

*Town of Boones Mill, Virginia*  
*Comprehensive Annual Financial Report*  
*Year Ended June 30, 2018*



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

## Town of Boones Mill, Virginia

### Table of Contents

Year Ended June 30, 2018

	<b>Pages</b>
<b>FINANCIAL SECTION</b>	
Independent Auditor's Report	i-ii
Management's Discussion and Analysis	1-8
<b>Basic Financial Statements</b>	
<b>Exhibits</b>	
<b>Government-Wide Financial Statements</b>	
1 Statement of Net Position	9
2 Statement of Activities	10
<b>Fund Financial Statements</b>	
3 Balance Sheet – Governmental Funds and Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	11-12
4 Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds and Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	13-14
5 Statement of Net Position – Proprietary Funds	15
6 Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds	16
7 Statement of Cash Flows – Proprietary Funds	17
Notes to the Financial Statements	18-32
<b>Required Supplementary Information</b>	
<b>Exhibit</b>	
8 Budgetary Comparison Schedule – General Fund	33-35
<b>COMPLIANCE SECTION</b>	
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 <i>Government Auditing Standards</i>	36-37

# FINANCIAL SECTION



**Creedle  
Jones  
& Alga**

*A Professional Corporation*

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

*Nadine L. Chase, CPA  
Monique A. Lubick, 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, 2018, 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, 2018, 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 on pages 1-8 and budgetary comparison information on pages 33-35 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 February 8, 2019, 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 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 Boone Mill, 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 the Town of Boones Mill, Virginia's internal control over financial reporting and compliance.

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

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

South Hill, Virginia  
February 8, 2019

## 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, 2018. We encourage readers to read this discussion and analysis in conjunction with the Town's basic financial statements.

### Financial Highlights

- At the close of the fiscal year, the assets and deferred outflows of resources of the Town's governmental activities exceeded its liabilities and deferred inflows of resources by \$1,532,304. Of this amount, \$65,100 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors. For the business-type activities, the assets and deferred outflows of resources exceeded the liabilities and deferred inflows of resources by \$2,972,729 with an unrestricted balance of \$24,902.
- The Town's total net position decreased by \$38,099 during the current fiscal year. Of this amount, an increase of \$39,791 is related to governmental activities and a decrease of \$77,890 is attributed to business-type activities.
- As of June 30, 2018, the Town's Governmental Funds reported combined ending fund balances of \$94,994, a decrease of \$16,002 in comparison with the prior year. Approximately 54.17% of this amount is available for spending at the Town's discretion (unassigned fund balance).
- At the end of fiscal year 2018, the general fund unassigned fund balance was \$51,455, or approximately 14.63% of total general fund expenditures.

### 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, 2018

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>
<b>Assets</b>			
Current and other assets	\$ 138,564	\$ 45,490	\$ 184,054
Capital assets (net)	2,544,519	3,389,184	5,933,703
Total Assets	<u>\$ 2,683,083</u>	<u>\$ 3,434,674</u>	<u>\$ 6,117,757</u>
<b>Liabilities</b>			
Accounts payable	\$ 24,182	\$ 17,888	\$ 42,070
Accrued liabilities	5,243	-	5,243
Prepaid deposit	500	-	500
Water deposits	-	2,700	2,700
Long-term liabilities	<u>1,120,854</u>	<u>441,357</u>	<u>1,562,211</u>
Total Liabilities	1,150,779	461,945	1,612,724
<b>Net Position</b>			
Net investment in capital assets	1,423,665	2,947,827	4,371,492
Restricted	43,539	-	43,539
Unrestricted	<u>65,100</u>	<u>24,902</u>	<u>90,002</u>
Total Net Position	<u>1,532,304</u>	<u>2,972,729</u>	<u>4,505,033</u>
Total Liabilities and Net Position	<u>\$ 2,683,083</u>	<u>\$ 3,434,674</u>	<u>\$ 6,117,757</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, 2018

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>
<b>Revenues</b>			
<b>Program Revenues</b>			
Charges for services	\$ 53,084	\$ 187,358	\$ 240,442
Operating grants and contributions	236,628	-	236,628
<b>General Revenues</b>			
General property taxes, real and personal	42,826	-	42,826
Other taxes	109,309	-	109,309
Unrestricted revenues from use of money and property	91,833	-	91,833
Grants and contributions not restricted to specific programs	6,760	-	6,760
Miscellaneous	14,210	4,904	19,114
Total Revenues	<u>554,650</u>	<u>192,262</u>	<u>746,912</u>
<b>Expenses</b>			
General government administration	244,538	-	244,538
Public safety	50,876	-	50,876
Public works	38,565	-	38,565
Interest on long-term debt	56,570	6,125	62,695
Community development	100,936	-	100,936
Parks, recreation, and cultural	6,349	-	6,349
Water and sewer	-	281,052	281,052
Total Expenses	<u>497,834</u>	<u>287,177</u>	<u>785,011</u>
Change in net position before transfers	56,816	(94,915)	(38,099)
<b>Transfers</b>	<u>(17,025)</u>	<u>17,025</u>	<u>-</u>
Change in net position	<u>39,791</u>	<u>(77,890)</u>	<u>(38,099)</u>
Beginning Net Position	<u>1,492,513</u>	<u>3,050,619</u>	<u>4,543,132</u>
Ending Net Position	<u>\$ 1,532,304</u>	<u>\$ 2,972,729</u>	<u>\$ 4,505,033</u>

Governmental activities increased the Town's net position by \$39,791 for fiscal year 2018. Revenues from governmental activities totaled \$554,650. Operating grants and contributions comprise the largest source of these revenues, totaling \$236,628 or 42.66% of all governmental activities revenue.

The total cost of all governmental activities for this fiscal year was \$497,834. General government administration was the Town's largest program with expenses totaling \$244,538. Community Development, which totals \$100,936, 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, 2018

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
General government administration	\$ 244,538	\$ (234,538)
Public safety	50,876	19,312
Public works	38,565	(38,565)
Community development	100,936	108,588
Parks, recreation, and cultural	6,349	(6,349)
Debt service	<u>56,570</u>	<u>(56,570)</u>
Total	<u>\$ 497,834</u>	<u>\$ (208,122)</u>

### FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. 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 financing requirements. Unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of a fiscal year. The Town's governmental funds reported combined ending fund balances of \$94,994. The combined governmental fund balance decreased \$16,002 from the prior year.

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 \$51,455. The General Fund's liquidity can be measured by comparing unassigned fund balance to total fund expenditures. Unassigned fund balance represents 14.63% of total fund expenditures.

The Capital Projects Fund has a total fund balance of \$43,539, all of which is restricted 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, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
<b>Revenues</b>			
Taxes	\$ 35,722	\$ 35,722	\$ 39,595
Other	102,545	102,545	109,309
Fines and forfeitures	40,000	40,000	53,084
Use of money and property	89,100	89,100	91,833
Miscellaneous	-	-	14,210
Intergovernmental	<u>12,604</u>	<u>12,604</u>	<u>33,864</u>
Total	279,971	279,971	341,895
<b>Expenditures</b>	<u>279,971</u>	<u>279,971</u>	<u>351,703</u>
Excess (Deficiency) of Revenues over Expenditures	-	-	(9,808)
<b>Other Financing Sources (Uses)</b>			
Issuance of debt	-	-	95,000
Transfers	<u>-</u>	<u>-</u>	<u>(124,711)</u>
Total	<u>-</u>	<u>-</u>	<u>(29,711)</u>
Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (39,519)</u>

The Town did not make any budget amendments during fiscal year 2018.

Actual revenues were more than final budget amounts by \$61,924, or 22.19%, while actual expenditures were \$71,732, or 20.40% more than final budget amounts.

## CAPITAL ASSETS AND LONG-TERM DEBT

### Capital Assets

As of June 30, 2018, the Town's governmental activities net capital assets total \$2,544,519, which represents a net increase of \$123,267 or 5.09% over the previous fiscal year-end balance. The business-type activities net capital assets total \$3,389,184, an increase of \$70,429 or 2.12% over the previous fiscal year.

## Change in Capital Assets

### Governmental Activities

	<u>Balance</u> <u>July 1, 2017</u>	<u>Net Additions</u> <u>and Deletions</u>	<u>Balance</u> <u>June 30, 2018</u>
Land	\$ 70,218	\$ -	\$ 70,218
Construction-in-progress	-	192,757	192,757
Buildings and improvements	2,365,328	-	2,365,328
Furniture, equipment, and vehicles	71,337	-	71,337
Total Capital Assets	2,506,883	192,757	2,699,640
Less: Accumulated depreciation and amortization	(85,631)	(69,490)	(155,121)
Total Capital Assets, Net	<u>\$ 2,421,252</u>	<u>\$ 123,267</u>	<u>\$ 2,544,519</u>

### Business-Type Activities

	<u>Balance</u> <u>July 1, 2017</u>	<u>Net Additions</u> <u>and Deletions</u>	<u>Balance</u> <u>June 30, 2018</u>
Land	\$ 418,200	\$ -	\$ 418,200
Construction-in-progress	67,895	(67,895)	-
Buildings and improvements	5,640	-	5,640
Furniture, equipment, and vehicles	434,571	-	434,571
Infrastructure	3,250,554	239,413	3,489,967
Total Capital Assets	4,176,860	171,518	4,348,378
Less: Accumulated depreciation and amortization	(858,105)	(101,089)	(959,194)
Total Capital Assets, Net	<u>\$ 3,318,755</u>	<u>\$ 70,429</u>	<u>\$ 3,389,184</u>

### Long-Term Debt

As of June 30, 2018, the Town's long-term obligations total \$1,562,211.

	<u>Balance</u> <u>July 1, 2017</u>	<u>Net Additions</u> <u>and Deletions</u>	<u>Balance</u> <u>June 30, 2018</u>
<b>Primary Government</b>			
<b>Governmental Activities</b>	\$ 1,050,149	\$ 70,705	\$ 1,120,854
Total Governmental Activities	1,050,149	70,705	1,120,854
<b>Business-Type Activities</b>			
<b>Enterprise Fund</b>	294,423	146,934	441,357
Total Business-Type Activities	294,423	146,934	441,357
Total Primary Government	<u>\$ 1,344,572</u>	<u>\$ 217,639</u>	<u>\$ 1,562,211</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 3.4% at June 30, 2018, which is above the state average of 3.3%.

The fiscal year 2019 adopted budget anticipates General Fund revenues and expenditures to be \$356,656 a 27.39% increase over the fiscal year 2018 budget. Revenues are comprised primarily of taxes at 56.13% with Real Estate and Personal Property Taxes comprising 10.89%.

## **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 B.T. Fitzpatrick, III, Town Manager, Town of Boones Mill, Virginia, telephone 540-334-5404.

# **BASIC FINANCIAL STATEMENTS**

## Town of Boones Mill, Virginia

## Statement of Net Position

At June 30, 2018

	<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	\$ 56,721	\$ 18,558	\$ 75,279
Due from other governments	61,964	-	61,964
Receivables, net	19,879	26,932	46,811
<b>Capital Assets</b>			
Land	70,218	418,200	488,418
Construction-in-progress	192,757	-	192,757
Buildings and improvements	2,365,328	5,640	2,370,968
Furniture, equipment, and vehicles	71,337	434,571	505,908
Infrastructure	-	3,489,967	3,489,967
Less: Accumulated depreciation	<u>(155,121)</u>	<u>(959,194)</u>	<u>(1,114,315)</u>
Capital Assets, Net	<u>2,544,519</u>	<u>3,389,184</u>	<u>5,933,703</u>
 Total Assets	 <u>\$ 2,683,083</u>	 <u>\$ 3,434,674</u>	 <u>\$ 6,117,757</u>
<b>Liabilities</b>			
Accounts payable	\$ 24,182	\$ 17,888	\$ 42,070
Accrued liabilities	5,243	-	5,243
Prepaid deposit	500	-	500
Water deposits	-	2,700	2,700
<b>Long-Term Liabilities</b>			
<i>Due within one year</i>			
Notes payable	121,468	31,736	153,204
<i>Due in more than one year</i>			
Notes payable	<u>999,386</u>	<u>409,621</u>	<u>1,409,007</u>
 Total Liabilities	 1,150,779	 461,945	 1,612,724
<b>Net Position</b>			
Net investment in capital assets	1,423,665	2,947,827	4,371,492
Restricted	43,539	-	43,539
Unrestricted	<u>65,100</u>	<u>24,902</u>	<u>90,002</u>
 Total Net Position	 <u>1,532,304</u>	 <u>2,972,729</u>	 <u>4,505,033</u>
 Total Liabilities and Net Position	 <u>\$ 2,683,083</u>	 <u>\$ 3,434,674</u>	 <u>\$ 6,117,757</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, 2018

<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	\$ 244,538	\$ -	\$ 10,000	\$ (234,538)	\$ (234,538)
Public safety	50,876	53,084	17,104	19,312	19,312
Public works	38,565	-	-	(38,565)	(38,565)
Community development	100,936	-	209,524	108,588	108,588
Parks, recreation, and cultural	6,349	-	-	(6,349)	(6,349)
Debt service	56,570	-	-	(56,570)	(56,570)
Total Governmental Activities	497,834	53,084	236,628	(208,122)	(208,122)
<b>Business-Type Activities</b>					
Water and sewer funds	287,177	187,358	-	\$ (99,819)	(99,819)
Total Business-Type Activities	287,177	187,358	-	(99,819)	(99,819)
Total Primary Government	\$ 785,011	\$ 240,442	\$ 236,628	(99,819)	(307,941)
<b>General Revenues</b>					
<b>Taxes</b>					
General property taxes, real and personal				42,826	-
Other local taxes				109,309	-
Unrestricted revenues from use of money and property				91,833	-
Grants and contributions not restricted to specific programs				6,760	-
Miscellaneous				14,210	4,904
<b>Transfers</b>				(17,025)	17,025
Total General Revenues and Transfers				247,913	21,929
Change in Net Position				39,791	(77,890)
Net Position - Beginning of Year				1,492,513	3,050,619
Net Position - End of Year				\$ 1,532,304	\$ 2,972,729
				\$ 4,543,132	\$ 4,505,033

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, 2018

	<u>General Fund</u>	<u>Capital Projects Grant Fund</u>	<u>Total Governmental Funds</u>
<b>Assets</b>			
Cash and investments	\$ 54,890	\$ 1,831	\$ 56,721
Due from other governments	-	61,964	61,964
Other receivables	350	-	350
Property taxes receivable	13,645	-	13,645
Rental receivable	5,884	-	5,884
	<u>5,884</u>	<u>-</u>	<u>5,884</u>
Total Assets	<u>\$ 74,769</u>	<u>\$ 63,795</u>	<u>\$ 138,564</u>
<b>Liabilities</b>			
Accounts payable	\$ 3,926	\$ 20,256	\$ 24,182
Accrued liabilities	5,243	-	5,243
Prepaid deposit	500	-	500
	<u>500</u>	<u>-</u>	<u>500</u>
Total Liabilities	9,669	20,256	29,925
<b>Deferred Inflows of Resources</b>			
Unavailable revenue - taxes	13,645	-	13,645
	<u>13,645</u>	<u>-</u>	<u>13,645</u>
Total Deferred Inflows of Resources	13,645	-	13,645
<b>Fund Balance</b>			
Restricted	-	43,539	43,539
Unassigned	51,455	-	51,455
	<u>51,455</u>	<u>-</u>	<u>51,455</u>
Total Fund Balance	<u>51,455</u>	<u>43,539</u>	<u>94,994</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 74,769</u>	<u>\$ 63,795</u>	<u>\$ 138,564</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, 2018

Total Fund Balances for Governmental Funds	\$	94,994
--	----	--------

**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>2,474,301</u>

Total Capital Assets	2,544,519
----------------------	-----------

Other assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds financial statements.

Unavailable revenue - taxes	13,645
-----------------------------	--------

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>(1,120,854)</u>
---------------	--------------------

Total	<u>(1,120,854)</u>
-------	--------------------

Total Net Position of Governmental Activities	<u>\$ 1,532,304</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, 2018

	<u>General Fund</u>	<u>Capital Projects Grant Fund</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>			
Property taxes	\$ 39,595	\$ -	\$ 39,595
Other local taxes	109,309	-	109,309
Fines and forfeitures	53,084	-	53,084
Use of money and property	91,833	-	91,833
Miscellaneous	14,210	-	14,210
Operating grants	-	95,094	95,094
<i>Intergovernmental</i>			
Revenue from the Commonwealth of Virginia	33,864	4,430	38,294
Revenue from the Federal Government	-	110,000	110,000
	<u>341,895</u>	<u>209,524</u>	<u>551,419</u>
<b>Expenditures</b>			
<b>Current</b>			
General government administration	183,663	-	183,663
Public safety	42,261	-	42,261
Public works	38,565	-	38,565
Community development	-	100,936	100,936
Parks, recreation, and cultural	6,349	192,757	199,106
Debt service	80,865	-	80,865
	<u>351,703</u>	<u>293,693</u>	<u>645,396</u>
Excess (Deficiency) of Revenues Over Expenditures	(9,808)	(84,169)	(93,977)
<b>Other Financing Sources (Uses)</b>			
Issuance of debt	95,000	-	95,000
Transfers	(124,711)	107,686	(17,025)
	<u>(29,711)</u>	<u>107,686</u>	<u>77,975</u>
Net Change in Fund Balance	(39,519)	23,517	(16,002)
Fund Balance - Beginning of Year	<u>90,974</u>	<u>20,022</u>	<u>110,996</u>
Fund Balance - End of Year	<u>\$ 51,455</u>	<u>\$ 43,539</u>	<u>\$ 94,994</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, 2018

Net Change in Fund Balances - Total Governmental Funds \$ (16,002)

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

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 as depreciation expense.

Capitalized assets	\$ 192,757	
Depreciation	<u>(69,490)</u>	123,267

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.

3,231

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.

Issuance of debt		(95,000)
Repayments on debt		<u>24,295</u>

Change in Net Position of Governmental Activities \$ 39,791

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, 2018

	<b>Business-Type Activities - Water and Sewer Fund</b>
<b>Assets</b>	
<b>Current Assets</b>	
Cash and cash equivalents	\$ 18,558
Receivables, net	<u>26,932</u>
Total Current Assets	45,490
<b>Capital Assets</b>	
Land	418,200
Buildings and improvements	5,640
Furniture, equipment, and vehicles	434,571
Infrastructure	3,489,967
Less: Accumulated depreciation	<u>(959,194)</u>
Total Noncurrent Assets	<u>3,389,184</u>
Total Assets	<u>\$ 3,434,674</u>
<b>Liabilities</b>	
<b>Current Liabilities</b>	
Accounts payable and accrued liabilities	\$ 17,888
Current portion of long-term debt	<u>31,736</u>
Total Current Liabilities	49,624
<b>Noncurrent Liabilities</b>	
Water deposits	2,700
Long-term debt, net of current portion	<u>409,621</u>
Total Noncurrent Liabilities	<u>412,321</u>
Total Liabilities	461,945
<b>Net Position</b>	
Net investment in capital assets	2,947,827
Unrestricted	<u>24,902</u>
Total Net Position	<u>2,972,729</u>
Total Liabilities and Net Position	<u>\$ 3,434,674</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, 2018

	<b>Business-Type Activities - Water and Sewer Fund</b>
<b>Operating Revenues</b>	
Water and sewer charges	\$ 169,410
Connections fees	10,000
Finance charges	7,948
Miscellaneous	<u>4,904</u>
Total Operating Revenues	192,262
<b>Operating Expenses</b>	
Salaries	88,719
Fringe benefits	27,778
Depreciation	101,089
Fuel	4,432
Insurance	4,778
Miscellaneous	3,085
Office expense	3,967
Postage	2,053
Professional fees	3,075
Software maintenance	2,295
Utilities/telephone	9,451
Vehicle and equipment repairs and maintenance	653
Water and sewer fees	3,318
Water and sewer maintenance	23,943
Water testing	<u>2,416</u>
Total Operating Expenses	<u>281,052</u>
Operating Loss	(88,790)
<b>Nonoperating Revenues (Expenses)</b>	
Interest expense	<u>(6,125)</u>
Total Nonoperating Revenues (Expenses)	<u>(6,125)</u>
Loss Before Transfers	(94,915)
Operating Transfers	<u>17,025</u>
Net Operating Transfers	<u>17,025</u>
Change in Net Position	(77,890)
Total Net Position - Beginning of Year	<u>3,050,619</u>
Total Net Position - End of Year	<u>\$ 2,972,729</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, 2018

	<b>Business-Type Activities - Water and Sewer Fund</b>
<b>Cash Flows from Operating Activities</b>	
Receipts from customers	\$ 195,526
Payments to personnel and related costs	(116,497)
Payments to suppliers	<u>(52,623)</u>
Net Cash Provided by Operating Activities	26,406
<b>Cash Flows from Noncapital Financing Activities</b>	
Transfer from (to) other funds	<u>17,025</u>
Net Cash Provided by Noncapital Financing Activities	17,025
<b>Cash Flows from Capital and Related Financing Activities</b>	
Purchase of capital assets	(171,518)
Proceeds of long-term debt	171,518
Payment on long-term debt - principal	(24,584)
Payment on long-term debt - interest	<u>(6,125)</u>
Net Cash Used in Capital and Related Financing Activities	(30,709)
Net Increase in Cash and Cash Equivalents	12,722
Cash and Cash Equivalents - Beginning of Year	<u>5,836</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 18,558</u></u>
<b>Reconciliation of Operating Loss to Net Cash Provided by Operating Activities</b>	
Operating loss	\$ (88,790)
<i>Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities</i>	
Depreciation expense	101,089
<i>Changes in assets and liabilities</i>	
Receivables, net	3,064
Accounts payable and accrued liabilities	10,843
Water deposits	<u>200</u>
Net Cash Provided by Operating Activities	<u><u>\$ 26,406</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, 2018

## 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, 2018.
  - *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, 2018 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, 2018.

#### **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 \$4,835 at June 30 for trade receivables.

Water and sewer receivables	\$ 31,767
Less: Allowance for uncollectibles	<u>(4,835)</u>
Water and Sewer Receivables, Net	<u>\$ 26,932</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 10% penalty or \$10 minimum is levied on all taxes not collected on or before their due date. An interest charge of 10% 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**

The Statement of Net Position includes a separate section for Deferred Outflows of Resources. This represents the usage of net position applicable to future periods and will be recognized as expenditures in the future period to which it applies.

The Statement of Net Position also includes a separate section for Deferred Inflows of Resources. This represents the acquisition of net position applicable to future periods and will be recognized as revenue in the future period to which it applies.

Deferred Inflows of Resources in the Governmental Funds Balance Sheet include unavailable revenue. Unavailable revenue consists primarily of special assessment, loans, and notes receivable.

#### **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 Adoption of New GASB Statements**

The Town adopted the following GASB statement during the fiscal year ended June 30, 2018.

GASB Statement No. 75-*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective for the Town's fiscal year ending June 30, 2018.

#### **1-F. 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.

## **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 \$71,732 in the general fund.

### **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, 2018</u>		
Deposit accounts	\$ 75,279		
Total Cash	<u>\$ 75,279</u>		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Primary Government</b>			
Cash and cash equivalents	<u>\$ 56,721</u>	<u>\$ 18,558</u>	<u>\$ 75,279</u>

### 4 Receivables

Receivables at June 30, 2018 consist of the following:

<u>Receivables</u>	<u>Primary Government</u>	
	<u>Governmental Activities General</u>	<u>Business-Type Activities</u>
Property taxes	\$ 13,645	\$ -
Other	350	-
Rental	5,884	-
Water and sewer	-	31,767
Total Receivables	19,879	31,767
Less: Allowance for doubtful accounts	-	(4,835)
Net Receivables	<u>\$ 19,879</u>	<u>\$ 26,932</u>

## 5 Interfund Transfers

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

<b>Primary Government</b>	<u>Transfer to</u>	<u>Transfer from</u>
<b>General Fund</b>		
To Water and Sewer Fund	\$ 17,025	\$ -
From Grant Fund	<u>107,686</u>	<u>-</u>
Total General Fund	124,711	-
<b>Water and Sewer Fund</b>		
From General Fund	<u>-</u>	<u>17,025</u>
Total Water and Sewer Fund	-	17,025
<b>Grant Fund</b>		
To General Fund	<u>-</u>	<u>107,686</u>
Total Grant Fund	<u>-</u>	<u>107,686</u>
Total Transfers	<u>\$ 124,711</u>	<u>\$ 124,711</u>

Transfers between funds were primarily to support operations of the funds.

## 6 Capital Assets

The following is a summary of changes in capital assets:

### Governmental Activities

	<u>Balance July 1, 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2018</u>
<b>Capital Assets Not Being Depreciated</b>				
Land	\$ 70,218	\$ -	\$ -	\$ 70,218
Construction-in-progress	<u>-</u>	<u>192,757</u>	<u>-</u>	<u>192,757</u>
Total Capital Assets Not Being Depreciated	70,218	192,757	-	262,975
<b>Other Capital Assets</b>				
Buildings and improvements	2,365,328	-	-	2,365,328
Furniture, equipment, and vehicles	<u>71,337</u>	<u>-</u>	<u>-</u>	<u>71,337</u>
Total Other Capital Assets	2,436,665	-	-	2,436,665
<b>Less: Accumulated depreciation for</b>				
Buildings and improvements	51,130	59,831	-	110,961
Furniture, equipment, and vehicles	<u>34,501</u>	<u>9,659</u>	<u>-</u>	<u>44,160</u>
Total Accumulated Depreciation	<u>85,631</u>	<u>69,490</u>	<u>-</u>	<u>155,121</u>
Other Capital Assets, Net	<u>2,351,034</u>	<u>(69,490)</u>	<u>-</u>	<u>2,281,544</u>
Net Capital Assets	<u>\$ 2,421,252</u>	<u>\$ 123,267</u>	<u>\$ -</u>	<u>\$ 2,544,519</u>

Depreciation expense was allocated as follows:

General government administration	\$ 60,875
Public safety	<u>8,615</u>
Total Depreciation Expense	<u>\$ 69,490</u>

**Business-Type Activities**

	<u>Balance July 1, 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2018</u>
<b>Capital Assets Not Being Depreciated</b>				
Land	\$ 418,200	-	-	\$ 418,200
Construction-in-progress	<u>67,895</u>	<u>-</u>	<u>67,895</u>	<u>-</u>
Total Capital Assets Not Being Depreciated	486,095	-	67,895	418,200
<b>Other Capital Assets</b>				
Buildings and improvements	5,640	-	-	5,640
Furniture, equipment, and vehicles	434,571	-	-	434,571
Infrastructure	<u>3,250,554</u>	<u>239,413</u>	<u>-</u>	<u>3,489,967</u>
Total Other Capital Assets	3,690,765	239,413	-	3,930,178
<b>Less: Accumulated depreciation for</b>				
Buildings and improvements	5,640	-	-	5,640
Furniture, equipment, and vehicles	385,197	15,037	-	400,234
Infrastructure	<u>467,268</u>	<u>86,052</u>	<u>-</u>	<u>553,320</u>
Total Accumulated Depreciation	<u>858,105</u>	<u>101,089</u>	<u>-</u>	<u>959,194</u>
Other Capital Assets, Net	<u>2,832,660</u>	<u>138,324</u>	<u>-</u>	<u>2,970,984</u>
Net Capital Assets	<u>\$ 3,318,755</u>	<u>138,324</u>	<u>67,895</u>	<u>\$ 3,389,184</u>

**7 Long-Term Debt**

**PRIMARY GOVERNMENT**

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

<u>Year Ended June 30.</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 121,468	\$ 46,402	\$ 167,870
2020	38,772	44,744	83,516
2021	39,605	43,009	82,614
2022	34,741	41,266	76,007
2023	26,509	39,875	66,384
2024-2028	152,245	179,671	331,916
2029-2033	191,146	140,771	331,917
2034-2038	239,993	91,923	331,916
2039-2043	<u>276,375</u>	<u>30,735</u>	<u>307,110</u>
Total	<u>\$ 1,120,854</u>	<u>\$ 658,396</u>	<u>\$ 1,779,250</u>

<u>Year Ended June 30,</u>	<u>Business-Type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 31,736	\$ 5,241	\$ 36,977
2020	32,308	4,670	36,978
2021	32,899	4,078	36,977
2022	28,530	3,556	32,086
2023	28,833	3,161	31,994
2024-2028	150,422	9,550	159,972
2029-2033	91,480	704	92,184
2034-2037	45,149	-	45,149
<b>Total</b>	<b>\$ 441,357</b>	<b>\$ 30,960</b>	<b>\$ 472,317</b>

### Changes in Long-Term Debt

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

	<u>Balance July 1, 2017</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2018</u>	<u>Due Within One Year</u>
<b>Primary Government</b>					
<b>Governmental Activities</b>					
<b>General Fund</b>					
<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%.	\$ 29,390	\$ 55,000	\$ 37	\$ 84,353	\$ 84,353
<i>Virginia Community Capital Bank</i>					
The loan is payable in 60 monthly installments of \$943.56 with an interest rate of 5.00%. This note had a principal amount of \$50,000.	48,680	-	9,068	39,612	9,569
<i>Carter Bank &amp; Trust</i>					
The loan is payable in 48 monthly installments of \$484.20 with an interest rate of 2.50%. This note had a principal amount of \$22,079 used to purchase a police vehicle.	22,079	-	6,213	15,866	5,448
<i>Virginia Community Capital Bank</i>					
The loan was a construction loan with monthly interest only payments due until converted to a permanent loan on February 5, 2018. The loan is payable in 300 monthly installments of \$4,168.74 with an interest rate of 4.50%.	750,000	-	6,739	743,261	16,929
<i>Virginia Community Capital Bank</i>					
The loan was a construction loan with monthly interest only payments due until converted to a permanent loan on February 5, 2018. The loan is payable in 300 monthly installments of \$1,363.20 with an interest rate of 4.75%.	200,000	40,000	2,238	237,762	5,169
<b>Total Governmental Activities</b>	<b>1,050,149</b>	<b>95,000</b>	<b>24,295</b>	<b>1,120,854</b>	<b>121,468</b>

	<u>Balance</u> <u>July 1, 2017</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2018</u>	<u>Due Within</u> <u>One Year</u>
<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.	208,303	-	14,076	<b>194,227</b>	14,781
<i>Virginia Resources Authority</i>					
Semiannual payments will be approximately \$6,267 with no stated payable interest through November 1, 2037. This note had a principal amount of \$239,413, proceeds used to rehab the pump station.	67,895	171,518	6,267	<b>233,146</b>	12,533
<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.	<u>18,225</u>	<u>-</u>	<u>4,241</u>	<u><b>13,984</b></u>	<u>4,422</u>
Total Enterprise Funds	<u>294,423</u>	<u>171,518</u>	<u>24,584</u>	<u><b>441,357</b></u>	<u>31,736</u>
Grand Total - All Debt	<u><b>\$ 1,344,572</b></u>	<u><b>\$ 266,518</b></u>	<u><b>\$ 48,879</b></u>	<u><b>\$ 1,562,211</b></u>	<u><b>\$ 153,204</b></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, 2018 is determined as follows:

	<u>Governmental</u> <u>Activities</u>	<u>Business-</u> <u>Type</u> <u>Activities</u>
<b>Net Investment in Capital Assets</b>		
Cost of capital assets	\$ 2,699,640	\$ 4,348,378
Less: Accumulated depreciation	<u>155,121</u>	<u>959,194</u>
Book value	2,544,519	3,389,184
Less: Capital related debt	<u>1,120,854</u>	<u>441,357</u>
Net Investment in Capital Assets	<u><b>\$ 1,423,665</b></u>	<u><b>\$ 2,947,827</b></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>\$ 13,645</u>
Total Deferred Inflows of Resources - Governmental Funds	<u><b>\$ 13,645</b></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.

Surety bond coverage is as follows:

Jean Rucker - Treasurer/Clerk	\$ 100,000
-------------------------------	------------

## 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, 2018, 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 10% 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 Property	<u>\$ 21,154,593</u>
Debt Limit per Constitution of Virginia - 10% Assessed Value	\$ 2,115,459
<i>Amount of Debt Applicable to Debt Limit</i>	
Gross debt	<u>1,120,854</u>
Legal Debt Margin - June 30, 2018	<u>\$ 994,605</u>

**Note:** Includes all long-term general obligation bonded debt. Excludes capital leases and compensated absences.

## **14** Subsequent Events

Management has performed an analysis of the activities and transactions subsequent to June 30, 2018 to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended June 30, 2018. Management has performed their analysis through February 8, 2019.

# **REQUIRED SUPPLEMENTARY INFORMATION**

Town of Boones Mill, Virginia

Budgetary Comparison Schedule

Year Ended June 30, 2018

General Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
<b>Revenues</b>				
<b>General Property Taxes</b>				
Real estate taxes	\$ 25,720	\$ 25,720	\$ 25,665	\$ (55)
Personal property taxes	10,002	10,002	9,917	(85)
Delinquent taxes	-	-	630	630
Penalties and interest	-	-	3,383	3,383
Total General Property Taxes	<u>35,722</u>	<u>35,722</u>	<u>39,595</u>	<u>3,873</u>
<b>Other Local Taxes</b>				
Bank franchise taxes	28,365	28,365	26,158	(2,207)
Local sales taxes	8,980	8,980	9,100	120
Meals tax	42,000	42,000	49,424	7,424
Gross receipts tax	18,000	18,000	18,844	844
Utility taxes	<u>5,200</u>	<u>5,200</u>	<u>5,783</u>	<u>583</u>
Total Other Local Taxes	<u>102,545</u>	<u>102,545</u>	<u>109,309</u>	<u>6,764</u>
<b>Fines and Forfeitures</b>	40,000	40,000	53,084	13,084
<b>Revenue from Use of Money and Property</b>				
Revenue from use of money	-	-	231	231
Revenue from use of property	<u>89,100</u>	<u>89,100</u>	<u>91,602</u>	<u>2,502</u>
Total Use of Money and Property	<u>89,100</u>	<u>89,100</u>	<u>91,833</u>	<u>2,733</u>
<b>Miscellaneous</b>				
Insurance recoveries	-	-	8,689	8,689
Miscellaneous	<u>-</u>	<u>-</u>	<u>5,521</u>	<u>5,521</u>
Total Miscellaneous	<u>-</u>	<u>-</u>	<u>14,210</u>	<u>14,210</u>
<b>Intergovernmental</b>				
<i>Revenue from the Commonwealth of Virginia</i>				
<i>Noncategorical Aid</i>				
Railroad Rolling Stock Tax	2,300	2,300	2,272	(28)
Communications tax	3,200	3,200	3,089	(111)
PPTRA	<u>-</u>	<u>-</u>	<u>1,399</u>	<u>1,399</u>
Total Noncategorical Aid	<u>5,500</u>	<u>5,500</u>	<u>6,760</u>	<u>1,260</u>
<i>Categorical Aid</i>				
Fire Program	-	-	10,000	10,000
Police Department	7,104	7,104	7,104	-
Tobacco Commission	<u>-</u>	<u>-</u>	<u>10,000</u>	<u>10,000</u>
Total Categorical Aid	<u>7,104</u>	<u>7,104</u>	<u>27,104</u>	<u>20,000</u>
Total Intergovernmental	<u>12,604</u>	<u>12,604</u>	<u>33,864</u>	<u>21,260</u>
Total Revenues	279,971	279,971	341,895	61,924

	<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	12,400	12,400	3,500	8,900
Salaries and wages	91,813	91,813	93,384	(1,571)
Payroll taxes and fringe benefits	48,351	48,351	32,329	16,022
Professional fees	5,000	5,000	9,846	(4,846)
Office	4,470	4,470	9,087	(4,617)
Miscellaneous	14,169	14,169	19,902	(5,733)
Telephone	4,000	4,000	4,040	(40)
Advertising	400	400	5,827	(5,427)
Insurance	6,525	6,525	4,078	2,447
Postage	300	300	858	(558)
Fees and contributions	300	300	812	(512)
Total General Government Administration	<u>187,728</u>	<u>187,728</u>	<u>183,663</u>	<u>4,065</u>
<b>Public Safety</b>				
<i>Police Department</i>				
Salaries	-	-	13,380	(13,380)
Vehicle	1,500	1,500	6,541	(5,041)
Fuel	5,000	5,000	5,025	(25)
Uniforms and equipment	4,800	4,800	1,313	3,487
Miscellaneous	3,160	3,160	6,002	(2,842)
Total Police Department	<u>14,460</u>	<u>14,460</u>	<u>32,261</u>	<u>(17,801)</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>14,460</u>	<u>14,460</u>	<u>42,261</u>	<u>(27,801)</u>
<b>Public Works</b>				
<i>Building and Grounds</i>				
Electricity	20,000	20,000	15,152	4,848
Repairs	7,750	7,750	23,413	(15,663)
Total Building and Grounds	<u>27,750</u>	<u>27,750</u>	<u>38,565</u>	<u>(10,815)</u>
Total Public Works	<u>27,750</u>	<u>27,750</u>	<u>38,565</u>	<u>(10,815)</u>
<b>Parks, Recreation, and Cultural</b>				
Train depot	-	-	5,693	(5,693)
Farmer's market	-	-	656	(656)
Total Parks, Recreation, and Cultural	<u>-</u>	<u>-</u>	<u>6,349</u>	<u>(6,349)</u>

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance With Final Budget Positive (Negative)</b>
<b>Debt Service</b>	<u>50,033</u>	<u>50,033</u>	<u>80,865</u>	<u>(30,832)</u>
Total Expenditures	<u>279,971</u>	<u>279,971</u>	<u>351,703</u>	<u>(71,732)</u>
Excess (Deficiency) of Revenues Over Expenditures	-	-	(9,808)	(9,808)
<b>Other Financing Sources (Uses)</b>				
Issuance of debt	-	-	95,000	95,000
Operating transfers in (out)	<u>-</u>	<u>-</u>	<u>(124,711)</u>	<u>(124,711)</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(29,711)</u>	<u>(29,711)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	(39,519)	<u>\$ (39,519)</u>
Fund Balance - Beginning of Year			<u>90,974</u>	
Fund Balance - End of Year			<u>\$ 51,455</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  
Kimberly W. Jackson, CPA*

*Nadine L. Chase, CPA  
Monique A. Lubick, 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, 2018, 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 February 8, 2019.

**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.

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

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

South Hill, Virginia  
February 8, 2019