,146)
Miscellaneous	16,907	51,461	56,036	4,575
Intergovernmental:				
Commonwealth	-	-	5,612	5,612
Federal	208,208	1,458,208	29,071	(1,429,137)
Total revenues	<u>\$ 483,843</u>	<u>\$ 1,768,397</u>	<u>\$ 333,301</u>	<u>\$ (1,435,096)</u>
EXPENDITURES				
Capital projects	\$ 351,180	\$ 1,685,734	\$ 161,341	\$ 1,524,393
Debt service:				
Principal retirement	157,860	157,860	260,000	(102,140)
Interest and other fiscal charges	85,975	85,975	-	85,975
Total expenditures	<u>\$ 595,015</u>	<u>\$ 1,929,569</u>	<u>\$ 421,341</u>	<u>\$ 1,508,228</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (111,172)</u>	<u>\$ (161,172)</u>	<u>\$ (88,040)</u>	<u>\$ 73,132</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 50,000	\$ 50,000	\$ 50,000	\$ -
Total other financing sources (uses)	<u>\$ 50,000</u>	<u>\$ 50,000</u>	<u>\$ 50,000</u>	<u>\$ -</u>
Net change in fund balances	\$ (61,172)	\$ (111,172)	\$ (38,040)	\$ 73,132
Fund balances - beginning, as restated	61,172	111,172	152,333	41,161
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 114,293</u>	<u>\$ 114,293</u>

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SUPPORTING SCHEDULES

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Town of Blackstone, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2019

Schedule 1
Page 1 of 4

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 358,365	\$ 418,205	\$ 418,205	\$ -
Personal property taxes	80,700	108,860	109,920	1,060
Penalties	5,000	10,680	10,680	-
Interest	6,500	10,231	10,231	-
Total general property taxes	<u>\$ 450,565</u>	<u>\$ 547,976</u>	<u>\$ 549,036</u>	<u>\$ 1,060</u>
Other local taxes:				
Local sales and use taxes	\$ 180,000	\$ 209,198	\$ 209,198	\$ -
Consumption tax	15,000	15,620	15,619	(1)
Business license taxes	165,000	188,552	189,018	466
Motor vehicle licenses	44,300	57,932	57,932	-
Bank stock taxes	100,000	142,867	142,867	-
Cigarette taxes	90,000	90,000	87,303	(2,697)
Hotel and motel room taxes	25,000	25,000	29,608	4,608
Restaurant food taxes	575,400	661,315	675,820	14,505
Total other local taxes	<u>\$ 1,194,700</u>	<u>\$ 1,390,484</u>	<u>\$ 1,407,365</u>	<u>\$ 16,881</u>
Permits, privilege fees, and regulatory licenses:				
Permits and other licenses	\$ 3,200	\$ 3,200	\$ 4,260	\$ 1,060
Fines and forfeitures:				
Court fines and forfeitures	\$ 21,700	\$ 21,700	\$ 21,135	\$ (565)
Revenue from use of money and property:				
Revenue from use of money	\$ 4,000	\$ 4,000	\$ 30,168	\$ 26,168
Revenue from use of property	19,200	19,200	20,650	1,450
Total revenue from use of money and property	<u>\$ 23,200</u>	<u>\$ 23,200</u>	<u>\$ 50,818</u>	<u>\$ 27,618</u>
Charges for services:				
Charges for fire service	\$ 10,900	\$ 10,900	\$ 13,888	\$ 2,988
Charges for sanitation and waste removal	406,000	406,000	414,234	8,234
Charges for aviation fuel	355,600	355,600	290,161	(65,439)
Total charges for services	<u>\$ 772,500</u>	<u>\$ 772,500</u>	<u>\$ 718,283</u>	<u>\$ (54,217)</u>
Miscellaneous:				
Miscellaneous	\$ -	\$ 25,192	\$ 95,297	\$ 70,105

Town of Blackstone, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2019

Schedule 1
Page 2 of 4

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Recovered costs:				
General administration allocation	\$ 478,644	\$ 478,644	\$ 478,644	\$ -
DMV	34,357	34,357	36,026	1,669
Garage labor	60,000	60,000	59,466	(534)
Recovered costs	70,000	70,000	24,960	(45,040)
County fire and rescue	27,500	27,500	35,758	8,258
County recreation	2,000	2,000	2,000	-
Fire contribution	35,557	35,557	45,000	9,443
Excise tax refund	7,000	7,000	13,175	6,175
Total recovered costs	<u>\$ 715,058</u>	<u>\$ 715,058</u>	<u>\$ 695,029</u>	<u>\$ (20,029)</u>
Total revenue from local sources	<u>\$ 3,180,923</u>	<u>\$ 3,499,310</u>	<u>\$ 3,541,223</u>	<u>\$ 41,913</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Rolling stock tax	\$ 6,000	\$ 6,000	\$ 11,644	\$ 5,644
Auto rental tax	-	-	1,722	1,722
Communications tax	16,932	16,932	15,116	(1,816)
Personal property tax relief funds	42,986	42,986	42,986	-
Total noncategorical aid	<u>\$ 65,918</u>	<u>\$ 65,918</u>	<u>\$ 71,468</u>	<u>\$ 5,550</u>
Categorical aid:				
Other categorical aid:				
Streets and highway maintenance	\$ 1,063,052	\$ 1,063,052	\$ 1,098,509	\$ 35,457
DJCP grants for law enforcement	88,283	88,283	91,548	3,265
Emergency response grant	-	-	5,252	5,252
Litter control	2,000	2,000	1,967	(33)
Fire programs and grants	12,106	12,106	30,135	18,029
Asset forfeiture funds	-	-	1,105	1,105
Total other categorical aid	<u>\$ 1,165,441</u>	<u>\$ 1,165,441</u>	<u>\$ 1,228,516</u>	<u>\$ 63,075</u>
Total categorical aid	<u>\$ 1,165,441</u>	<u>\$ 1,165,441</u>	<u>\$ 1,228,516</u>	<u>\$ 63,075</u>
Total revenue from the Commonwealth	<u>\$ 1,231,359</u>	<u>\$ 1,231,359</u>	<u>\$ 1,299,984</u>	<u>\$ 68,625</u>

Town of Blackstone, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2019

Schedule 1
Page 3 of 4

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the federal government:				
Other categorical aid:				
Transportation safety	\$ -	\$ -	\$ 5,277	\$ 5,277
USDA grant	-	-	25,000	25,000
FEMA grant	-	-	20,732	20,732
Department of Justice grant	-	39,660	39,660	-
Airport grants	-	24,382	24,382	-
Total other categorical aid	\$ -	\$ 64,042	\$ 115,051	\$ 51,009
Total revenue from the federal government	\$ -	\$ 64,042	\$ 115,051	\$ 51,009
Total General Fund	\$ 4,412,282	\$ 4,794,711	\$ 4,956,258	\$ 161,547
Special Revenue Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 250	\$ 250	\$ 6,586	\$ 6,336
Charges for services:				
Charges for cemetery care	\$ 2,000	\$ 2,000	\$ 520	\$ (1,480)
Cemetery lot sales	15,450	15,450	12,640	(2,810)
Charges for bus fares	24,088	24,088	20,592	(3,496)
Total charges for services	\$ 41,538	\$ 41,538	\$ 33,752	\$ (7,786)
Miscellaneous:				
Miscellaneous	\$ -	\$ -	\$ 4,231	\$ 4,231
Recovered costs:				
Reimbursement from localities	\$ 95,062	\$ 95,062	\$ 95,354	\$ 292
Total revenue from local sources	\$ 136,850	\$ 136,850	\$ 139,923	\$ 3,073
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Transportation grant	\$ 129,515	\$ 129,515	\$ 108,614	\$ (20,901)
Total revenue from the Commonwealth	\$ 129,515	\$ 129,515	\$ 108,614	\$ (20,901)

Town of Blackstone, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2019

Schedule 1
Page 4 of 4

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Special Revenue Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the federal government:				
Categorical aid:				
Transportation grant	\$ 454,875	\$ 454,875	\$ 387,866	\$ (67,009)
Total revenue from the federal government	\$ 454,875	\$ 454,875	\$ 387,866	\$ (67,009)
Total Special Revenue Fund	\$ 721,240	\$ 721,240	\$ 636,403	\$ (84,837)
Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 5,309	\$ 5,309
Revenue from the use of property	258,728	258,728	237,273	(21,455)
Total revenue from use of money and property	\$ 258,728	\$ 258,728	\$ 242,582	\$ (16,146)
Miscellaneous:				
Miscellaneous	\$ 16,907	\$ 51,461	\$ 56,036	\$ 4,575
Total revenue from local sources	\$ 275,635	\$ 310,189	\$ 298,618	\$ (11,571)
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
VDOT revenue sharing	\$ -	\$ -	\$ 5,612	\$ 5,612
Revenue from the federal government:				
Categorical aid:				
VDOT TAP 21	\$ -	\$ -	\$ 18,511	\$ 18,511
Community development block grant	-	1,250,000	10,560	(1,239,440)
Urban funds	208,208	208,208	-	(208,208)
Total categorical aid	\$ 208,208	\$ 1,458,208	\$ 29,071	\$ (1,429,137)
Total revenue from the federal government	\$ 208,208	\$ 1,458,208	\$ 29,071	\$ (1,429,137)
Total Capital Projects Fund	\$ 483,843	\$ 1,768,397	\$ 333,301	\$ (1,435,096)
Total Revenues -- Primary Government	\$ 5,617,365	\$ 7,284,348	\$ 5,925,962	\$ (1,358,386)

Town of Blackstone, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2019

Schedule 2
Page 1 of 2

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
General government administration:				
Legislative:				
Town Council	\$ 36,566	\$ 36,566	\$ 18,189	\$ 18,377
General and financial administration:				
Town Manager and financial administration	\$ 853,030	\$ 886,840	\$ 909,441	\$ (22,601)
Total general government administration	\$ 889,596	\$ 923,406	\$ 927,630	\$ (4,224)
Public safety:				
Law enforcement and traffic control:				
Police	\$ 1,026,120	\$ 1,026,120	\$ 1,059,160	\$ (33,040)
Fire and rescue services:				
Fire department	\$ 208,530	\$ 208,530	\$ 224,818	\$ (16,288)
Total public safety	\$ 1,234,650	\$ 1,234,650	\$ 1,283,978	\$ (49,328)
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Street maintenance	\$ 941,800	\$ 965,012	\$ 1,180,939	\$ (215,927)
Traffic lights	4,950	4,950	3,663	1,287
Total maintenance of highways, streets, bridges and sidewalks	\$ 946,750	\$ 969,962	\$ 1,184,602	\$ (214,640)
Sanitation and waste removal:				
Refuse collection	\$ 389,550	\$ 389,550	\$ 349,018	\$ 40,532
Maintenance of general buildings and grounds:				
General properties	\$ 61,400	\$ 61,400	\$ 35,525	\$ 25,875
Airport	527,100	551,482	382,351	169,131
Garage department	238,975	238,975	248,799	(9,824)
Total maintenance of general buildings and grounds	\$ 827,475	\$ 851,857	\$ 666,675	\$ 185,182
Total public works	\$ 2,163,775	\$ 2,211,369	\$ 2,200,295	\$ 11,074
Parks, recreation, and cultural:				
Cultural enrichment:				
Museum	\$ 12,000	\$ 12,000	\$ 18,820	\$ (6,820)
Library:				
Contribution to library	\$ 2,000	\$ 2,000	\$ 2,000	\$ -
Library administration	8,600	8,600	8,740	(140)
Total library	\$ 10,600	\$ 10,600	\$ 10,740	\$ (140)
Total parks, recreation, and cultural	\$ 22,600	\$ 22,600	\$ 29,560	\$ (6,960)

Town of Blackstone, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2019

Schedule 2
Page 2 of 2

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Community development:				
Planning and community development:				
Community Development	\$ -	\$ -	\$ 315	\$ (315)
Total community development	\$ -	\$ -	\$ 315	\$ (315)
Capital projects:				
Administration	\$ 64,500	\$ 64,500	\$ 60,974	\$ 3,526
Police department	32,500	109,591	171,686	(62,095)
Street maintenance	230,000	230,000	95,272	134,728
Garbage department	12,500	19,800	19,774	26
Carriage museum	-	-	3,100	(3,100)
Fire department	61,000	277,634	287,787	(10,153)
Library	2,500	2,500	-	2,500
Total capital projects	\$ 403,000	\$ 704,025	\$ 638,593	\$ 65,432
Debt service:				
Principal retirement	\$ 50,775	\$ 50,775	\$ 44,309	\$ 6,466
Interest and other fiscal charges	6,260	6,260	5,505	755
Total debt service	\$ 57,035	\$ 57,035	\$ 49,814	\$ 7,221
Total General Fund	\$ 4,770,656	\$ 5,153,085	\$ 5,130,185	\$ 22,900
Special Revenue Fund:				
Community Development:				
Planning and community development:				
Bus program	\$ 749,250	\$ 749,250	\$ 637,433	\$ 111,817
Cemetery	20,700	20,700	18,620	2,080
Total planning and community development	\$ 769,950	\$ 769,950	\$ 656,053	\$ 113,897
Total Special Revenue Fund	\$ 769,950	\$ 769,950	\$ 656,053	\$ 113,897
Capital Projects Fund:				
Capital projects:				
Church Street project	\$ 15,120	\$ 15,120	\$ 10,193	\$ 4,927
Castle trailer park	6,600	6,600	-	6,600
Medical center	18,000	18,000	12,680	5,320
CDBG projects	1,200	1,200	-	1,200
East end grant	-	1,300,000	12,628	1,287,372
Weatherization	50,000	84,554	84,553	1
Capital improvement	260,260	260,260	41,287	218,973
Total capital projects	\$ 351,180	\$ 1,685,734	\$ 161,341	\$ 1,524,393
Debt service:				
Principal retirement	\$ 157,860	\$ 157,860	\$ 260,000	\$ (102,140)
Interest and other fiscal charges	85,975	85,975	-	85,975
Total debt service	\$ 243,835	\$ 243,835	\$ 260,000	\$ (16,165)
Total Capital Projects Fund	\$ 595,015	\$ 1,929,569	\$ 421,341	\$ 1,508,228
Total Expenditures -- Primary Government	\$ 6,135,621	\$ 7,852,604	\$ 6,207,579	\$ 1,645,025

OTHER STATISTICAL INFORMATION

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Table 1

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

Fiscal Year	General Government Administration	Public Safety	Public Works	Health and Welfare	Parks, Recreation, and Cultural	Community Development	Interest on Long-term Debt	Enterprise Funds		Total
2009-10	\$ 720,992	\$ 1,132,805	\$ 2,674,742	\$ 63,787	\$ 31,664	\$ 117,731	\$ 105,556	\$ 5,600,173	\$	10,447,450
2010-11	595,710	1,431,174	1,721,599	63,637	70,165	979,646	106,279	6,558,636		11,526,846
2011-12	521,580	1,333,146	1,358,171	66,112	56,315	1,019,675	93,037	7,026,437		11,474,473
2012-13	329,954	1,264,552	1,643,590	63,637	46,604	901,498	76,411	6,358,400		10,684,646
2013-14	394,002	1,417,354	2,455,263	63,637	77,746	740,463	74,059	6,590,681		11,813,205
2014-15	279,462	1,459,714	2,262,961	63,637	72,641	740,701	78,686	6,556,738		11,514,540
2015-16	281,371	1,360,570	2,449,110	63,637	68,554	1,104,329	29,863	6,000,066		11,357,500
2016-17	342,731	1,345,450	1,955,439	63,637	13,563	1,065,627	41,852	5,942,174		10,770,473
2017-18	323,397	1,192,583	1,377,062	63,637	49,935	1,653,360	50,989	5,759,354		10,470,317
2018-19	337,448	1,510,995	2,188,453	63,637	63,410	669,006	5,505	6,163,849		11,002,303

Table 2

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

Fiscal Year	PROGRAM REVENUES				GENERAL REVENUES					
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		General Property Taxes	Other Local Taxes	Unrestricted Investment Earnings	Miscellaneous	Grants and Contributions Not Restricted to Specific Programs	Total
2009-10	\$ 6,656,870	\$ 1,315,904	\$ 681,243	\$	413,321	1,155,000	\$ 296,502	\$ 396,473	\$ 61,821	\$ 10,977,134
2010-11	7,130,890	2,097,298	265,785		399,600	1,167,131	406,865	228,476	67,248	11,763,293
2011-12	7,215,069	1,421,850	130,435		384,286	1,234,668	288,911	268,797	66,729	11,010,745
2012-13	7,316,769	1,441,142	922,371		396,805	1,185,004	300,519	235,640	74,226	11,872,476
2013-14	7,940,599	1,520,869	261,239		396,882	1,211,102	301,730	254,845	61,343	11,948,609
2014-15	7,721,456	1,498,272	290,811		406,988	1,184,214	301,133	245,989	67,234	11,716,097
2015-16	7,623,381	1,580,312	531,195		478,623	1,267,456	301,529	137,946	66,773	11,987,215
2016-17	7,713,900	1,728,359	118,021		489,439	1,293,787	317,100	171,011	71,531	11,903,148
2017-18	8,030,879	2,247,926	7,819		498,533	1,345,775	333,659	347,170	60,653	12,872,414
2018-19	8,111,224	1,856,219	18,511		533,584	1,407,365	353,754	201,204	71,468	12,553,329

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
2010	\$ 1,144,515	\$ 1,185,585	\$ 2,090,957	\$ 19,024	\$ 465,277	\$ 362,361	\$ 5,267,719
2011	961,268	1,247,469	2,260,429	55,525	1,148,834	364,815	6,038,340
2012	918,135	1,256,031	1,936,704	44,177	606,722	348,342	5,110,111
2013	765,294	1,315,433	1,880,862	34,069	512,445	291,652	4,799,755
2014	816,634	1,234,279	2,864,976	49,014	454,775	282,960	5,702,638
2015	824,748	1,340,444	2,249,838	42,585	454,935	311,354	5,223,904
2016	805,130	1,595,748	2,412,202	25,484	501,801	281,431	5,621,796
2017	792,224	1,211,708	2,332,880	20,480	539,829	310,012	5,207,133
2018	872,244	1,218,877	2,229,215	24,308	546,954	334,335	5,225,933
2019	927,630	1,283,978	2,200,295	29,560	656,368	309,814	5,407,645

(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
2010	\$ 384,442	\$ 1,155,000	\$ 955	\$ 20,980	\$ 46,004	\$ 878,722	\$ 90,939	\$ 1,465,876	\$ 1,605,230	\$ 5,648,148
2011	383,061	1,167,131	3,595	34,384	146,483	603,232	133,678	1,388,455	2,089,816	5,949,835
2012	383,182	1,234,668	2,810	36,549	6,928	997,210	153,861	1,403,957	1,488,579	5,707,744
2013	405,650	1,185,004	3,610	22,459	20,542	851,774	177,322	968,894	1,515,368	5,150,623
2014	403,667	1,211,102	4,345	30,916	21,753	1,134,812	156,308	680,400	1,582,212	5,225,515
2015	403,928	1,184,214	3,140	32,238	20,806	682,330	177,724	819,305	1,565,506	4,889,191
2016	474,365	1,267,456	2,740	26,281	21,552	958,113	65,015	769,239	1,645,239	5,230,000
2017	485,746	1,293,787	3,810	18,974	27,864	811,257	92,504	776,296	1,644,092	5,154,330
2018	471,214	1,345,775	4,065	18,764	33,554	768,198	219,270	795,594	1,662,528	5,318,962
2019	549,036	1,407,365	4,260	21,135	57,404	752,035	99,528	790,383	1,911,515	5,592,661

(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
2010	\$ 417,968	\$ 410,236	98.15%	\$ 8,201	\$ 418,437	100.11%	\$ 59,502	14.24%
2011	417,800	405,130	96.97%	11,169	416,299	99.64%	68,833	16.48%
2012	416,716	403,244	96.77%	12,848	416,092	99.85%	69,712	16.73%
2013	424,152	417,836	98.51%	16,801	434,637	102.47%	57,766	13.62%
2014	440,704	426,248	96.72%	7,942	434,190	98.52%	54,561	12.38%
2015	435,685	414,839	95.22%	19,661	434,500	99.73%	60,880	13.97%
2016	502,356	492,940	98.13%	10,593	503,533	100.23%	60,058	11.96%
2017	500,778	496,872	99.22%	11,250	508,122	101.47%	67,346	13.45%
2018	521,022	494,294	94.87%	4,880	499,174	95.81%	102,101	19.60%
2019	549,699	528,861	96.21%	42,249	571,110	103.90%	80,989	14.73%

(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
2010	\$ 153,997,331	\$ 13,790,012	\$ 1,867,357	\$ 314,950	\$ 3,706,860	\$ 173,676,510
2011	155,688,423	13,283,866	1,776,616	296,735	3,897,480	174,943,120
2012	156,165,542	13,174,066	1,411,581	246,305	4,442,078	175,439,572
2013	157,806,241	14,539,977	1,064,449	255,501	3,061,884	176,728,052
2014	160,190,541	12,712,449	1,295,547	219,921	4,737,411	179,155,869
2015	164,124,609	13,474,069	1,543,514	195,505	4,746,566	184,084,263
2016	163,462,415	13,687,055	1,881,247	177,018	4,456,508	183,664,243
2017	165,478,656	14,196,225	660,810	157,796	4,441,082	184,934,569
2018	171,650,370	15,148,809	597,222	129,451	4,035,387	191,561,239
2019	178,228,559	16,974,104	374,228	82,634	4,353,476	200,013,001

(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
2010	\$	0.20	\$	0.65	\$	0.65	\$	0.20	\$ 0.20	\$ 0.65
2011		0.20		0.65		0.65		0.20	0.20	0.65
2012		0.20		0.65		0.65		0.20	0.20	0.65
2013		0.20		0.65		0.65		0.20	0.20	0.65
2014		0.20		0.65		0.65		0.20	0.20	0.65
2015		0.20		0.65		0.65		0.20	0.20	0.65
2016		0.22		0.85		0.85		0.22	0.22	0.85
2017		0.22		0.85		0.85		0.22	0.22	0.85
2018		0.22		0.85		0.85		0.22	0.22	0.85
2019		0.22		0.85		0.85		0.22	0.22	0.85

(1) Per \$100 of assessed value.

Table 8

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

Fiscal Year	Population (1)	Assessed Value (2)	Gross Bonded Debt (3)	Less:		Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
				Payable from Enterprise Revenue	Debt			
2010	3,621	\$ 173,676,510	\$ 7,900,000	\$ 6,005,000	\$ 1,895,000	1.09%	523	
2011	3,621	174,943,120	7,585,000	5,860,000	1,725,000	0.99%	476	
2012	3,621	175,439,572	7,260,000	5,715,000	1,545,000	0.88%	427	
2013	3,621	176,728,052	6,925,000	5,565,000	1,360,000	0.77%	376	
2014	3,621	179,155,869	6,750,000	5,585,000	1,165,000	0.65%	322	
2015	3,621	184,084,263	6,334,000	5,379,000	955,000	0.52%	264	
2016	3,621	183,664,243	5,915,000	5,180,000	735,000	0.40%	203	
2017	3,621	184,934,569	7,786,500	7,281,500	505,000	0.27%	139	
2018	3,621	191,561,239	8,780,250	8,520,250	260,000	0.14%	72	
2019	3,621	200,013,001	8,205,250	8,205,250	-	0.00%	-	

(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, 2019

Assessed value of real property, January 1, 2018 (1)	<u>\$ 169,118,837</u>
Debt limit: 10% of assessed value	\$ 16,911,884
Amount of debt applicable to debt limit:	
Gross debt (2)	\$ 10,430,674
Less: Revenue bonds	<u>(2,225,424)</u>
Net general obligation bonds and loans	<u>\$ 8,205,250</u>
Legal debt limit	<u>\$ 8,706,634</u>

(1) Assessed value of real property, including public service corporations as of January 1, 2018.

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

Table 10

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

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

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

(2) Net of depreciation and amortization.

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

(4) Information prior to 2013 is not available

COMPLIANCE

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Blackstone, Virginia, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Town of Blackstone, Virginia's basic financial statements and have issued our report thereon dated October 18, 2019.

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 one instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2019-001.

Town of Blackstone, Virginia's Response to Findings

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

Purpose of this Report

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

Robinson, Farmer, Cox Associates

Richmond, Virginia
October 18, 2019

TOWN OF BLACKSTONE, VIRGINIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2019

Section 1-Commonwealth of Virginia Findings and Responses

Finding 2019-001:

Financial Reporting

Criteria:

Section 15.2-2506 of the Code of Virginia requires that before any governing body gives final approval to its budget, the local government must hold at least one public hearing to receive the view of citizens within the local government. The governing body shall cause public notice to be given at least 7 days prior to the public hearing by publication in a newspaper of general circulation in the local government.

Condition:

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

Effect of Condition:

The citizens within the local government were not given ample notice to attend the public hearing of the FY2019 Budget.

Cause of Condition:

Procedures were not in place to ensure that the public hearing was advertised 7 days prior to the date of the public hearing.

Recommendation:

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

Management's Response:

The Town is making corrective action for FY2020.

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