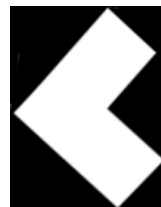


*Town of Boones Mill, Virginia*  
*Comprehensive Annual Financial Report*  
*Year Ended June 30, 2016*



*Creedle, Jones*  
*& Alga, P.C.*  
*Certified Public Accountants*

**Town of Boones Mill, Virginia**

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# **FINANCIAL SECTION**



**Creedle  
Jones  
& Alga**

*A Professional Corporation*

*Robin B. Jones, CPA, CFP  
David V. Alga, CPA, CVA, CFF  
Denise C. Williams, CPA, CSEP  
Scott A. Thompson, CPA, CGMA  
Kimberly W. Jackson, CPA*

*James A. Allen, Jr., CPA  
Nadine L. Chase, CPA  
Sherwood H. Creedle, Emeritus*

*Members of  
American Institute of Certified Public Accountants  
Virginia Society of Certified Public Accountants*

## INDEPENDENT AUDITOR'S REPORT

To the Town Council  
Town of Boones Mill, Virginia

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Boones Mill, Virginia, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town of Boones Mill, Virginia'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.

#### *Auditor's 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 auditor's 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, and each major fund of the Town of Boones Mill, Virginia, as of June 30, 2016, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Other Matters*

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 1–8 and 33–37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2016, on our consideration of the Town of Boones Mill, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Boones Mill, Virginia's internal control over financial reporting and compliance.

*Creedle, Jones & Alga, P.C.*

Creedle, Jones & Alga, P.C.  
Certified Public Accountants

South Hill, Virginia  
December 30, 2016

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Town of Boones Mill, Virginia presents the following discussion and analysis as an overview of the Town of Boones Mill, Virginia's financial activities for the fiscal year ending June 30, 2016. We encourage readers to read this discussion and analysis in conjunction with the Town's basic financial statements.

### Financial Highlights

#### Highlights for Government-Wide Financial Statements

- At the close of the fiscal year, the assets of the Town exceeded its liabilities by \$3,520,768. Of this amount, \$80,080 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors. For the business-type activities, the assets exceeded the liabilities by \$3,140,798 with an unrestricted balance of \$36,920.
- For the fiscal year, general and program revenues and net transfers of the Town's governmental activities were \$338,515 and expenses amounted to \$269,786. The Town's total net position increased \$68,729.
- For business-type activities, revenues and net transfers were \$215,375 and expenses were \$271,742. The net position decreased by \$56,367.

#### Highlights for Fund Financial Statements

- As of June 30, 2016, the Town's Governmental Funds reported combined fund balances of \$67,302, an increase of \$31,469 in comparison with the prior year. Approximately 51.09 percent or \$34,385 of the combined fund balances is available to meet the Town's current and future needs.
- The General Fund reported a fund balance of \$34,385, a decrease of \$9 from June 30, 2015.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. 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 required supplementary information in addition to the basic financial statements themselves.

#### Government-Wide Financial Statements

The government-wide financial statements report information about the Town as a whole using accounting methods similar to those found in the private sector. They also report the Town's net position and how they have changed during the fiscal year.

Statement of Net Position: presents information on all of the Town's assets and liabilities. The difference between a) assets and deferred outflows of resources and b) liabilities and deferred inflows of resources can be used as one way to measure the Town's financial health or financial condition. Over time, increases or decreases in the net position can be one indicator of whether the Town's financial condition is improving or deteriorating. Other nonfinancial factors will also need to be considered, such as changes in the Town's property tax base and the condition of Town facilities.

Statement of Activities: presents information using the accrual basis accounting method and shows how the Town's net position changed during the fiscal year. All of the current year's revenues and expenses are shown in the Statement of Activities, regardless of when cash is received or paid.

The government-wide financial statements distinguish governmental activities from business-type activities identified as the primary government. The governmental activities of the Town include general government administration, public safety, public works, community development, and parks, recreation, and cultural. Public utilities represent the business-type activities.

### **Fund Financial Statements**

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Town uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the Town's most significant funds rather than the Town as a whole. Major funds are separately reported.

The Town has two types of funds:

*Governmental Funds* - Most of the Town's basic services are included in Governmental Funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances remaining at year end that are available for spending. The Governmental Funds financial statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. Because this information does not encompass the long-term focus of the government-wide statements, additional information is provided with the fund's financial statements to explain the relationship (or differences). Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and Grant Fund, which are considered to be major funds.

*Proprietary Funds* – The Town uses an Enterprise Fund which operates in a manner similar to private business enterprises. Costs are recovered primarily through user charges. Proprietary Fund financial statements provide both long and short-term financial information.

### **Notes to the Basic Financial Statements**

The accompanying notes to the basic financial statements provide information essential to a full understanding of the government-wide and fund financial statements.

### **Other**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information such as the budgetary comparison schedule.

## FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

### Statement of Net Position

The following table reflects the condensed Statement of Net Position:

#### Summary of Net Position

As of June 30, 2016

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>
<b>Assets</b>			
Current and other assets	\$ 87,084	\$ 38,609	\$ 125,693
Capital assets (net)	455,226	3,348,494	3,803,720
Total Assets	<u>\$ 542,310</u>	<u>\$ 3,387,103</u>	<u>\$ 3,929,413</u>
<b>Liabilities</b>			
Accounts payable	\$ 7,007	\$ 1,689	\$ 8,696
Accrued liabilities	3,500	-	3,500
Prepaid deposit	500	-	500
Long-term liabilities	151,333	244,616	395,949
Total Liabilities	162,340	246,305	408,645
<b>Net Position</b>			
Net investment in capital assets	303,893	3,103,878	3,407,771
Restricted	32,917	-	32,917
Unrestricted	43,160	36,920	80,080
Total Net Position	<u>379,970</u>	<u>3,140,798</u>	<u>3,520,768</u>
Total Liabilities and Net Position	<u>\$ 542,310</u>	<u>\$ 3,387,103</u>	<u>\$ 3,929,413</u>



## Statement of Activities

The following table summarizes revenues and expenses for the primary government:

### Summary of Changes in Net Position

For the Fiscal Year Ended June 30, 2016

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>
<b>Revenues</b>			
<b>Program Revenues</b>			
Charges for services	\$ 25,235	\$ 153,508	\$ 178,743
Operating grants and contributions	140,531	-	140,531
<b>General Revenues</b>			
General property taxes, real and personal	31,361	-	31,361
Other taxes	99,508	-	99,508
Use of money and property	47,521	-	47,521
Noncategorical aid from state	7,228	-	7,228
Miscellaneous	20,568	28,430	48,998
<b>Transfers</b>	<u>(33,437)</u>	<u>33,437</u>	<u>-</u>
Total Revenues and Transfers	338,515	215,375	553,890
<b>Expenses</b>			
General government administration	122,444	-	122,444
Public safety	27,389	-	27,389
Public works	19,458	-	19,458
Interest on long-term debt	7,880	6,571	14,451
Community development	84,427	-	84,427
Parks, recreation, and cultural	8,188	-	8,188
Water and sewer	<u>-</u>	<u>265,171</u>	<u>265,171</u>
Total Expenses	<u>269,786</u>	<u>271,742</u>	<u>541,528</u>
Increase (Decrease) in Net Position	68,729	(56,367)	12,362
Beginning Net Position	<u>311,241</u>	<u>3,197,165</u>	<u>3,508,406</u>
Ending Net Position	<u>\$ 379,970</u>	<u>\$ 3,140,798</u>	<u>\$ 3,520,768</u>

Governmental activities increased the Town's net position by \$68,729 for fiscal year 2016. Revenues and net transfers from governmental activities totaled \$338,515. Operating grants and contributions comprise the largest source of these revenues, totaling \$140,531 or 41.51 percent of all governmental activities revenue.

The total cost of all governmental activities for this fiscal year was \$269,786. General government administration was the Town's largest program with expenses totaling \$122,444. Community development, which totals \$84,427, represents the second largest expense.

For the Town's governmental activities, the net expense (total cost less fees generated by the activities and program-specific governmental aid) is illustrated in the following table:

## Net Cost of Governmental Activities

For the Fiscal Year Ended June 30, 2016

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
General government administration	\$ 122,444	\$ (122,444)
Public safety	27,389	14,726
Public works	19,458	(19,458)
Community development	84,427	30,792
Parks, recreation, and cultural	8,188	244
Debt service	<u>7,880</u>	<u>(7,880)</u>
Total	<u>\$ 269,786</u>	<u>\$ (104,020)</u>

## FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

The General Fund is the main operating fund of the Town. At the end of the current fiscal year, the General Fund had an unassigned fund balance of \$34,385.

The Capital Projects Fund has a total fund balance of \$32,917, all of which is restricted and assigned for ongoing and future capital projects.

## BUDGETARY HIGHLIGHTS

### General Fund

The following table provides a comparison of original budget, final budget, and actual revenues and expenditures in the General Fund:

## Budgetary Comparison

General Fund

For the Fiscal Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
<b>Revenues</b>			
Taxes	\$ 31,500	\$ 31,500	\$ 31,390
Other	99,398	99,398	99,508
Fines and forfeitures	-	-	25,235
Use of money and property	20,000	20,000	47,521
Miscellaneous	28,677	28,677	29,000
Intergovernmental	<u>12,880</u>	<u>12,880</u>	<u>24,108</u>
Total	192,455	192,455	256,762
<b>Expenditures</b>			
	<u>192,455</u>	<u>192,455</u>	<u>242,304</u>
Excess (Deficiency) of Revenues over Expenditures	-	-	14,458
<b>Other Financing Sources (Uses)</b>			
Proceeds of debt	-	-	57,202
Transfers	<u>-</u>	<u>-</u>	<u>(71,669)</u>
Total	<u>-</u>	<u>-</u>	<u>(14,467)</u>
Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (9)</u>

The Town did not make any budget amendments during fiscal year 2016.

The Town received grant funding for a community development project during the year that was not accounted for during the budget process.

Actual revenues were more than final budget amounts by \$64,307, or 33.41 percent, while actual expenditures were \$49,849, or 25.90 percent more than final budget amounts.

### CAPITAL ASSETS AND LONG-TERM DEBT

#### Capital Assets

As of June 30, 2016, the Town's net investment in capital assets, which is net capital assets less related debt, totals \$303,893 for governmental activities and \$3,103,878 for business-type activities.

During fiscal year 2016, the Town's net capital assets (including additions, decreases, and depreciation) increased \$46,491, or 11.37 percent, for governmental activities and decreased \$56,685, or 1.66 percent, for business-type activities, as summarized in the following table:

## Change in Capital Assets

### Governmental Activities

	<u>Balance July 1, 2015</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2016</u>
Land	\$ 128,072	\$ 37,546	\$ 165,618
Buildings and improvements	312,503	-	312,503
Furniture, equipment, and vehicles	<u>100,755</u>	<u>(51,492)</u>	<u>49,263</u>
Total Capital Assets	541,330	(13,946)	527,384
Less: Accumulated depreciation and amortization	<u>(132,595)</u>	<u>60,437</u>	<u>(72,158)</u>
Total Capital Assets, Net	<u>\$ 408,735</u>	<u>\$ 46,491</u>	<u>\$ 455,226</u>

### Business-Type Activities

	<u>Balance July 1, 2015</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2016</u>
Land	\$ 418,200	\$ -	\$ 418,200
Buildings and systems	5,640	-	5,640
Furniture, equipment, and vehicles	418,911	15,660	434,571
Infrastructure	<u>3,250,554</u>	<u>-</u>	<u>3,250,554</u>
Total Capital Assets	4,093,305	15,660	4,108,965
Less: Accumulated depreciation and amortization	<u>(688,126)</u>	<u>(72,345)</u>	<u>(760,471)</u>
Total Capital Assets, Net	<u>\$ 3,405,179</u>	<u>\$ (56,685)</u>	<u>\$ 3,348,494</u>

### Long-Term Debt

As of June 30, 2016, the Town's long-term obligations total \$395,949.

	<u>Balance July 1, 2015</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2016</u>
<b>Primary Government</b>			
<b>Governmental Activities</b>	<u>\$ 142,131</u>	<u>\$ 9,202</u>	<u>\$ 151,333</u>
Total Governmental Activities	142,131	9,202	151,333
<b>Business-Type Activities</b>			
<b>Enterprise Fund</b>	<u>236,111</u>	<u>8,505</u>	<u>244,616</u>
Total Business-Type Activities	<u>236,111</u>	<u>8,505</u>	<u>244,616</u>
Total Primary Government	<u>\$ 378,242</u>	<u>\$ 17,707</u>	<u>\$ 395,949</u>

More detailed information on the Town's long-term obligations is presented in Note 7 to the financial statements.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

- According to the 2010 U.S. Census, the population in the Town of Boones Mill, Virginia was 285.
- The Town of Boones Mill, Virginia (which uses Franklin County's rate) had an unemployment rate of 4.3% at June 30, 2016, which is above the state average of 4.0%.

The fiscal year 2017 adopted budget anticipates General Fund revenues and expenditures to be \$205,710 a 6.89 percent increase over the fiscal year 2016 budget. Revenues are comprised primarily of taxes at 64.39 percent with Real Estate and Personal Property Taxes comprising 17.37 percent. The Town's General Government Administration expenses are the largest expenditure area at 76.31 percent of total expenditures.

The fiscal year 2017 adopted budget anticipates water and sewer revenue to be \$183,415, a 10.56 percent increase over the fiscal year 2016 budget. Revenues are comprised entirely of service revenue. Salaries continue to be the largest expense at 39.47 percent of the total.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Town's finances and to demonstrate the Town's accountability for the money it receives. Questions concerning this report or requests for additional information should be directed to E. Ben Flora, Mayor, Town of Boones Mill, Virginia, telephone 540-334-5404.

# **BASIC FINANCIAL STATEMENTS**

## Town of Boones Mill, Virginia

## Statement of Net Position

At June 30, 2016

	<u>Primary Government</u>		
	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
	<u>Activities</u>	<u>Activities</u>	
<b>Assets</b>			
Cash and cash equivalents	\$ 66,345	\$ 14,761	\$ 81,106
Due from other governments	10,097	-	10,097
Receivables, net	10,642	23,848	34,490
<b>Capital Assets</b>			
Land	70,218	418,200	488,418
Construction-in-progress	95,400	-	95,400
Buildings and improvements	312,503	5,640	318,143
Furniture, equipment, and vehicles	49,263	434,571	483,834
Infrastructure	-	3,250,554	3,250,554
Less: Accumulated depreciation	<u>(72,158)</u>	<u>(760,471)</u>	<u>(832,629)</u>
Capital Assets, Net	<u>455,226</u>	<u>3,348,494</u>	<u>3,803,720</u>
 Total Assets	 <u>\$ 542,310</u>	 <u>\$ 3,387,103</u>	 <u>\$ 3,929,413</u>
<b>Liabilities</b>			
Accounts payable	\$ 7,007	\$ 1,689	\$ 8,696
Accrued liabilities	3,500	-	3,500
Prepaid deposit	500	-	500
<b>Long-Term Liabilities</b>			
<i>Due within one year</i>			
Notes payable	28,677	17,783	46,460
<i>Due in more than one year</i>			
Notes payable	<u>122,656</u>	<u>226,833</u>	<u>349,489</u>
 Total Liabilities	 162,340	 246,305	 408,645
<b>Net Position</b>			
Net investment in capital assets	303,893	3,103,878	3,407,771
Restricted	32,917	-	32,917
Unrestricted	<u>43,160</u>	<u>36,920</u>	<u>80,080</u>
 Total Net Position	 <u>379,970</u>	 <u>3,140,798</u>	 <u>3,520,768</u>
 Total Liabilities and Net Position	 <u>\$ 542,310</u>	 <u>\$ 3,387,103</u>	 <u>\$ 3,929,413</u>

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

**Town of Boones Mill, Virginia**  
Statement of Activities  
For the Year Ended June 30, 2016

<u>Functions/Programs</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Primary Government Business-Type Activities</u>	<u>Total</u>
<b>Primary Government</b>						
<b>Governmental Activities</b>						
General government administration	\$ 122,444	\$ -	\$ -	\$ (122,444)	\$ -	\$ (122,444)
Public safety	27,389	25,235	16,880	14,726	-	14,726
Public works	19,458	-	-	(19,458)	-	(19,458)
Community development	84,427	-	115,219	30,792	-	30,792
Parks, recreation, and cultural	8,188	-	8,432	244	-	244
Debt service	7,880	-	-	(7,880)	-	(7,880)
Total Governmental Activities	269,786	25,235	140,531	(104,020)		(104,020)
<b>Business-Type Activities</b>						
Water and sewer funds	271,742	153,508	-		(118,234)	(118,234)
Total Business-Type Activities	271,742	153,508	-		(118,234)	(118,234)
Total Primary Government	<u>\$ 541,528</u>	<u>\$ 178,743</u>	<u>\$ 140,531</u>		\$ (118,234)	\$ (222,254)
<b>General Revenues</b>						
<b>Taxes</b>						
General property taxes, real and personal				31,361	-	31,361
Other local taxes				99,508	-	99,508
Use of money and property				47,521	-	47,521
Noncategorical aid from state				7,228	-	7,228
Miscellaneous				20,568	28,430	48,998
<b>Transfers</b>				(33,437)	33,437	-
Total General Revenues and Transfers				172,749	61,867	234,616
Change in Net Position				68,729	(56,367)	12,362
Net Position - Beginning of Year				311,241	3,197,165	3,508,406
Net Position - End of Year				<u>\$ 379,970</u>	<u>\$ 3,140,798</u>	<u>\$ 3,520,768</u>

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



Town of Boones Mill, Virginia

Balance Sheet

Governmental Funds

At June 30, 2016

	<u>General Fund</u>	<u>Capital Projects Grant Fund</u>	<u>Total Governmental Funds</u>
<b>Assets</b>			
Cash and investments	\$ 39,513	\$ 26,832	\$ 66,345
Due from other governments	-	10,097	10,097
Gross receipts tax receivable	101	-	101
Property taxes receivable	3,366	-	3,366
Real estate taxes receivable	5,409	-	5,409
Rental receivable	<u>1,766</u>	<u>-</u>	<u>1,766</u>
Total Assets	<u>\$ 50,155</u>	<u>\$ 36,929</u>	<u>\$ 87,084</u>
<b>Liabilities</b>			
Accounts payable	\$ 2,995	\$ 4,012	\$ 7,007
Accrued liabilities	3,500	-	3,500
Prepaid deposit	<u>500</u>	<u>-</u>	<u>500</u>
Total Liabilities	6,995	4,012	11,007
<b>Deferred Inflows of Resources</b>			
Unavailable revenue - taxes	<u>8,775</u>	<u>-</u>	<u>8,775</u>
Total Deferred Inflows of Resources	8,775	-	8,775
<b>Fund Balance</b>			
Restricted	-	32,917	32,917
Unassigned	<u>34,385</u>	<u>-</u>	<u>34,385</u>
Total Fund Balance	<u>34,385</u>	<u>32,917</u>	<u>67,302</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 50,155</u>	<u>\$ 36,929</u>	<u>\$ 87,084</u>

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

Town of Boones Mill, Virginia

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

At June 30, 2016

Total Fund Balances for Governmental Funds	\$	67,302
Total net position reported for governmental activities in the Statement of Net Position is different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of:		
Land	\$	70,218
Other Capital Assets, net of accumulated depreciation		<u>385,008</u>
Total Capital Assets		455,226
Other assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds financial statements.		
Unavailable revenue - taxes		8,775
Liabilities applicable to the Town's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities.		
Balances of long-term liabilities affecting net position are as follows:		
Notes payable		<u>(151,333)</u>
Total		<u>(151,333)</u>
Total Net Position of Governmental Activities	\$	<u><u>379,970</u></u>

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

Town of Boones Mill, Virginia

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Year Ended June 30, 2016

	<u>General Fund</u>	<u>Capital Projects Grant Fund</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>			
Property taxes	\$ 31,390	\$ -	\$ 31,390
Other local taxes	99,508	-	99,508
Fines and forfeitures	25,235	-	25,235
Use of money and property	47,521	-	47,521
Miscellaneous	29,000	-	29,000
Operating grants	-	37,546	37,546
<i>Intergovernmental</i>			
Revenue from the Commonwealth of Virginia	24,108	77,073	101,181
Revenue from the Federal Government	-	600	600
	<u>256,762</u>	<u>115,219</u>	<u>371,981</u>
Total Revenues	256,762	115,219	371,981
<b>Expenditures</b>			
<b>Current</b>			
General government administration	113,539	-	113,539
Public safety	45,239	-	45,239
Public works	19,458	-	19,458
Debt service	55,880	-	55,880
Community development	-	121,973	121,973
Parks, recreation, and cultural	8,188	-	8,188
	<u>242,304</u>	<u>121,973</u>	<u>364,277</u>
Total Expenditures	242,304	121,973	364,277
Excess (Deficiency) of Revenues Over Expenditures	14,458	(6,754)	7,704
<b>Other Financing Sources (Uses)</b>			
Proceeds of debt	57,202	-	57,202
Transfers	(71,669)	38,232	(33,437)
	<u>(14,467)</u>	<u>38,232</u>	<u>23,765</u>
Total Other Financing Sources (Uses)	(14,467)	38,232	23,765
Net Change in Fund Balance	(9)	31,478	31,469
Fund Balance - Beginning of Year	<u>34,394</u>	<u>1,439</u>	<u>35,833</u>
Fund Balance - End of Year	<u>\$ 34,385</u>	<u>\$ 32,917</u>	<u>\$ 67,302</u>

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

Town of Boones Mill, Virginia

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances  
of Governmental Funds to the Statement of Activities

Year Ended June 30, 2016

Net Change in Fund Balances - Total Governmental Funds	\$ 31,469
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 capital outlays exceeded depreciation in the current period.	46,491
Revenues in the Statement of Activities that do not provide current financial resources are deferred in the fund statements. This amount represents the difference in the amounts deferred in the fund financial statements, but recognized in the Statement of Activities.	(29)
Bond and capital lease proceeds are reported as financing sources in Governmental Funds and thus contribute to the change in fund balance. In the Statement of Net Position, however, issuing debt increases the long-term liabilities and does not affect the Statement of Activities. Similarly, the repayment of principal is an expenditure in the Governmental Funds but reduces the liability in the Statement of Net Position.	
Proceeds of debt	(57,202)
Repayments on debt	<u>48,000</u>
Change in Net Position of Governmental Activities	<u>\$ 68,729</u>

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

## Town of Boones Mill, Virginia

## Statement of Net Position

## Proprietary Funds

At June 30, 2016

	<b>Business-Type Activities - Water and Sewer Fund</b>
<b>Assets</b>	
<b>Current Assets</b>	
Cash and cash equivalents	\$ 14,761
Receivables, net	<u>23,848</u>
Total Current Assets	38,609
<b>Capital Assets</b>	
Land	418,200
Buildings and improvements	5,640
Furniture, equipment, and vehicles	434,571
Infrastructure	3,250,554
Less: Accumulated depreciation	<u>(760,471)</u>
Total Noncurrent Assets	<u>3,348,494</u>
Total Assets	<u>\$ 3,387,103</u>
<b>Liabilities</b>	
<b>Current Liabilities</b>	
Accounts payable	\$ 1,689
Current portion of long-term debt	<u>17,783</u>
Total Current Liabilities	19,472
<b>Noncurrent Liabilities</b>	
Long-term debt, net of current portion	<u>226,833</u>
Total Noncurrent Liabilities	<u>226,833</u>
Total Liabilities	246,305
<b>Net Position</b>	
Net investment in capital assets	3,103,878
Unrestricted	<u>36,920</u>
Total Net Position	<u>3,140,798</u>
Total Liabilities and Net Position	<u>\$ 3,387,103</u>

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

**Town of Boones Mill, Virginia**  
Statement of Revenues, Expenses, and Changes in Net Position  
Proprietary Funds  
Year Ended June 30, 2016

	<b>Business-Type Activities - Water and Sewer Fund</b>
<b>Operating Revenues</b>	
Water and sewer charges	\$ 148,576
Finance charges	4,932
Miscellaneous	<u>3,572</u>
Total Operating Revenues	157,080
<b>Operating Expenses</b>	
Salaries	79,622
Payroll taxes	6,091
Worker's compensation	1,929
Employee health insurance	9,603
Advertising	270
Bad debt	2,708
Depreciation	93,912
Fuel	3,446
Insurance	3,327
Miscellaneous	10,541
Office expense	4,052
Postage	1,999
Professional fees	3,000
Software maintenance	2,183
Utilities/telephone	9,109
Vehicle and equipment repairs and maintenance	3,330
Water and sewer fees	3,524
Water and sewer maintenance	23,880
Water testing	<u>2,645</u>
Total Operating Expenses	<u>265,171</u>
Operating Loss	(108,091)
<b>Nonoperating Revenues (Expenses)</b>	
Interest expense	(6,571)
Insurance proceeds	<u>24,858</u>
Total Nonoperating Revenues (Expenses)	<u>18,287</u>
Loss Before Transfers	(89,804)
Operating Transfers	<u>33,437</u>
Net Operating Transfers	<u>33,437</u>
Change in Net Position	(56,367)
Total Net Position - Beginning of Year	<u>3,197,165</u>
Total Net Position - End of Year	<u>\$ 3,140,798</u>

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

## Town of Boones Mill, Virginia

## Statement of Cash Flows

## Proprietary Funds

Year Ended June 30, 2016

	<b>Business-Type Activities - Water and Sewer Fund</b>
<b>Cash Flows from Operating Activities</b>	
Receipts from customers	\$ 158,013
Payments to personnel and related costs	(97,245)
Payments to suppliers	<u>(73,981)</u>
Net Cash Used in Operating Activities	(13,213)
<b>Cash Flows from Noncapital Financing Activities</b>	
Transfer from (to) other funds	<u>33,437</u>
Net Cash Provided by Noncapital Financing Activities	33,437
<b>Cash Flows from Capital and Related Financing Activities</b>	
Purchase of capital assets	(37,227)
Proceeds of long-term debt	45,897
Payment on long-term debt - principal	(37,392)
Payment on long-term debt - interest	<u>(6,571)</u>
Net Cash Used in Capital and Related Financing Activities	(35,293)
<b>Cash Flows from Investing Activities</b>	
Insurance proceeds	<u>24,858</u>
Net Cash Provided by Investing Activities	<u>24,858</u>
Net Increase in Cash and Cash Equivalents	9,789
Cash and Cash Equivalents - Beginning of Year	<u>4,972</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 14,761</u></u>
<b>Reconciliation of Operating Loss to Net Cash Used in Operating Activities</b>	
Operating loss	\$ (108,091)
<i>Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities</i>	
Depreciation expense	93,912
<i>Changes in assets and liabilities</i>	
Receivables, net	933
Accounts payable	<u>33</u>
Net Cash Used in Operating Activities	<u><u>\$ (13,213)</u></u>

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

## Town of Boones Mill, Virginia

### Notes to the Financial Statements

Year Ended June 30, 2016

## 1 Summary of Significant Accounting Policies

### *Narrative Profile*

The Town of Boones Mill, Virginia (the "Town"), which was incorporated in 1927, has a population of approximately 285. The Town is located in Franklin County, Virginia. The Town is governed by the Town Manager, Chief Administrative Officer, an elected Mayor, and a six-member Council with each serving administrative and legislative functions.

The Town engages in a comprehensive range of municipal services, including general government administration, public safety, public works, community development, and parks, recreation, and cultural.

The financial statements of the Town have been prepared in conformity with the accounting principles generally accepted in the United States as specified by the Governmental Accounting Standards Board (GASB). The more significant of the government's accounting policies are described below:

#### **1-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 the Town of Boones Mill, Virginia (the primary government).

#### **1-B. Financial Reporting Model**

The Town's Comprehensive Annual Financial Report includes management's discussion and analysis, the basic financial statements, and required supplementary information, described as follows:

*Management's Discussion and Analysis* – The basic financial statements are accompanied by a narrative introduction as well as an analytical overview of the Town's financial activities.

*Government-wide Financial Statements* – The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These statements report financial information for the Town as a whole. These financial statements focus on the primary government. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and grants and the Town's general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The Statement of Net Position presents the financial position of the governmental and business-type activities of the Town at year end.



The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Town's governmental activities and for each identifiable activity of the business-type activities of the Town. Direct expenses are those that are specifically associated with a function and, therefore, clearly identifiable to that particular function. The Town does not allocate indirect expenses to functions in the Statement of Activities.

The Statement of Activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees and other charges to users of the Town's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. For identifying to which function program revenue pertains, the determining factor for *charges for services* is which function *generates* the revenue. For *grants and contributions*, the determining factor is to which function the revenues are *restricted*.

Other revenue sources not considered to be program revenues are reported as general revenues of the Town. The comparison of direct expenses with program revenues identifies the extent to which each governmental function and each identifiable business activity is self-financing or draws from the general revenues of the Town.

*Fund Financial Statements* – During the year, the Town segregates transactions related to certain Town functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Town at this more detailed level. Fund financial statements are provided for governmental and proprietary funds.

Major individual governmental and proprietary funds are reported in separate columns.

*Reconciliation of Government-wide and Fund Financial Statements* – Since the governmental funds financial statements are presented on a different measurement focus and basis of accounting than the government-wide financial statements, a summary reconciliation of the difference between total fund balances as reflected on the governmental funds balance sheet and total governmental activities net position as shown on the government-wide Statement of Net Position is presented. In addition, a summary reconciliation of the difference between the total net change in fund balances as reflected on the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances, and the change in net position of governmental activities as shown on the government-wide Statement of Activities is presented.

*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 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. The Town and many other governments revise their original budgets over the course of the year for a variety of reasons.

### 1-C. Financial Statement Presentation

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. The following is a brief description of the funds reported by the Town in each of its fund types in the financial statements:

- *Governmental Funds* – Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Fund liabilities are assigned to the fund from which they will be liquidated. The Town reports the difference between its governmental fund assets and deferred outflows of resources and its liabilities and deferred inflows of resources as fund balance. The following are the Town's major governmental funds:
  - *General Fund* – The General Fund is the primary operating fund of the Town and accounts for all revenues and expenditures applicable to the general operations of the Town which are not accounted for in other funds. Revenues are derived primarily from property and other local taxes, licenses, permits, charges for services, use of money and property, and intergovernmental grants.
  - *Special Revenue Funds* – Special Revenue Funds account for the proceeds of specific revenue sources (other than those derived from special assessments, expendable trusts, or dedicated for major capital projects) requiring separate accounting due to legal or regulatory provisions or administrative action. There are no Special Revenue Funds as of June 30, 2016.
  - *Capital Projects Funds* – Capital Projects Fund accounts for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds. The Capital Projects Fund as of June 30, 2016 consists of the Grant Fund.
- *Proprietary Funds* – Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. The Town has one enterprise fund, the Water and Sewer Fund, which accounts for operations that are financed and operated in a manner similar to private business enterprises. The intent of the Town is that the cost of providing services to the general public be financed or recovered through user charges.
- *Fiduciary Funds (Agency Funds)* – Fiduciary funds account for assets held by the Town in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. Agency funds utilize the accrual basis of accounting. Since by definition, these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide financial statements. There are no Fiduciary Funds as of June 30, 2016.

#### **1-D. Measurement Focus and Basis of Accounting**

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, as are the proprietary fund financial statements. 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 (general government administration, public safety, public works, etc.) which are otherwise being supported by general government revenues, (property taxes, 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 (general government administration, public safety, public works, 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, if applicable, 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 utilities and, subsequently, remitted to the Town, are recognized as revenues and receivables upon collection by the state or utility, which is generally within two months preceding receipt by the Town.

Licenses, permits, fines, and rents are recorded as revenues when received. Intergovernmental revenues, consisting primarily of federal, state, and other grants for the purpose of funding specific expenditures, are recognized when earned or at the time of the specific expenditures. 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.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the proprietary fund's principal ongoing operations. Operating expenses for enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

**1-E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Equity**

*1-E-1 Cash and Cash Equivalents*

The Town maintains separate deposit accounts for each fund.

*1-E-2 Receivables and Payables*

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portions of the interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statement as internal balances.

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 \$2,734 at June 30 for trade receivables.

Water and sewer receivables	\$ 26,582
Less: Allowance for uncollectibles	<u>(2,734)</u>
Water and Sewer Receivables, Net	<u>\$ 23,848</u>

*Real and Personal Property Tax Data*

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

**Real Property   Personal Property**

Levy	January 1	January 1
Due Date	February 28	February 28
Lien Date	March 1	March 1

The Town bills and collects its own property taxes.

A ten percent penalty or \$10 minimum is levied on all taxes not collected on or before their due date. An interest charge of ten percent per annum is also levied on such taxes beginning on January 1.

### 1-E-3 Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30 are recorded as prepaid items using the consumption method by recording an asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed. At the fund reporting level, an equal amount of fund balance is reported as nonspendable as this amount is not available for general appropriation.

### 1-E-4 Capital Assets

General capital assets are those capital assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in governmental funds. The Town reports these assets in the governmental activities column of the government-wide Statement of Net Position but does not report these assets in the governmental fund financial statements. Capital assets utilized by enterprise funds are reported both in the business-type activities column of the government-wide Statement of Net Position and in the enterprise funds' Statement of Net Position.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The Town maintains a capitalization threshold of \$500. The Town's infrastructure consists of water distribution and wastewater collection systems. Improvements to capital assets are capitalized; however, the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

Capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Description</u>	<u>Estimated Lives</u>
Buildings and improvements	39.5 years
Furniture, equipment, and vehicles	5 to 20 years
Infrastructure	40 years

At the inception of capital leases at the governmental fund reporting level, expenditures and an "other financing source" of an equal amount are reported at the net present value of future minimum lease payments.

### 1-E-5 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 a future period(s) and so will not be recognized as an outflow of resources until then.

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 until that time. 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, second half installments levied during the

fiscal year but due after June 30, and amounts prepaid on the second half installments and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, second half installments levied during the fiscal year but due after June 30 and amounts prepaid on the second half installments are reported as deferred inflows of resources.

#### *1-E-6 Fund Equity*

Fund equity at the governmental fund financial reporting level is classified as fund balance. Fund equity for all other reporting is classified as net position.

*Governmental Fund Balances* – Generally, governmental fund balances represent the difference between the current assets and deferred outflows of resources, and current liabilities and deferred inflows of resources. Governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which resources can be spent. Fund balances are classified as follows:

Nonspendable – amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions, charter requirements or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – 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 of action to remove or change the constraint.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes.

Unassigned – all amounts not classified as nonspendable, restricted, committed, or assigned.

*Net Position* – Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of cost of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. This net investment in capital assets amount also is adjusted by any bond issuance deferral amounts. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net position is reported as unrestricted.



### *1-E-7 Operating Revenues and Expenses*

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the Town, these revenues are charges for services for utilities. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the fund. All other items that do not directly relate to the principal and usual activity of the fund are recorded as nonoperating revenues and expenses. These items include investment earnings and interest paid on long-term debt.

### *1-E-8 Interfund Activity*

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after the non-operating revenues/expenses section in proprietary funds.

### *1-E-9 Long-Term Obligations*

The Town reports long-term debt of Governmental Funds at face value in the general long-term debt account group. The face value of the debt is believed to approximate fair value. Certain other governmental fund obligations not expected to be financed with current available financial resources are also reported in the general long-term debt account group. Long-term debt and other obligations financed by Proprietary Funds are reported as liabilities in the appropriate funds.

### *1-E-10 Estimates*

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

### *1-E-11 Adoption of New GASB Statements*

During the fiscal year ended June 30, 2016, the Town adopted the following GASB statements:

- Statement No. 72, "Fair Value Measurement and Application"
- Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments"
- Statement No. 77, "Tax Abatement Disclosures"

The adoption of these statements had no effect on the current financial statements.

## **2** **Stewardship, Compliance, and Accountability**

### *Budgets and Budgetary Accounting*

The Town Council annually adopts budgets for the various funds of the primary government. All appropriations are legally controlled at the department level for the primary Government Funds. Unexpended appropriations lapse at the end of each fiscal year.

*Budgetary Data*

The following procedures are used by the Town in establishing the budgetary data reflected in the financial statements:

1. Prior to April 1, the Town Manager submits to the Town Council a proposed operating and capital budget for the fiscal year commencing July 1. The operating budget 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 fund, function, and departmental level. These appropriations for each fund, function, and department can be revised only by the Town Council.
5. Formal budgetary integration is employed as a management control device during the year and budgets are legally adopted for all major funds.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Supplemental Appropriations are adopted if necessary during the fiscal year.

**Expenditures in Excess of Appropriations**

Expenditures exceeded appropriations by \$49,849.

**Fund Deficits**

No governmental funds had fund deficits.

**3 Cash and Cash Equivalents**

*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.

The following is a summary of cash and cash equivalents:

<u>Asset Type</u>	<u>Balance June 30, 2016</u>
Deposit accounts	\$ <u>81,106</u>
Total Cash	\$ <u>81,106</u>



	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Primary Government</b>			
Cash and cash equivalents	\$ 66,345	\$ 14,761	\$ 81,106

#### 4 Receivables

Receivables at June 30, 2016 consist of the following:

	<u>Primary Government</u>	
	<u>Governmental Activities General</u>	<u>Business-Type Activities</u>
<b>Receivables</b>		
Property taxes	\$ 3,366	\$ -
Gross receipts tax	101	-
Real estate taxes	5,409	-
Rental	1,766	-
Water and sewer	-	26,582
	<u>10,642</u>	<u>26,582</u>
Total Receivables	10,642	26,582
Less: Allowance for doubtful accounts	-	(2,734)
	<u>10,642</u>	<u>23,848</u>
Net Receivables	<u>\$ 10,642</u>	<u>\$ 23,848</u>

#### 5 Interfund Transfers

Interfund transfers for the year ended June 30, 2016 consisted of the following:

<u>Primary Government</u>	<u>Transfer to</u>	<u>Transfer from</u>
<b>General Fund</b>		
To Water and Sewer Fund	\$ 33,437	\$ -
To Grant Fund	<u>38,232</u>	-
Total General Fund	71,669	-
<b>Water and Sewer Fund</b>		
From General Fund	-	<u>33,437</u>
Total Water and Sewer Fund	-	33,437
<b>Grant Fund</b>		
From General Fund	-	<u>38,232</u>
Total Grant Fund	-	<u>38,232</u>
Total Transfers	<u>\$ 71,669</u>	<u>\$ 71,669</u>

## 6 Capital Assets

The following is a summary of changes in capital assets:

### Governmental Activities

	<b>Balance July 1, 2015</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2016</b>
<b>Capital Assets Not Being Depreciated</b>				
Land	\$ 70,218	\$ -	\$ -	\$ 70,218
Construction-in-process	<u>57,854</u>	<u>37,546</u>	<u>-</u>	<u>95,400</u>
Total Capital Assets Not Being Depreciated	128,072	37,546	-	165,618
<b>Other Capital Assets</b>				
Buildings and improvements	312,503	-	-	312,503
Furniture, equipment, and vehicles	<u>100,755</u>	<u>21,000</u>	<u>72,492</u>	<u>49,263</u>
Total Other Capital Assets	413,258	21,000	72,492	361,766
<b>Less: Accumulated depreciation for</b>				
Buildings and improvements	35,408	7,861	-	43,269
Furniture, equipment, and vehicles	<u>97,187</u>	<u>4,194</u>	<u>72,492</u>	<u>28,889</u>
Total Accumulated Depreciation	<u>132,595</u>	<u>12,055</u>	<u>72,492</u>	<u>72,158</u>
Other Capital Assets, Net	<u>280,663</u>	<u>8,945</u>	<u>-</u>	<u>289,608</u>
Net Capital Assets	<u>\$ 408,735</u>	<u>\$ 46,491</u>	<u>\$ -</u>	<u>\$ 455,226</u>
Depreciation expense was allocated as follows:				
General government administration	\$ 8,905			
Public safety	<u>3,150</u>			
Total Depreciation Expense	<u>\$ 12,055</u>			

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**Business-Type Activities**

	<b>Balance July 1, 2015</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2016</b>
<b>Capital Assets Not Being Depreciated</b>				
Land	\$ 418,200	\$ -	\$ -	\$ 418,200
Total Capital Assets Not Being Depreciated	418,200	-	-	418,200
<b>Other Capital Assets</b>				
Buildings and improvements	5,640	-	-	5,640
Furniture, equipment, and vehicles	418,911	37,227	21,567	434,571
Infrastructure	<u>3,250,554</u>	<u>-</u>	<u>-</u>	<u>3,250,554</u>
Total Other Capital Assets	3,675,105	37,227	21,567	3,690,765
<b>Less: Accumulated depreciation for</b>				
Buildings and improvements	5,640	-	-	5,640
Furniture, equipment, and vehicles	377,746	12,648	21,567	368,827
Infrastructure	<u>304,740</u>	<u>81,264</u>	<u>-</u>	<u>386,004</u>
Total Accumulated Depreciation	<u>688,126</u>	<u>93,912</u>	<u>21,567</u>	<u>760,471</u>
Other Capital Assets, Net	<u>2,986,979</u>	<u>(56,685)</u>	<u>-</u>	<u>2,930,294</u>
Net Capital Assets	<u>\$ 3,405,179</u>	<u>\$ (56,685)</u>	<u>\$ -</u>	<u>\$ 3,348,494</u>

**7 Long-Term Debt**

**PRIMARY GOVERNMENT**

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

<b>Year Ended June 30,</b>	<b>Governmental Activities</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2017	\$ 64,879	\$ 5,588	\$ 70,467
2018	30,295	3,970	34,265
2019	32,004	2,261	34,265
2020	<u>24,155</u>	<u>460</u>	<u>24,615</u>
Total	<u>\$ 151,333</u>	<u>\$ 12,279</u>	<u>\$ 163,612</u>

Year Ended June 30.	Business-Type Activities		
	Principal	Interest	Total
2017	\$ 17,783	\$ 6,247	\$ 24,030
2018	18,650	5,795	24,445
2019	19,204	5,241	24,445
2020	19,775	4,670	24,445
2021	20,366	4,078	24,444
2022-2026	83,981	13,739	97,720
2027-2031	<u>64,857</u>	<u>3,231</u>	<u>68,088</u>
Total	<u>\$ 244,616</u>	<u>\$ 43,001</u>	<u>\$ 287,617</u>

### Changes in Long-Term Debt

The following is a summary of changes in long-term obligations of the Town:

	Balance July 1, 2015	Increase	Decrease	Balance June 30, 2016	Due Within One Year
<b>Primary Government</b>					
<b>Governmental Activities</b>					
<b>General Fund</b>					
<i>Franklin Community Bank</i>					
The loan is payable in 180 monthly installments of \$2,855.45 with an interest rate of 5.50%.					
This note had a principal amount of \$347,441.					
	\$ 142,131	\$ -	\$ 27,000	\$ 115,131	\$ 28,677
<i>Carter Bank &amp; Trust</i>					
The Town has a \$100,000 line of credit with Carter Bank and Trust with an interest rate of 2.00%.					
	-	36,202	-	36,202	36,202
<i>American National Bank</i>					
The loan is payable in 60 monthly installments of \$396.69 with an interest rate of 4.95%.					
This note had a principal amount of \$21,000.					
	-	21,000	21,000	-	-
Total Governmental Activities	142,131	57,202	48,000	151,333	64,879
<b>Business-Type Activities</b>					
<b>Enterprise Funds</b>					
<i>Virginia Resources Authority</i>					
Semiannual payments are approximately \$19,082 with an interest rate of 2.46% through January 1, 2030. This note had a principal amount of \$300,000.					
	236,111	-	13,733	222,378	14,076
<i>Wells Fargo</i>					
The Town's original loan was for a new tractor. The original loan amount was \$23,659 with an interest rate of 5.60%.					
	-	23,659	23,659	-	-
<i>Virginia Community Capital Bank (refinance)</i>					
The Town refinanced the tractor loan. The loan is payable in 60 monthly installments of \$415.28 with an interest rate of 4.50%. This note had a principal amount of \$22,238.					
	-	22,238	-	22,238	3,707
Total Enterprise Funds	236,111	45,897	37,392	244,616	17,783
Grand Total - All Debt	<u>\$ 378,242</u>	<u>\$ 103,099</u>	<u>\$ 85,392</u>	<u>\$ 395,949</u>	<u>\$ 82,662</u>

## 8 Net Investment in Capital Assets

The “net investment in capital assets” amount reported on the government-wide Statement of Net Position as of June 30, 2016 is determined as follows:

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>
<b>Net Investment in Capital Assets</b>		
Cost of capital assets	\$ 527,384	\$ 4,108,965
Less: Accumulated depreciation	<u>72,158</u>	<u>760,471</u>
Book value	455,226	3,348,494
Less: Capital related debt	<u>151,333</u>	<u>244,616</u>
Net Investment in Capital Assets	<u>\$ 303,893</u>	<u>\$ 3,103,878</u>

## 9 Deferred Inflows of Resources

Deferred inflows of resources from unavailable property taxes are comprised of the following:

### Primary Government General Fund

Delinquent taxes not collected within 60 days	\$ <u>8,775</u>
Total Deferred Inflows of Resources - Governmental Funds	<u>\$ 8,775</u>

## 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 joined together with other local governments in Virginia to form the Virginia Municipal Liability Pool, a public entity risk pool currently operating as a common risk management and insurance program for participating local governments. The Town pays an annual premium to the pool for substantially all of its insurance coverage. In the event of a loss deficit and depletion of all available excess insurance, the pool may assess all members in the proportion which the premium of each bears to the total premiums of all members in the year in which such deficit occurs.

The Town continues to carry commercial insurance for all other risks of loss, including employee dishonesty and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

## 11 Commitments and Contingencies

If applicable, federal programs in which the Town participates were audited in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Pursuant to the requirements of the Uniform Guidance, all major programs and certain other programs were tested for compliance with applicable grant requirements. While no matters of noncompliance were disclosed by the audit, the Federal Government may subject grant programs to additional compliance tests which may result in disallowed expenditures. In the opinion of management, any future disallowance of current grant program expenditures, if any, would be immaterial.

## 12 Litigation

At June 30, 2016, there were no matters of litigation involving the Town which would materially affect the Town's financial position should any court decisions or pending matters not be favorable to such entities.

## 13 Legal Compliance

The Virginia Public Finance Act contains state law for issuance of long-term and short-term debt. The Act states, in part, that no municipality may issue bonds or other interest-bearing obligations, including existing indebtedness, which will at any time exceed ten percent of the assessed valuation on real estate as shown by the last preceding assessment for taxes. Short-term revenue anticipation bonds/notes, general obligation bonds approved in a referendum, revenue bonds, and contract obligations for publically owned or regional projects should not be included in the debt limitation.

### *Computation of Legal Debt Margin*

Total Assessed Value of Taxed Real Estate	<u>\$ 19,595,600</u>
Debt Limit - 10 Percent of Total Assessed Value	\$ 1,959,560
<i>Amount of Debt Applicable to Debt Limit</i>	
General obligation debt	<u>151,333</u>
Legal Debt Margin	<u>\$ 1,808,227</u>

## 14 Surety Bond Information

The following constitutional and appointed officer is insured through CNA Surety at June 30, 2016:

Jean Rucker - Treasurer/Clerk	\$ 100,000
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## 15 Subsequent Events

We have searched for events occurring subsequent to the date of the financial statements that may impact the financial data herein presented. When such events occur, we report the event and estimate, to the best of our ability, the potential measurable impact to the financial data reported. We are not aware of any material events occurring during the period of time that is subsequent to the date of the financial statements up to and including the date of the Independent Auditor's Report.

**REQUIRED SUPPLEMENTARY  
INFORMATION**

Town of Boones Mill, Virginia

Budgetary Comparison Schedule

Year Ended June 30, 2016

General Fund

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<b>Revenues</b>				
<b>General Property Taxes</b>				
Real estate taxes	\$ 31,500	\$ 31,500	\$ 26,548	\$ (4,952)
Personal property taxes	-	-	3,826	3,826
Penalties and interest	-	-	1,016	1,016
Total General Property Taxes	<u>31,500</u>	<u>31,500</u>	<u>31,390</u>	<u>(110)</u>
<b>Other Local Taxes</b>				
Bank franchise taxes	30,019	30,019	26,986	(3,033)
Local sales taxes	8,500	8,500	8,609	109
Meals tax	33,400	33,400	37,978	4,578
Gross receipts tax	19,600	19,600	14,754	(4,846)
Motor vehicle licenses	2,679	2,679	6,000	3,321
Utility taxes	<u>5,200</u>	<u>5,200</u>	<u>5,181</u>	<u>(19)</u>
Total Other Local Taxes	99,398	99,398	99,508	110
<b>Fines and Forfeitures</b>	-	-	25,235	25,235
<b>Revenue from Use of Money and Property</b>				
Revenue from use of property	<u>20,000</u>	<u>20,000</u>	<u>47,521</u>	<u>27,521</u>
Total Use of Money and Property	20,000	20,000	47,521	27,521
<b>Miscellaneous</b>				
Special projects	19,677	19,677	8,432	(11,245)
Miscellaneous	<u>9,000</u>	<u>9,000</u>	<u>20,568</u>	<u>11,568</u>
Total Miscellaneous	<u>28,677</u>	<u>28,677</u>	<u>29,000</u>	<u>323</u>
Total Revenue from Local Sources	179,575	179,575	232,654	53,079
<b>Intergovernmental</b>				
<i>Revenue from the Commonwealth of Virginia</i>				
<i>Noncategorical Aid</i>				
Railroad Rolling Stock Tax	2,500	2,500	2,570	70
Communications tax	3,500	3,500	3,258	(242)
PPTRA	<u>-</u>	<u>-</u>	<u>1,400</u>	<u>1,400</u>
Total Noncategorical Aid	6,000	6,000	7,228	1,228
<i>Categorical Aid</i>				
Fire Program	-	-	10,000	10,000
Police Department	<u>6,880</u>	<u>6,880</u>	<u>6,880</u>	<u>-</u>
Total Categorical Aid	<u>6,880</u>	<u>6,880</u>	<u>16,880</u>	<u>10,000</u>
Total Revenue from the Commonwealth of Virginia	<u>12,880</u>	<u>12,880</u>	<u>24,108</u>	<u>11,228</u>
Total General Fund Revenues	192,455	192,455	256,762	64,307



	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
<b>Current Expenditures</b>				
<b>General Government Administration</b>				
Town Council	5,200	5,200	3,950	1,250
Salaries and wages	51,780	51,780	57,839	(6,059)
Subcontractors	1,000	1,000	1,297	(297)
Payroll taxes	4,350	4,350	5,822	(1,472)
Health insurance	9,300	9,300	9,603	(303)
Life insurance	-	-	727	(727)
Professional fees	3,000	3,000	3,000	-
Bank service charges	-	-	3,101	(3,101)
Comprehensive plan	7,500	7,500	3,750	3,750
Conference/education	1,500	1,500	1,352	148
Legal fees	2,000	2,000	1,522	478
Office	1,500	1,500	4,644	(3,144)
Miscellaneous	26,467	26,467	7,461	19,006
Telephone	3,900	3,900	3,357	543
Advertising	400	400	658	(258)
Insurance	4,000	4,000	3,327	673
Postage	250	250	876	(626)
Fees and contributions	457	457	1,253	(796)
Total General Government Administration	<u>122,604</u>	<u>122,604</u>	<u>113,539</u>	<u>9,065</u>
<b>Public Safety</b>				
<i>Police Department</i>				
Salaries	3,000	3,000	-	3,000
Capital outlay	-	-	21,000	(21,000)
Vehicle	750	750	6,711	(5,961)
Fuel	3,000	3,000	3,111	(111)
Uniforms and equipment	4,500	4,500	1,389	3,111
Fees	340	340	1,460	(1,120)
Training	1,000	1,000	-	1,000
Miscellaneous	-	-	1,568	(1,568)
Total Police Department	<u>12,590</u>	<u>12,590</u>	<u>35,239</u>	<u>(22,649)</u>
<i>Fire Department</i>				
Grants	-	-	10,000	(10,000)
Total Fire Department	<u>-</u>	<u>-</u>	<u>10,000</u>	<u>(10,000)</u>
Total Public Safety	<u>12,590</u>	<u>12,590</u>	<u>45,239</u>	<u>(32,649)</u>
<b>Public Works</b>				
<i>Building and Grounds</i>				
Electricity	15,496	15,496	16,722	(1,226)
Repairs	500	500	2,736	(2,236)
Total Building and Grounds	<u>15,996</u>	<u>15,996</u>	<u>19,458</u>	<u>(3,462)</u>
Total Public Works	<u>15,996</u>	<u>15,996</u>	<u>19,458</u>	<u>(3,462)</u>
<b>Parks, Recreation, and Cultural</b>				
Train depot	-	-	8,188	(8,188)
Total Parks, Recreation, and Cultural	<u>-</u>	<u>-</u>	<u>8,188</u>	<u>(8,188)</u>

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
<b>Debt Service</b>	<u>41,265</u>	<u>41,265</u>	<u>55,880</u>	<u>(14,615)</u>
Total Expenditures	<u>192,455</u>	<u>192,455</u>	<u>242,304</u>	<u>(49,849)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ -</u>	<u>\$ -</u>	\$ 14,458	<u>\$ 14,458</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds of debt			57,202	
Operating transfers in (out)			<u>(71,669)</u>	
Net Change in Fund Balance			(9)	
Fund Balance - Beginning of Year			<u>34,394</u>	
Fund Balance - End of Year			<u>\$ 34,385</u>	

Grant Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
<b>Revenues</b>				
<b>Miscellaneous</b>				
Operating grants	\$ 983,467	\$ 983,467	\$ 37,546	\$ (945,921)
<b>Intergovernmental</b>				
<i>Revenue from the Commonwealth of Virginia</i>				
<i>Categorical Aid</i>				
Virginia Department of Transportation	<u>-</u>	<u>-</u>	<u>77,073</u>	<u>77,073</u>
Total Categorical Aid	<u>-</u>	<u>-</u>	<u>77,073</u>	<u>77,073</u>
Total Revenue from the Commonwealth of Virginia	-	-	77,073	77,073
<i>Revenue from the Federal Government</i>				
Community Development Block Grant	<u>-</u>	<u>-</u>	<u>600</u>	<u>600</u>
Total Revenue from the Federal Government	<u>-</u>	<u>-</u>	<u>600</u>	<u>600</u>
Total Intergovernmental Revenue	<u>-</u>	<u>-</u>	<u>77,673</u>	<u>77,673</u>
Total Revenues	983,467	983,467	115,219	(868,248)
<b>Expenditures</b>				
<b>Community Development</b>				
Total Expenditures	<u>983,467</u>	<u>983,467</u>	<u>121,973</u>	<u>2,088,907</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	(6,754)	<u>\$ (2,957,155)</u>
<b>Other Financing Sources (Uses)</b>				
Operating transfers in (out)			<u>38,232</u>	
Net Change in Fund Balance			31,478	
Fund Balance - Beginning of Year			<u>1,439</u>	
Fund Balance - End of Year			<u>\$ 32,917</u>	

## Water and Sewer Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
<b>Revenues</b>				
Charges for services	\$ 165,900	\$ 165,900	\$ 148,576	\$ (17,324)
Finance charges	-	-	4,932	4,932
Miscellaneous	-	-	3,572	3,572
Total Revenues	<u>165,900</u>	<u>165,900</u>	<u>157,080</u>	<u>(8,820)</u>
<b>Current Expenditures</b>				
<b>Public Works</b>				
Salaries	59,940	59,940	79,622	(19,682)
Payroll taxes	4,350	4,350	6,091	(1,741)
Worker's compensation	-	-	1,929	(1,929)
Employee health insurance	9,300	9,300	9,603	(303)
Advertising	200	200	270	(70)
Bad debt	-	-	2,708	(2,708)
Depreciation	-	-	93,912	(93,912)
Fuel	2,300	2,300	3,446	(1,146)
Insurance	4,000	4,000	3,327	673
Miscellaneous	2,800	2,800	10,541	(7,741)
Office	5,200	5,200	4,052	1,148
Postage	2,700	2,700	1,999	701
Professional fees	3,000	3,000	3,000	-
Software maintenance	2,000	2,000	2,183	(183)
Utilities/telephone	10,500	10,500	9,109	1,391
Vehicle and equipment repairs and maintenance	1,750	1,750	3,330	(1,580)
Water and sewer fees	3,500	3,500	3,524	(24)
Water and sewer maintenance	12,880	12,880	23,880	(11,000)
Water testing	<u>3,600</u>	<u>3,600</u>	<u>2,645</u>	<u>955</u>
Total Public Works	<u>128,020</u>	<u>128,020</u>	<u>265,171</u>	<u>(137,151)</u>
<b>Debt Service</b>	<u>37,880</u>	<u>37,880</u>	<u>-</u>	<u>37,880</u>
Total Expenditures	<u>165,900</u>	<u>165,900</u>	<u>265,171</u>	<u>(99,271)</u>
Operating Loss	<u>\$ -</u>	<u>\$ -</u>	<u>(108,091)</u>	<u>\$ (108,091)</u>
<b>Nonoperating Revenues (Expenses)</b>				
Interest expense			(6,571)	
Insurance proceeds			<u>24,858</u>	
Total Nonoperating Revenues (Expenses)			<u>18,287</u>	
Loss Before Transfers			(89,804)	
Operating Transfers			<u>33,437</u>	
Change in Net Position			(56,367)	
Total Net Position - Beginning of Year			<u>3,197,165</u>	
Total Net Position - End of Year			<u>\$ 3,140,798</u>	

# COMPLIANCE SECTION



**Creedle  
Jones  
& Alga**

*A Professional Corporation*

*Robin B. Jones, CPA, CFP  
David V. Alga, CPA, CVA, CFF  
Denise C. Williams, CPA, CSEP  
Scott A. Thompson, CPA, CGMA  
Kimberly W. Jackson, CPA*

*James A. Allen, Jr., CPA  
Nadine L. Chase, CPA  
Sherwood H. Creedle, Emeritus*

*Members of  
American Institute of Certified Public Accountants  
Virginia Society of Certified Public Accountants*

**INDEPENDENT AUDITOR'S 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 Town Council  
Town of Boones Mill, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Boones Mill, Virginia, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town of Boones Mill, Virginia's basic financial statements, and have issued our report thereon dated December 30, 2016.

**Internal Control Over Financial Reporting**

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

### Purpose of this Report

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

*Creedle, Jones & Alga, P.C.*

Creedle, Jones & Alga, P.C.  
Certified Public Accountants

South Hill, Virginia  
December 30, 2016