



TOWN OF FARMVILLE, VIRGINIA

FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2020

TOWN OF FARMVILLE, VIRGINIA

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INTRODUCTORY SECTION

TOWN OF FARMVILLE, VIRGINIA
DIRECTORY OF PRINCIPAL OFFICIALS

TOWN COUNCIL

David Whitus – Mayor
Chuckie Reid – Vice Mayor

Greg Cole
Donald Hunter
Dan Dwyer

Brian Vincent
Jamie Davis
Tommy Pairet

OTHER OFFICIALS

C. Scott Davis.....	Town Manager
Vacant.....	Assistant Town Manager
Carol Anne Seal.....	Treasurer
Lisa Hricko	Town Clerk
Gary Elder	Town Attorney
Andy Ellington	Chief of Police
Dean Farmer	Fire Chief
Robin Atkins.....	Director of Public Works
Chris Bolt	Director of Recreation

FINANCIAL SECTION

**Financial Section contains the
Basic Financial Statements.**

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of Town Council
Town of Farmville, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Farmville, Virginia (the "Town"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Farmville, Virginia, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund, 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 other required supplementary information, as listed in the table of contents, 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 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.

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is also not a required part of the basic financial statements.

Other Matters (Continued)

Other Information (Continued)

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2020 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the Town'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's internal control over financial reporting and compliance.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Lynchburg, Virginia
December 14, 2020

BASIC FINANCIAL STATEMENTS

TOWN OF FARMVILLE, VIRGINIA

STATEMENT OF NET POSITION

June 30, 2020

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Totals	Industrial Development Authority
ASSETS				
Cash and investments (Note 2)				
Unrestricted	\$ 860,979	\$ 3,716,431	\$ 4,577,410	\$ 90,616
Restricted	2,510,494	-	2,510,494	-
Receivables, net (Note 3)	512,012	735,070	1,247,082	3,745
Note receivable (Note 7)	-	95,000	95,000	27,722
Due from component unit (Note 5)	40,747	-	40,747	-
Due from other governments (Note 6)	579,114	407,712	986,826	-
Prepays	-	6,000	6,000	8,057
Inventories	10,630	156,166	166,796	-
Note receivable, long-term (Note 7)	-	475,000	475,000	184,135
Due from component unit, long-term (Note 5)	698,364	-	698,364	-
Capital assets: (Note 8)				
Non-depreciable	6,951,291	6,300,989	13,252,280	-
Depreciable, net	16,079,899	5,991,209	22,071,108	-
Total assets	28,243,530	17,883,577	46,127,107	314,275
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to other postemployment benefits (Note 13)	274,432	81,237	355,669	-
LIABILITIES				
Accounts payable	829,946	447,097	1,277,043	3,531
Accrued payroll and related liabilities	236,916	65,308	302,224	-
Accrued interest	85,172	35,786	120,958	-
Due to primary government (Note 5)	-	-	-	40,747
Refundable deposits	18,100	101,173	119,273	-
Long-term liabilities:				
Due to primary government (Note 5)	-	-	-	698,364
Net other postemployment benefit liability (Note 13)	1,824,465	540,076	2,364,541	-
Due within one year (Note 9)	1,743,523	226,504	1,970,027	-
Due in more than one year (Note 9)	8,082,684	3,266,259	11,348,943	-
Total liabilities	12,820,806	4,682,203	17,503,009	742,642
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to other postemployment benefits (Note 13)	205,898	60,949	266,847	-
NET POSITION				
Net investment in capital assets	14,250,923	8,938,061	23,188,984	-
Restricted for:				
Debt service	1,599,213	-	1,599,213	-
Grants and forfeiture funds	911,281	-	911,281	-
Unrestricted	(1,270,159)	4,283,601	3,013,442	(428,367)
Total net position	\$ 15,491,258	\$ 13,221,662	\$ 28,712,920	\$ (428,367)

The Notes to Financial Statements are an integral part of this statement.

EXHIBIT 2

TOWN OF FARMVILLE, VIRGINIA

STATEMENT OF ACTIVITIES
Year Ended June 30, 2020

		Program Revenues			Net (Expense) Revenue and Changes in Net Position			
					Primary Government		Component Unit	
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Industrial Development Authority
Primary Government:								
Governmental activities:								
General government	\$ 1,770,152	\$ 482,762	\$ -	\$ -	\$ (1,287,390)		\$ (1,287,390)	
Public safety	4,196,635	388,476	553,290	153,156	(3,101,713)		(3,101,713)	
Public works	5,180,042	394,561	1,732,570	-	(3,052,911)		(3,052,911)	
Parks, recreation, and cultural	807,018	327,193	7,472	1,813,354	1,341,001		1,341,001	
Community development	302,476	426,360	-	-	123,884		123,884	
Interest on long-term debt	190,488	-	-	-	(190,488)		(190,488)	
Total governmental activities	12,446,811	2,019,352	2,293,332	1,966,510	(6,167,617)		(6,167,617)	
Business-type activities:								
Water	1,777,878	1,830,124	-	-		\$ 52,246	52,246	
Sewer	1,314,541	2,145,798	2,000	-		833,257	833,257	
Transportation	956,757	9,934	908,807	-		(38,016)	(38,016)	
Airport	239,362	80,429	3,700,174	-		3,541,241	3,541,241	
Total business-type activities	4,288,538	4,066,285	4,610,981	-		4,388,728	4,388,728	
Total primary government	\$ 16,735,349	\$ 6,085,637	\$ 6,904,313	\$ 1,966,510	(6,167,617)	4,388,728	(1,778,889)	
Component unit:								
Industrial Development Authority	\$ 78,978	\$ 101,748	\$ -	\$ 10,000	-	-	-	\$ 32,770
General revenues:								
			Real estate and personal property taxes		953,412	-	953,412	-
Other taxes:								
			Local sales and use taxes		394,407	-	394,407	-
			Consumption tax		29,552	-	29,552	-
			Consumers' utility taxes		365,688	-	365,688	-
			Business licenses		1,530,475	-	1,530,475	-
			Franchise license taxes		193,110	-	193,110	-
			Motor vehicle licenses		88,951	-	88,951	-
			Cigarette taxes		211,100	-	211,100	-
			Meals and lodging taxes		3,087,839	-	3,087,839	-
			Noncategorical state and federal aid		449,845	-	449,845	-
			Investment income		150,650	412	151,062	5,818
			Miscellaneous		587,679	386,150	973,829	-
			Transfers		843,056	(843,056)	-	-
			Total general revenues and transfers		8,885,764	(456,494)	8,429,270	5,818
			Change in net position		2,718,147	3,932,234	6,650,381	38,588
			Net position – beginning		12,773,111	9,289,428	22,062,539	(466,955)
			Net position – ending		\$ 15,491,258	\$ 13,221,662	\$ 28,712,920	\$ (428,367)

The Notes to Financial Statements are an integral part of this statement.

TOWN OF FARMVILLE, VIRGINIA

**BALANCE SHEET –
GOVERNMENTAL FUNDS
June 30, 2020**

	General	Street Maintenance	Nonmajor Governmental Fund	Total
ASSETS				
Cash and investments	\$ 57,169	\$ 803,810	\$ -	\$ 860,979
Cash and investments – restricted	2,509,176	-	1,318	2,510,494
Receivables, net				
Taxes	381,560	-	-	381,560
Accounts	62,152	-	-	62,152
Other	68,300	-	-	68,300
Due from component unit	739,111	-	-	739,111
Due from other governments	579,114	-	-	579,114
Inventories, net	10,630	-	-	10,630
Total assets	<u>\$ 4,407,212</u>	<u>\$ 803,810</u>	<u>\$ 1,318</u>	<u>\$ 5,212,340</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 472,778	\$ 357,168	\$ -	\$ 829,946
Accrued payroll and related liabilities	220,422	16,494	-	236,916
Refundable deposits	18,100	-	-	18,100
Total liabilities	<u>711,300</u>	<u>373,662</u>	<u>-</u>	<u>1,084,962</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable/deferred revenue	<u>53,317</u>	<u>-</u>	<u>-</u>	<u>53,317</u>
FUND BALANCES				
Nonspendable	749,741	-	-	749,741
Restricted	2,509,176	-	1,318	2,510,494
Assigned	-	430,148	-	430,148
Unassigned	383,678	-	-	383,678
Total fund balances	<u>3,642,595</u>	<u>430,148</u>	<u>1,318</u>	<u>4,074,061</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 4,407,212</u>	<u>\$ 803,810</u>	<u>\$ 1,318</u>	<u>\$ 5,212,340</u>

The Notes to Financial Statements are an integral part of this statement.

TOWN OF FARMVILLE, VIRGINIA

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2020**

Total fund balances – governmental funds \$ 4,074,061

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Capital assets	\$ 51,940,198	
Accumulated depreciation	(28,909,008)	
		23,031,190

Financial statement elements related to other postemployment benefits are applicable to future periods and, therefore, are not reported in the funds.

Net other postemployment benefit liability	(1,824,465)	
Net other postemployment deferred inflows	(205,898)	
Net other postemployment deferred outflows	274,432	
		(1,755,931)

Certain other assets are also not available to pay for current period expenditures and, therefore, are reported as deferred inflows in the funds.

53,317

Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.

Bonds payable, including unamortized premiums	(8,135,415)	
Notes payable	(692,534)	
Compensated absences	(591,241)	
Accrued interest	(85,172)	
Landfill	(407,017)	
		(9,911,379)

Total net position – governmental activities \$ 15,491,258

TOWN OF FARMVILLE, VIRGINIA

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
Year Ended June 30, 2020**

	General	Street Maintenance	Nonmajor Governmental Fund	Total
REVENUES				
Property taxes	\$ 940,439	\$ -	\$ -	\$ 940,439
Other local taxes	5,901,119	-	-	5,901,119
Fines and forfeitures	104,651	-	-	104,651
Permits, privilege fees, and regulatory licenses	90,784	-	-	90,784
Revenue from use of money and property	150,586	-	64	150,650
Charges for services	962,070	-	-	962,070
Miscellaneous	587,679	-	-	587,679
Contributions	647	-	-	647
Recovered costs	861,847	-	-	861,847
Intergovernmental	3,124,922	1,732,570	5,809	4,863,301
Total revenues	12,724,744	1,732,570	5,873	14,463,187
EXPENDITURES				
Current:				
General government	1,706,222	-	-	1,706,222
Public safety	4,260,729	-	17,770	4,278,499
Public works	4,752,685	1,637,868	-	6,390,553
Parks, recreation, and cultural	745,950	-	-	745,950
Community development	309,124	-	-	309,124
Debt service:				
Principal	1,377,961	-	-	1,377,961
Interest	383,574	-	-	383,574
Total expenditures	13,536,245	1,637,868	17,770	15,191,883
Excess (deficiency) of revenues over expenditures	(811,501)	94,702	(11,897)	(728,696)
OTHER FINANCING SOURCES (USES)				
Transfers in	1,009,943	-	-	1,009,943
Transfers out	(156,944)	-	(9,943)	(166,887)
Total other financing sources (uses)	852,999	-	(9,943)	843,056
Net change in fund balances	41,498	94,702	(21,840)	114,360
FUND BALANCES				
Beginning	3,601,097	335,446	23,158	3,959,701
Ending	\$ 3,642,595	\$ 430,148	\$ 1,318	\$ 4,074,061

The Notes to Financial Statements are an integral part of this statement.

TOWN OF FARMVILLE, VIRGINIA

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2020**

Net change in fund balances – total governmental funds \$ 114,360

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

Governmental funds report outlays for capital assets as expenditures. However, in the Statement of Activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. The components of capital outlay, depreciation expense, and other various transactions involving capital assets are as follows:

Outlays for capital assets	\$ 2,469,399	
Depreciation expense	<u>(1,607,546)</u>	
		861,853

The net effect of various transactions involving capital assets (gain on disposition of assets) do not provide or use current financial resources and are not reported as revenues or expenditures in the governmental funds.		(85,204)
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Transactions involving debt principal and cash flows relating to other long-term items are expenditures in the governmental funds, however these transactions increase or decrease long-term items in the Statement of Net Position.

Principal payments on long-term debt and notes payable	1,377,961	
Amortization of premium	177,916	
Change in accrued interest	<u>15,169</u>	
		1,571,046

Governmental funds report other postemployment benefits contributions as expenditures. However, in the Statement of Activities the cost of other postemployment benefits earned net of employee contributions is reported as other postemployment benefits expense.

Employer other postemployment benefit contributions	43,190	
Other postemployment benefit expense	<u>119,969</u>	
		163,159

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

Change in landfill liability	(6,804)	
Change in compensated absences	<u>86,764</u>	
		79,960

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		<u>12,973</u>
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Total change in net position – governmental activities		<u><u>\$ 2,718,147</u></u>
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TOWN OF FARMVILLE, VIRGINIA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – GENERAL FUND
Year Ended June 30, 2020**

	Budgeted Amounts			Variances with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Property taxes				
Real property taxes	\$ 645,000	\$ 645,000	\$ 654,890	\$ 9,890
Public service corporation property taxes	34,000	34,000	46,968	12,968
Personal property taxes	192,000	192,000	214,854	22,854
Delinquent taxes	3,000	3,000	18,904	15,904
Interest on taxes	3,000	3,000	966	(2,034)
Penalties on taxes	3,000	3,000	3,857	857
	<u>880,000</u>	<u>880,000</u>	<u>940,439</u>	<u>60,439</u>
Other local taxes				
Local sales and use taxes	407,695	407,695	394,407	(13,288)
Consumption tax	27,000	27,000	29,552	2,552
Consumers' utility taxes	370,000	370,000	365,688	(4,312)
Business licenses	1,493,000	1,493,000	1,530,475	37,475
Franchise license taxes	237,300	237,300	193,110	(44,190)
Motor vehicle licenses	75,000	75,000	88,952	13,952
Cigarette taxes	195,000	195,000	211,100	16,100
Lodging taxes	736,700	736,700	475,922	(260,778)
Meals taxes	2,963,500	2,963,500	2,611,913	(351,587)
	<u>6,505,195</u>	<u>6,505,195</u>	<u>5,901,119</u>	<u>(604,076)</u>
Fines and forfeitures				
Court fines	70,000	70,000	76,088	6,088
Other fines and forfeitures	61,220	26,220	28,563	2,343
	<u>131,220</u>	<u>96,220</u>	<u>104,651</u>	<u>8,431</u>
Permits, privilege fees, and regulatory licenses				
Building permits	50,000	50,000	55,720	5,720
Other permits, licenses, and fees	41,080	28,830	35,064	6,234
	<u>91,080</u>	<u>78,830</u>	<u>90,784</u>	<u>11,954</u>
Revenue from use of money and property				
Revenue from use of money	13,125	13,125	21,441	8,316
Rental of general property and real estate	84,994	84,294	88,370	4,076
Sale of property and equipment	15,100	15,100	40,775	25,675
	<u>113,219</u>	<u>112,519</u>	<u>150,586</u>	<u>38,067</u>

(Continued)

The Notes to Financial Statements are an integral part of this statement.

TOWN OF FARMVILLE, VIRGINIA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – GENERAL FUND
Year Ended June 30, 2020**

	Budgeted Amounts		Actual	Variances with Final Budget Positive (Negative)
	Original	Final		
REVENUES (Continued)				
Charges for services				
Miscellaneous	\$ 188,882	\$ 271,632	\$ 206,130	\$ (65,502)
ICA per diem	255,000	255,000	210,670	(44,330)
Sanitation fees	343,000	343,000	348,409	5,409
Golf course charges	123,500	103,000	90,529	(12,471)
Longwood Streets	35,000	35,000	35,000	-
Parking meters	40,000	40,000	32,787	(7,213)
Public works	5,000	5,000	12,803	7,803
Grave openings	10,000	10,000	25,742	15,742
	<u>1,000,382</u>	<u>1,062,632</u>	<u>962,070</u>	<u>(100,562)</u>
Miscellaneous				
Payment from PE County for share of debt	226,299	226,299	226,299	-
Setaside account reserve	1,284,174	1,284,174	-	(1,284,174)
FM loan proceeds	68,477	-	-	-
Miscellaneous	415,625	429,802	361,380	(68,422)
	<u>1,994,575</u>	<u>1,940,275</u>	<u>587,679</u>	<u>(1,352,596)</u>
Recovered costs				
Other funds and street department	525,150	518,400	431,600	(86,800)
Library rent	180,000	180,000	180,000	-
Other recovered costs	215,643	215,643	250,247	34,604
	<u>920,793</u>	<u>914,043</u>	<u>861,847</u>	<u>(52,196)</u>
Contributions				
Other contributions	25	25	647	622
	<u>25</u>	<u>25</u>	<u>647</u>	<u>622</u>
Intergovernmental				
Revenue from the Commonwealth				
Non-categorical aid				
Communication taxes	441,000	441,000	430,381	(10,619)
Mobile home titling tax	1,500	1,500	285	(1,215)
Rolling stock taxes – motor vehicle carriers tax	100	100	187	87
Auto rental tax	65,000	65,000	59,291	(5,709)
	<u>507,600</u>	<u>507,600</u>	<u>490,144</u>	<u>(17,456)</u>
Categorical aid				
Wireless quarterly payments	82,000	82,000	89,826	7,826
Wireless 911 grant	150,000	150,000	144,913	(5,087)
Litter control grant	3,000	3,000	2,653	(347)
Law enforcement grant	175,000	175,000	185,660	10,660
Virginia tourism brochure	3,100	3,100	2,172	(928)

(Continued)

The Notes to Financial Statements are an integral part of this statement.

TOWN OF FARMVILLE, VIRGINIA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – GENERAL FUND
Year Ended June 30, 2020**

	Budgeted Amounts			Variances with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES (Continued)				
Intergovernmental (Continued)				
Categorical aid (Continued)				
Virginia commissions for the arts	\$ 5,000	\$ 5,000	\$ -	\$ (5,000)
DMV and police grants	7,800	10,800	-	(10,800)
Fire program	-	-	29,924	29,924
VML Safety grant	3,500	3,500	2,000	(1,500)
Miscellaneous police grant	40,620	16,000	18,968	2,968
	470,020	448,400	476,116	27,716
Revenue from the Federal Government				
Emergency service grants	12,180	12,180	24,360	12,180
Police related grants	13,800	35,420	32,620	(2,800)
CARES funding	-	-	20,021	20,021
VDEM funding	-	-	115,151	115,151
VDOT Grant – miscellaneous	100,800	100,800	-	(100,800)
VDOT Grant – Milnwood and Buffalo Creek	2,068,825	2,068,825	1,813,354	(255,471)
VDOT Grant – traffice signals	250,000	250,000	153,156	(96,844)
	2,445,605	2,467,225	2,158,662	(308,563)
	3,423,225	3,423,225	3,124,922	(298,303)
Total revenues	\$ 15,059,714	\$ 15,012,964	\$ 12,724,744	\$ (2,288,220)
EXPENDITURES				
Current:				
General government				
Town Council	\$ 244,933	\$ 289,933	\$ 269,322	\$ 20,611
Town Manager	1,066,805	976,755	738,033	238,722
Treasurer	722,849	804,849	698,867	105,982
	2,034,587	2,071,537	1,706,222	365,315
Public safety				
Police department	2,860,742	2,860,742	2,643,148	217,594
911 services	1,405,093	1,380,963	1,210,761	170,202
Fire services	274,141	324,141	251,791	72,350
Building inspector	161,964	161,964	136,257	25,707
Animal control	21,513	21,513	18,772	2,741
	4,723,453	4,749,323	4,260,729	488,594
Public works				
Recycling department	104,226	104,226	72,556	31,670
Sanitation	960,370	844,582	633,326	211,256
Maintenance of highways and streets	2,818,916	2,450,751	2,619,463	(168,712)

(Continued)

The Notes to Financial Statements are an integral part of this statement.

TOWN OF FARMVILLE, VIRGINIA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – GENERAL FUND
Year Ended June 30, 2020**

	Budgeted Amounts			Variances with Final Budget Positive (Negative)
	Original	Final	Actual	
EXPENDITURES (Continued)				
Current: (Continued)				
Public works (Continued)				
South Street Conference Center	\$ 15,326	\$ 15,326	\$ 10,788	\$ 4,538
Surveyor	142,059	142,059	128,240	13,819
Maintenance of building and grounds	1,504,499	1,504,499	1,207,740	296,759
Horticulturist	136,685	136,685	80,572	56,113
	<u>5,682,081</u>	<u>5,198,128</u>	<u>4,752,685</u>	<u>445,443</u>
Parks, recreation, and cultural				
Library	31,511	31,511	22,785	8,726
Appropriation – Library – Rent	180,000	180,000	180,000	-
Appropriation – Library	63,136	63,136	63,136	-
Golf course	316,367	316,367	239,680	76,687
Banquet room	62,770	62,770	24,473	38,297
Pool	65,017	65,017	43,648	21,369
Sports arena	58,090	60,368	30,198	30,170
Wilck's Lake	27,147	27,147	21,453	5,694
Train station	19,792	19,792	12,507	7,285
Parks and recreation	204,967	202,689	108,070	94,619
	<u>1,028,797</u>	<u>1,028,797</u>	<u>745,950</u>	<u>282,847</u>
Community development				
Planning and community development	268,533	268,525	200,824	67,701
Town planner	118,131	118,131	108,300	9,831
	<u>386,664</u>	<u>386,656</u>	<u>309,124</u>	<u>77,532</u>
Debt service:				
Principal	1,377,062	1,377,975	1,377,961	14
Interest	384,465	383,560	383,574	(14)
	<u>1,761,527</u>	<u>1,761,535</u>	<u>1,761,535</u>	<u>-</u>
Total expenditures	<u>15,617,109</u>	<u>15,195,976</u>	<u>13,536,245</u>	<u>1,659,731</u>
Deficiency of revenues under expenditures	<u>(557,395)</u>	<u>(183,012)</u>	<u>(811,501)</u>	<u>(628,489)</u>
OTHER FINANCING SOURCES				
Contingency	-	(374,383)	-	374,383
Transfers in	1,225,000	1,225,000	1,009,943	(215,057)
Transfers out	(667,605)	(667,605)	(156,944)	510,661
Total other financing sources	<u>557,395</u>	<u>183,012</u>	<u>852,999</u>	<u>669,987</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 41,498</u>	<u>\$ 41,498</u>

The Notes to Financial Statements are an integral part of this statement.

TOWN OF FARMVILLE, VIRGINIA

**STATEMENT OF NET POSITION –
PROPRIETARY FUNDS
June 30, 2020**

	Enterprise Funds				
	Water	Sewer	Transportation	Airport	Total
ASSETS					
CURRENT ASSETS					
Cash and investments	\$ 1,473,248	\$ 1,603,807	\$ 445,569	\$ 193,807	\$ 3,716,431
Receivables, net	452,190	282,880	-	-	735,070
Note receivable	95,000	-	-	-	95,000
Due from other governments	-	-	195,500	212,212	407,712
Prepays	-	6,000	-	-	6,000
Inventories	112,887	12,398	-	30,881	156,166
Total current assets	2,133,325	1,905,085	641,069	436,900	5,116,379
NONCURRENT ASSETS					
Note receivable	475,000	-	-	-	475,000
Capital assets:					
Non-depreciable	159,200	113,496	16,050	6,012,243	6,300,989
Depreciable, net	3,492,633	946,833	1,005,689	546,054	5,991,209
Total noncurrent assets	4,126,833	1,060,329	1,021,739	6,558,297	12,767,198
Total assets	6,260,158	2,965,414	1,662,808	6,995,197	17,883,577
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows related to other postemployment benefits	29,578	27,370	24,289	-	81,237
Total deferred outflows of resources	29,578	27,370	24,289	-	81,237
LIABILITIES					
CURRENT LIABILITIES					
Accounts payable	35,211	31,895	4,279	375,712	447,097
Accrued payroll and related liabilities	24,550	21,859	16,573	2,326	65,308
Accrued interest	35,786	-	-	-	35,786
Refundable deposits	101,173	-	-	-	101,173
Long-term liabilities, due within one year	209,406	10,418	5,641	1,039	226,504
Total current liabilities	406,126	64,172	26,493	379,077	875,868
NONCURRENT LIABILITIES					
Net other postemployment benefit liability	196,639	181,963	161,474	-	540,076
Long-term liabilities, due in more than one year	3,197,866	41,672	22,566	4,155	3,266,259
Total noncurrent liabilities	3,394,505	223,635	184,040	4,155	3,806,335
Total liabilities	3,800,631	287,807	210,533	383,232	4,682,203
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows related to other postemployment benefits	22,191	20,535	18,223	-	60,949
Total deferred inflows of resources	22,191	20,535	18,223	-	60,949
NET POSITION					
Net investment in capital assets	297,696	1,060,329	1,021,739	6,558,297	8,938,061
Unrestricted	2,169,218	1,624,113	436,602	53,668	4,283,601
	<u>\$ 2,466,914</u>	<u>\$ 2,684,442</u>	<u>\$ 1,458,341</u>	<u>\$ 6,611,965</u>	<u>\$ 13,221,662</u>

The Notes to Financial Statements are an integral part of this statement.

TOWN OF FARMVILLE, VIRGINIA

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION –
PROPRIETARY FUNDS
Year Ended June 30, 2020**

	Water	Sewer	Enterprise Funds Transportation	Airport	Total
OPERATING REVENUES					
Charges for services	\$ 1,830,124	\$ 2,145,798	\$ 9,934	\$ 80,429	\$ 4,066,285
OPERATING EXPENSES					
Salaries and wages	611,956	527,069	528,318	37,164	1,704,507
Benefits	182,354	150,633	107,680	18,280	458,947
Fuel	-	-	49,649	53,431	103,080
Professional fees	17,523	17,487	-	2,400	37,410
Sludge removal	8,915	65,218	-	-	74,133
Chemicals	75,992	101,187	-	-	177,179
Depreciation	361,160	101,310	203,013	75,293	740,776
Repairs and maintenance	159,034	90,370	37,197	9,587	296,188
Other charges	34,925	26,095	-	8,396	69,416
Utilities	99,887	138,772	10,634	13,711	263,004
Insurance	19,403	24,069	20,266	21,100	84,838
General and administrative	91,198	72,331	-	-	163,529
Total operating expenses	1,662,347	1,314,541	956,757	239,362	4,173,007
Operating income (loss)	167,777	831,257	(946,823)	(158,933)	(106,722)
NONOPERATING REVENUES (EXPENSES)					
Tap income	199,536	119,500	-	-	319,036
Rental income	69,432	-	-	6,660	76,092
Other income (expense)	30,700	(1,843)	(37,835)	-	(8,978)
Loss on disposition of assets	(4,116)	-	-	-	(4,116)
Federal and state grants	-	2,000	672,457	3,692,574	4,367,031
Other contributions	-	-	236,350	7,600	243,950
Interest income	-	54	-	358	412
Interest expense	(111,415)	-	-	-	(111,415)
Total nonoperating revenues (expenses)	184,137	119,711	870,972	3,707,192	4,882,012
Income (loss) before transfers	351,914	950,968	(75,851)	3,548,259	4,775,290
Transfers in	-	-	-	156,944	156,944
Transfers out	(100,000)	(900,000)	-	-	(1,000,000)
	(100,000)	(900,000)	-	156,944	(843,056)
Change in net position	251,914	50,968	(75,851)	3,705,203	3,932,234
Total net position – beginning	2,215,000	2,633,474	1,534,192	2,906,762	9,289,428
Total net position – ending	\$ 2,466,914	\$ 2,684,442	\$ 1,458,341	\$ 6,611,965	\$ 13,221,662

The Notes to Financial Statements are an integral part of this statement.

TOWN OF FARMVILLE, VIRGINIA

**STATEMENT OF CASH FLOWS –
PROPRIETARY FUNDS
Year Ended June 30, 2020**

	Water	Sewer	Enterprise Funds Transportation	Airport	Total
OPERATING ACTIVITIES					
Received from customers	\$ 1,804,172	\$ 2,334,193	\$ 9,934	\$ 80,429	\$ 4,228,728
Payments to suppliers for goods and services	(517,016)	(541,431)	(189,521)	(157,093)	(1,405,061)
Payments to employees for services	(661,812)	(585,053)	(509,786)	(50,668)	(1,807,319)
Nonoperating revenue (expense)	299,667	117,657	(55,851)	6,660	368,133
Net cash provided by (used in) operating activities	925,011	1,325,366	(745,224)	(120,672)	1,384,481
NONCAPITAL FINANCING ACTIVITIES					
Transfers from other funds	-	-	-	156,944	156,944
Transfers to other funds	(100,000)	(900,000)	-	-	(1,000,000)
Operating grants received	-	2,000	818,039	7,600	827,639
Net cash provided by (used in) noncapital financing activities	(100,000)	(898,000)	818,039	164,544	(15,417)
CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of capital assets	(144,490)	(47,848)	-	(3,494,817)	(3,687,155)
Capital contributions received	-	-	-	3,480,362	3,480,362
Principal payments on long-term debt	(160,000)	-	-	-	(160,000)
Interest payments on long-term debt	(147,244)	-	-	-	(147,244)
Net cash used in capital and related financing activities	(451,734)	(47,848)	-	(14,455)	(514,037)
INVESTING ACTIVITIES					
Interest on investments	-	54	-	358	412
Payments received on note receivable	95,000	-	-	-	95,000
Net cash provided by investing activities	95,000	54	-	358	95,412
Net increase in cash and investments	468,277	379,572	72,815	29,775	950,439
CASH AND CASH EQUIVALENTS					
Beginning	1,004,971	1,224,235	372,754	164,032	2,765,992
Ending	\$ 1,473,248	\$ 1,603,807	\$ 445,569	\$ 193,807	\$ 3,716,431

(Continued)

The Notes to Financial Statements are an integral part of this statement.

TOWN OF FARMVILLE, VIRGINIA

**STATEMENT OF CASH FLOWS –
PROPRIETARY FUNDS
Year Ended June 30, 2020**

	<u>Water</u>	<u>Sewer</u>	<u>Enterprise Funds Transportation</u>	<u>Airport</u>	<u>Total</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES					
Operating income (loss)	\$ 167,777	\$ 831,257	\$ (946,823)	\$ (158,933)	\$ (106,722)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	361,160	101,310	203,013	75,293	740,776
OPEB expense	130,651	84,262	89,007	-	303,920
Nonoperating revenue, net	299,667	117,657	(37,835)	6,660	386,149
Change in operating assets and liabilities					
Change in receivables	(28,866)	188,395	-	-	159,529
Change in prepaid expenses	-	(2,400)	-	-	(2,400)
Change in inventories	11,177	15,431	-	6,914	33,522
Change in accounts payable	(21,316)	(18,933)	(80,798)	(55,382)	(176,429)
Change in accrued payroll and related liabilities	1,847	8,387	28,212	4,776	43,222
Change in refundable deposits	2,914	-	-	-	2,914
	<u>925,011</u>	<u>1,325,366</u>	<u>(745,224)</u>	<u>(120,672)</u>	<u>1,384,481</u>
Net cash provided by (used in) operating activities	\$ 925,011	\$ 1,325,366	\$ (745,224)	\$ (120,672)	\$ 1,384,481
SCHEDULE OF NONCASH ACTIVITIES					
Capital assets purchases included in accounts payable	\$ -	\$ -	\$ -	\$ 324,810	\$ 324,810

The Notes to Financial Statements are an integral part of this statement.

TOWN OF FARMVILLE, VIRGINIA
STATEMENT OF FIDUCIARY NET POSITION –
FIDUCIARY FUND
June 30, 2020

	Paulette Memorial Trust Fund
	<hr/>
ASSETS	
Cash	\$ 1,173
	<hr/>
NET POSITION	
Restricted	\$ 1,173
	<hr/> <hr/>

The Notes to Financial Statements are an integral part of this statement.

TOWN OF FARMVILLE, VIRGINIA

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION –
FIDUCIARY FUND
Year Ended June 30, 2020**

	Paulette Memorial Trust Fund
	<hr/>
ADDITIONS	
Interest	\$ 3
	<hr/>
DEDUCTIONS	
Administrative expenses	265
	<hr/>
Change in net position	(262)
NET POSITION HELD IN TRUST FOR PENSION	
Beginning	1,435
	<hr/>
Ending	\$ 1,173
	<hr/> <hr/>

The Notes to Financial Statements are an integral part of this statement.

TOWN OF FARMVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 1. Summary of Significant Accounting Policies

A. The Financial Reporting Entity

The Town of Farmville, Virginia (the “Town”), which was founded in 1798, has a population of approximately 8,216 living within an area of 7.2 square miles. The Town is located in the heart of Virginia. The accompanying financial statements present the government and its component unit, which are legally separate entities for which the Town is financially accountable.

Primary Government: The Town is governed under the Town Manager-Council form of government. The Town engages in a comprehensive range of municipal services, including general government administration, public safety, transportation and environmental services, planning, community development and recreation, cultural, library, and historic activities.

Discretely Presented Component Unit: The Farmville Industrial Development Authority (the “IDA”) was created as a political subdivision of the Commonwealth of Virginia by ordinance of the Town Council pursuant to provisions of the Industrial Revenue Bond Act of the *Code of Virginia* (1950), as amended. Seven directors appointed by the Town Council of Farmville govern the IDA. The Town provides the majority of the IDA’s funding. The IDA operates as a component unit solely for the purpose of economic development for the Town. It is authorized to acquire, own, lease, and dispose of properties to the end that such activities may promote industry and develop trade by inducing enterprises to locate and remain in Virginia.

Complete financial statements for each of the component units may be obtained at the entities’ offices:

Farmville Industrial Development Authority
116 North Main Street
Farmville, Virginia 23901

Jointly governed organizations

Central Virginia Regional Library

The Library provides library services to the Town of Farmville, Virginia. The participating localities provide annual contributions for operations based on book circulation. No one locality contributes significantly more funding nor can impose its will on the organization, and there is no financial benefit/burden relationship. The Town appropriated \$63,136 in operating funds and \$180,000 for rent subsidy in fiscal year 2020. The Town has no equity interest in the Library.

TOWN OF FARMVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 1. Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation

Government-Wide Statements: The statement of net position and the statement of activities report all of the nonfiduciary activities of the primary government and its component units. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type* activities of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Town and for each function of the Town's governmental activities. *Direct expenses* are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. *Program revenues* include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as *general revenues*.

Fund Financial Statements: The accounts of the Town are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are spent and the means by which spending activities are controlled. The various fund categories and fund types presented in the financial statements are described below:

Governmental fund types

The Town reports the following major governmental funds:

General Fund: The General Fund is the primary operating fund of the Town. It accounts for all financial resources except those required to be accounted for in another fund.

Street Maintenance Fund: The Transportation Fund is a special revenue fund that accounts for the maintenance of the Town's streets.

The Town reports the following nonmajor governmental fund:

Special Revenue Fund: This fund consists of the Narcotic Fund that accounts for special police activity having to do with narcotics and drug seizures and forfeitures.

(Continued)

TOWN OF FARMVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 1. Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

Proprietary fund types

Enterprise Funds: Enterprise Funds account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expense incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Town's major enterprise funds consist of the Water, Sewer, Transportation, and Airport funds.

Fiduciary fund types

Paulette Memorial Trust Fund: The Paulette Memorial Trust Fund was formally used to account for assets held by the Town in a trustee capacity for the Town Employees' Retirement Plan.

Interfund Activity: During the course of operations, the Town has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements, such that only net amounts due between governmental and business-type activities are shown as internal balances.

Further, certain activity occurs during the year involving transfers of resources between funds. In the fund financial statements these amounts are reported at gross amounts as transfers in and out. Certain eliminations are made in the preparation of the government-wide financial statements.

C. Measurement Focus and Basis of Accounting

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 the 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.

(Continued)

TOWN OF FARMVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. 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 Town considers revenues to be available if they are collected within 45 days of the end of the current fiscal period for most non-grant revenues. Reimbursement basis grants are recognized as revenue when all eligibility requirements are met and are considered available if they are collected within one year of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Intergovernmental revenues, consisting principally of categorical aid from federal and state agencies, are recognized when earned or at the time of the specific expenditure. Sales, communication, and public utility taxes, which are collected by the Commonwealth of Virginia and public utilities, respectively, and subsequently remitted to the Town, are recognized as revenues and receivables when measurable and available.

Proprietary fund types utilize the accrual basis of accounting. Revenues are recognized when earned, including unbilled utility receivables, and expenses are recognized when incurred. Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the enterprise funds and of the Town’s internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Fiduciary funds, including the Private Purpose Trust Fund, utilize the accrual basis of accounting.

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position

- **Cash and cash equivalents**

All highly liquid investments (including restricted assets) with a maturity of three months or less when purchased are considered cash equivalents.

(Continued)

TOWN OF FARMVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 1. Summary of Significant Accounting Policies (Continued)

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position (Continued)

- **Receivables**

Receivables are presented net of an allowance for doubtful accounts, which is calculated using historical collection data and specific account analysis.

- **Inventories**

Inventories in the General Fund consist of supplies, valued using the average cost method, and are reported using the consumption method, in which an expenditure is reported when the supplies are removed from inventory and used. Inventories in the Enterprise Funds consist primarily of parts held for repairs or construction, and are valued using the average cost method.

- **Capital Assets**

Capital outlays are recorded as capital assets to the extent the Town's capitalization threshold is met. The capitalization threshold for purchased or constructed capital assets is \$1,000. All capital assets are valued at historical cost or estimated historical cost if actual cost is not available. The Town does not capitalize historical treasures or works of art. The Town maintains many items and buildings of historical significance. The Town does not require that the proceeds from the sale of historical treasures or works of art be used to acquire other items for the collection. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value rather than fair value.

Maintenance, repairs, and minor equipment are charged to operations when incurred. Expenditures that materially change capacities or extend useful lives of capital assets are capitalized. Upon sale or retirement of land, buildings, and equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts, and any resulting gain or loss is included in current year's operations.

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

Buildings	10-50 years
Furniture and other equipment	3-25 years
Infrastructure	40 years

(Continued)

TOWN OF FARMVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 1. Summary of Significant Accounting Policies (Continued)

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position (Continued)

- **Deferred Outflows/Inflows of Resources**

In addition to assets, the statements that present net position report a separate section for *deferred outflows of resources*. These items represent a consumption of net position that applies to future periods and so will *not* be recognized as an outflow of resources (expense) until then. In addition to liabilities, the statements that present financial position report a separate section for *deferred inflows of resources*. These items represent an acquisition of net position that applies to future periods and so will *not* be recognized as an inflow of resources (revenue) until that time. The Town has the following items that qualify for reporting as deferred inflows or outflows:

- Contributions subsequent to the measurement date for OPEB are always a deferred outflow; this will be applied to the OPEB liability in the next fiscal year.
- Differences between expected and actual experience for economic/demographic factors as well as changes in actuarial assumptions in the measurement of the total OPEB liabilities. These differences will be recognized in the OPEB expense over the expected average remaining service life of all employees provided with benefits in the plans and may be reported as a deferred inflow or outflow as appropriate.
- Unavailable revenue is reported only in the governmental funds balance sheet for receivables not collected within 45 days of year end. These amounts are deferred and recognized as inflows of resources in the period that the amounts become available.

- **Compensated Absences**

Compensated absences are reported in governmental funds only when they are due. In enterprise funds, both the expenses and the liabilities are recorded as the benefits are earned. All liabilities, current and long-term, are recorded in the government-wide statements.

- **Vacation and Sick Pay**

The Town's policy regarding vacation and sick pay allows for a maximum carryover of 480 hours at the end of the calendar year. Unused vacation and sick pay is paid upon termination or retirement of employment up to 75% of the unused hours. Such amounts are recorded as liabilities in the governmental fund financial statements when they have matured as a result of employee resignations and retirements. In proprietary funds, both the expenses and the liabilities are recorded as benefits as earned. All vacation and sick pay is accrued when incurred in the government-wide financial statements. Each operating fund is responsible for covering its share of vacation and sick pay liability.

(Continued)

TOWN OF FARMVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 1. Summary of Significant Accounting Policies (Continued)

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position (Continued)

- **Long-Term Debt**

For governmental fund types, bond premiums or discounts as well as issuance costs are recognized during the current period. Bond proceeds and any premiums and discounts are reported as an other financing source. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. For enterprise funds and on the government-wide financial statements bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method, which is not materially different from the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are expensed in the year of issue.

- **Net Position/Fund Balance**

Net position in government-wide and proprietary financial statements is classified as net investment in capital assets, restricted and unrestricted. Restricted net position reflects constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statutes.

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.

In the fund financial statements, fund balance is divided into five classifications based primarily on the extent to which the Town is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable – includes amounts associated with inventories, prepaids, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned).

Restricted – includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

Committed – includes amounts that can be used only for specific purposes determined by the Town's highest level of decision-making authority, which is the Town Council. Formal Council action includes the annual adoption of the Town's Budget Ordinance including subsequent ordinances appropriating funds and amending budgets. Although budgets lapse for legal purposes, they are intended to reflect Council's commitment of resources.

(Continued)

TOWN OF FARMVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 1. Summary of Significant Accounting Policies (Continued)

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position (Continued)

- **Net Position/Fund Balance (Continued)**

Assigned – includes amounts intended to be used by the Town for specific purposes but which do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. Assignments are made through the budget process and periodic financial reviews with the joint approval of the Town Manager and the Treasurer.

Unassigned – consists of the residual amounts in the Town's General Fund.

The Town has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Treasurer will use resources in the following hierarchy: bond proceeds, federal funds, state funds, local non-Town funds, and Town funds. For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed by committed fund balance, then assigned fund balance, and lastly unassigned fund balance. The Treasurer has the authority to deviate from this policy if it is considered in the best interest of the Town.

At June 30, the IDA had a deficit in unrestricted net position of \$428,367. This deficit is anticipated to be recovered through future revenues, as well as possible contributions from the Town.

E. Estimates

Management uses estimates and assumptions in preparing its financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities, and reported revenue, expenditures, and expenses. Actual results could differ from these estimates.

F. Budgetary Information

Prior to June 30, the Town Manager submits to Town Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means to finance them. After a public hearing has been conducted to obtain taxpayer comments, the budget is legally adopted through passage of an ordinance prior to July 1, of each year.

(Continued)

TOWN OF FARMVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 1. Summary of Significant Accounting Policies (Continued)

F. Budgetary Information (Continued)

The legal level of budgetary control is effective at the department level. The Town Manager is authorized to transfer budgeted amounts within each fund. Transfers between funds require Town Council approval.

An annual operating budget is adopted for only the General Fund. All budgets are presented on the modified accrual basis of accounting. Effective budgetary control is achieved for the Street Maintenance Fund on a project-by-project or per grant basis when funding sources become available.

Budgets are adopted for management control for the Enterprise Funds. The restrictions on transfer of budgeted amounts for governmental funds also apply to the Enterprise Funds.

All appropriations lapse at year end.

G. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the appropriation, is employed as an extension of formal budgetary integration in the governmental funds.

Note 2. Deposits and Investments

Deposits

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

Investments

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

(Continued)

TOWN OF FARMVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 2. Deposits and Investments (Continued)

Investments (Continued)

The Town does not have a formal investment policy addressing the various types of risks associated with investments. The Town currently holds no investments (with the exception of the Retirement Plan Fiduciary Fund). Therefore, interest rate risk and concentration of credit risk is not applicable.

Deposits and investments consist of the following:

	Town of Farmville	Component Unit – Farmville IDA
Petty cash	\$ 3,040	\$ -
Deposit accounts	<u>7,084,864</u>	<u>90,616</u>
Total deposits and investments	<u><u>\$ 7,087,904</u></u>	<u><u>\$ 90,616</u></u>
Reconciliation of deposits and investments to Exhibit 1:		
Cash and cash equivalents	\$ 4,577,410	\$ 90,616
Cash and cash equivalents, restricted	<u>2,510,494</u>	<u>-</u>
Total deposits and investments	<u><u>\$ 7,087,904</u></u>	<u><u>\$ 90,616</u></u>

Restricted cash and cash equivalents

Restricted cash and cash equivalents consists of the following:

	Governmental Activities
Library trust	\$ 129,029
Maintained as a condition of certain bond instruments	1,599,213
Grant restrictions	734,570
Capital improvements	<u>47,682</u>
	<u><u>\$ 2,510,494</u></u>

(Continued)

TOWN OF FARMVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 3. Receivables

Receivables for the individual major funds are as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Component Unit Farmville IDA</u>
Receivables			
Taxes	\$ 391,250	\$ -	\$ -
Accounts	68,692	694,349	-
Other	<u>70,950</u>	<u>87,426</u>	<u>3,745</u>
Gross receivables	530,892	781,775	3,745
Less: allowance for uncollectible	<u>(18,880)</u>	<u>(46,705)</u>	<u>-</u>
Net receivables	<u>\$ 512,012</u>	<u>\$ 735,070</u>	<u>\$ 3,745</u>

Governmental funds report *unavailable revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At June 30, *unavailable revenue* related to taxes receivable was \$53,317.

Note 4. Transfers

Transfers between funds are as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfers</u>
Governmental Funds:			
General Fund	\$ 1,009,943	\$ (156,944)	\$ 852,999
Nonmajor governmental fund	<u>-</u>	<u>(9,943)</u>	<u>(9,943)</u>
	<u>\$ 1,009,943</u>	<u>\$ (166,887)</u>	<u>\$ 843,056</u>
Enterprise Funds:			
Sewer Fund	\$ -	\$ (900,000)	\$ (900,000)
Water Fund	-	(100,000)	(100,000)
Airport Fund	<u>156,944</u>	<u>-</u>	<u>156,944</u>
	<u>\$ 156,944</u>	<u>\$ (1,000,000)</u>	<u>\$ (843,056)</u>

Transfers from the General Fund to the Airport Fund was required to match grant funding for the Airport project.

Transfer from the Narcotics fund to the General Fund was to support ongoing projects related to public safety.

(Continued)

TOWN OF FARMVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 4. Transfers (Continued)

Transfers from the water and sewer funds are received by the general fund, and represent contributions from these funds to support the Town's operations.

Note 5. Balance Between Town and Component Unit

Due to prior year deficits in operations, the Town of Farmville, Virginia has funded the Authority resources to meet its loan obligations. During the year ended June 30, 2020 operations produced an operating gain, and existing cash balances were available to fund the deficit as the Authority was able to meet its cash flow needs. As of June 30, 2020, the Authority owed the Town \$450,648. The Authority anticipates paying the "due to" down through future administrative fees collected on sponsorship of industrial bonds for area businesses.

In 2012, the Town refinanced the bonds in which the Authority shared responsibility. As of the refinance, the Authority now is responsible for 2.942% of the total proceeds to be repaid to the Town. The debt service schedule calls for semi-annual payments with interest only due each April 1 and principal and interest due each October 1 through 2033. There is no collateral for this loan.

At June 30, 2020, the balance owed to the Town from the component unit Farmville Industrial Development Authority consists of the following:

Payables	\$ 450,648
Bond payments	<u>288,463</u>
	739,111
Less: long-term portion	<u>(698,364)</u>
Current portion	<u><u>\$ 40,747</u></u>

The annual requirements to amortize long-term bond payments and related interest are as follows:

<u>Fiscal Year</u>	<u>Due to Town (Bond Re-Payments)</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 40,747	\$ 13,079	\$ 53,826
2022	42,806	11,130	53,936
2023	44,718	9,145	53,863
2024	39,423	7,055	46,478
2025	31,185	5,246	36,431
2026-2030	64,724	11,554	76,278
2031-2033	<u>24,860</u>	<u>1,949</u>	<u>26,809</u>
	<u><u>\$ 288,463</u></u>	<u><u>\$ 59,158</u></u>	<u><u>\$ 347,621</u></u>

(Continued)

TOWN OF FARMVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 6. Due From Other Governmental Units

Amounts due from other governments consist of the following:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Federal and state funding:		
Buffalo Creek project	\$ 402,993	\$ -
Transportation operations	-	195,500
Airport construction	-	212,212
Utility tax	27,704	-
Communication tax	71,077	-
Other miscellaneous state and federal grants	1,891	-
Sales taxes	34,796	-
Prince Edwards County	40,653	-
	<u>\$ 579,114</u>	<u>\$ 407,712</u>

Note 7. Note Receivable

The Town sold land at Motley Lake for \$1,250,000 with \$300,000 due at closing, the remaining \$950,000 is payable through a note receivable. The note is payable in 10 annual installments of \$95,000 with no interest payable until March 1, 2021.

The schedule of principal payments to be received is as follows:

<u>Year Ending June 30,</u>	<u>Water Fund</u>	
	<u>Principal</u>	<u>Interest</u>
2021	\$ 95,000	\$ -
2022	95,000	16,625
2023	95,000	13,300
2024	95,000	9,975
2025	95,000	6,650
2026	95,000	3,325
	<u>\$ 570,000</u>	<u>\$ 49,875</u>

Component unit

The Authority currently has one note receivable outstanding for the fiscal year ended June 30, 2020 as follows:

A \$600,000 note bearing an interest rate of 2.56 % (rate of interest is 2.31% plus .25% for admin.). The loan is secured by the guarantee of the owner and his related business. The note requires interest payments semiannually in April and October and principal payments every October only. As of June 30, 2020, the balance of the note was \$211,857.

(Continued)

TOWN OF FARMVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 7. Note Receivable (Continued)

Component unit (Continued)

Based on the Authority's analysis of the note at June 30, 2020, no allowance was recorded. Management evaluates the performance and payment history of the company annually in determining the required allowance.

The schedule of principal payments to be received is as follows:

Fiscal Year	Notes Receivable		
	Principal	Interest	Total
2021	\$ 27,722	\$ 5,069	\$ 32,791
2022	28,853	4,345	33,198
2023	29,978	3,592	33,570
2024	29,954	2,824	32,778
2025	31,073	2,043	33,116
2026-2028	64,277	1,644	65,921
	<u>\$ 211,857</u>	<u>\$ 19,517</u>	<u>\$ 231,374</u>

Note 8. Capital Assets

Capital asset activity for the year was as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not depreciated				
Land	\$ 3,803,356	\$ -	\$ -	\$ 3,803,356
Construction in progress	1,533,019	1,614,916	-	3,147,935
Total capital assets, not depreciated	<u>5,336,375</u>	<u>1,614,916</u>	<u>-</u>	<u>6,951,291</u>
Capital assets, depreciated				
Buildings and improvements	15,938,524	132,054	-	16,070,578
Infrastructure	22,440,818	267,675	-	22,708,493
Vehicles and equipment	7,409,674	454,754	(1,654,592)	6,209,836
Total capital assets, depreciated	<u>45,789,016</u>	<u>854,483</u>	<u>(1,654,592)</u>	<u>44,988,907</u>
Less accumulated depreciation	<u>(28,870,850)</u>	<u>(1,607,546)</u>	<u>1,569,388</u>	<u>(28,909,008)</u>
Total capital assets, depreciated, net	<u>16,918,166</u>	<u>(753,063)</u>	<u>(85,204)</u>	<u>16,079,899</u>
Governmental activities capital assets, net	<u>\$ 22,254,541</u>	<u>\$ 861,853</u>	<u>\$ (85,204)</u>	<u>\$ 23,031,190</u>

(Continued)

TOWN OF FARMVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 8. Capital Assets (Continued)

<u>Business-Type Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not depreciated				
Land	\$ 683,098	\$ -	\$ -	\$ 683,098
Construction in progress	1,798,264	3,819,627	-	5,617,891
Total capital assets, not depreciated	2,481,362	3,819,627	-	6,300,989
Capital assets, depreciated				
Buildings and improvements	2,858,139	-	-	2,858,139
Infrastructure	26,492,874	192,338	-	26,685,212
Vehicles and equipment	2,334,005	-	(284,954)	2,049,051
Total capital assets, depreciated	31,685,018	192,338	(284,954)	31,592,402
Less accumulated depreciation	(25,141,255)	(740,776)	280,838	(25,601,193)
Total capital assets, depreciated, net	6,543,763	(548,438)	(4,116)	5,991,209
Business-type activities capital assets, net	<u>\$ 9,025,125</u>	<u>\$ 3,271,189</u>	<u>\$ (4,116)</u>	<u>\$ 12,292,198</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities	
General government administration	\$ 16,075
Public safety	305,434
Public works	1,205,660
Parks, recreation, and cultural	80,377
	<u>\$ 1,607,546</u>
Business-type activities	
Water fund	\$ 361,160
Sewer fund	101,310
Transportation fund	203,013
Airport fund	75,293
	<u>\$ 740,776</u>

(Continued)

TOWN OF FARMVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 9. Long-Term Liabilities

The following is a summary of changes in long-term liabilities:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
General obligation bonds	\$ 8,050,000	\$ -	\$ 1,160,000	\$ 6,890,000	\$ 1,220,000
Bond Premium	1,423,331	-	177,916	1,245,415	177,916
Notes payable	910,495	-	217,961	692,534	217,359
Compensated absences	678,005	48,836	135,600	591,241	118,248
Landfill liability	400,213	6,804	-	407,017	10,000
Governmental activities long-term liabilities	<u>\$ 11,462,044</u>	<u>\$ 55,640</u>	<u>\$ 1,691,477</u>	<u>\$ 9,826,207</u>	<u>\$ 1,743,523</u>
Business-Type Activities	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
General obligation bonds	\$ 3,075,000	\$ -	\$ 160,000	\$ 2,915,000	\$ 165,000
Bond Premium	472,916	-	33,779	439,137	33,779
Compensated absences	81,443	73,472	16,289	138,626	27,725
Business-type activities long-term liabilities	<u>\$ 3,629,359</u>	<u>\$ 73,472</u>	<u>\$ 210,068</u>	<u>\$ 3,492,763</u>	<u>\$ 226,504</u>

Governmental activities long-term liabilities are liquidated by the general fund.

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

Year Ending June 30,	Governmental Activities		Business-Type Activities		Total	
	General Obligation Bonds		General Obligation Bonds		General Obligation Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 1,220,000	\$ 305,650	\$ 165,000	\$ 138,916	\$ 1,385,000	\$ 444,566
2022	1,280,000	247,288	175,000	131,028	1,455,000	378,316
2023	1,340,000	188,150	180,000	122,706	1,520,000	310,856
2024	1,150,000	126,044	190,000	113,775	1,340,000	239,819
2025	860,000	74,538	200,000	103,781	1,060,000	178,319
2026-2030	1,040,000	32,113	1,160,000	360,600	2,200,000	392,713
2031-2033	-	-	845,000	66,241	845,000	66,241
	<u>\$ 6,890,000</u>	<u>\$ 973,783</u>	<u>\$ 2,915,000</u>	<u>\$ 1,037,047</u>	<u>\$ 9,805,000</u>	<u>\$ 2,010,830</u>

(Continued)

TOWN OF FARMVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 9. Long-Term Liabilities (Continued)

Year Ending June 30,	Governmental Activities	
	Note payable	
	Principal	Interest
2021	\$ 217,359	\$ 14,103
2022	221,042	10,420
2023	124,385	6,625
2024	64,915	3,418
2025	61,343	1,432
2026-2029	3,490	11
	<u>\$ 692,534</u>	<u>\$ 36,009</u>

Details of long-term indebtedness are as follows:

	Interest Rates	Date Issued	Final Maturity Date	Amount of Original Issue	Governmental Activities	Business-Type Activities
<u>General Obligation Bonds</u>						
Virginia Resources Authority:						
Refunding Series 2012A	2.125 – 5.125%	06/2012	2032	\$ 19,015,000	<u>\$ 6,890,000</u>	<u>\$ 2,915,000</u>
<u>Notes Payable</u>						
USDA Rural Development:						
General Improvement 2016	2.880	06/2016	2023	41,000	\$ 18,123	
General Improvement 2018	3.250	05/2018	2025	94,000	68,844	
Wilck Family Limited Partnership						
General Improvement	0.000	03/2011	2021	551,850	200,000	
Benchmark Community Bank						
Benchmark – 7yr	3.240	08/2018	2025	300,000	223,997	
Benchmark – 5Yr	2.990	08/2018	2023	286,297	<u>181,570</u>	
					<u>\$ 692,534</u>	

Note 10. Landfill Obligation

The Town closed its former landfill site in 1990. In accordance with federal and state laws, the Town placed a final cover on this site and was required to perform certain maintenance and monitoring functions for a minimum of ten years after closure. The Town will recognize the remaining estimated costs of closure and post-closure care of \$407,017 as the cost to finalize closure of its landfill. These amounts are based on what it would cost to perform all closure and post-closure care as of June 30, 2020. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. The Town is paying these costs on an annual pay-as-you-go basis.

(Continued)

TOWN OF FARMVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 11. Fund Balances

Fund balances are classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Town is bound to observe constraints imposed upon the use of the resources in the governmental funds.

	General Fund	Street Maintenance Fund	Nonmajor Governmental Funds	Total
Nonspendable:				
Inventories	\$ 10,630	\$ -	\$ -	\$ 10,630
IDA note receivable, long term portion	739,111	-	-	739,111
Total nonspendable	749,741	-	-	749,741
Restricted for:				
Unspent note proceeds	47,682	-	-	47,682
Police	-	-	1,318	1,318
Required debt service	1,599,213	-	-	1,599,213
Library trust	129,029	-	-	129,029
E911 reserve	725,358	-	-	725,358
Narcotics reserve	7,894	-	-	7,894
Total restricted	2,509,176	-	1,318	2,510,494
Assigned to:				
Public works	-	430,148	-	430,148
Total assigned	-	430,148	-	430,148
Unassigned	383,678	-	-	383,678
Total fund balance	\$ 3,642,595	\$ 430,148	\$ 1,318	\$ 4,074,061

Note 12. Defined Contribution Plan

Effective July 1, 1982, the Town established a defined contribution plan (the "DC Plan") for its employees. The DC Plan is administered by Ascensus. All full time employees are eligible to become a participant on the first day of the month coinciding with or next following completion of 90 days of continuous service and the attainment of age 18. Plan provisions and contribution rates for Town and employees are established and may be amended by Town Council.

(Continued)

TOWN OF FARMVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 12. Defined Contribution Plan (Continued)

The Town's employees can contribute not less than 4% of his/her base compensation and not to exceed the maximum percentage or amount allowable by law. The Town will match the employee contribution of either 4 or 5 percent. Employees determine how their account balance is invested from a range of available options. DC Plan contributions vest ratably over a five year period. If the employee leaves the Town before they are fully vested, part of the account balance may be forfeited. Forfeitures by policy are used to reduce the Town's contributions. For the year ended June 30, 2020, \$-0-, of forfeitures were used to reduce the Town's contributions.

At June 30, 2020, there were 96 active Town employees and a total of 110 participants, including terminated employees enrolled in the DC Plan. During the year, the Town contributed a total of \$217,424 for active employees.

Note 13. Other Postemployment Benefits – Local Plan

Plan description

In December of 2002, The Town established a "Medical Policy for Certain Retirees". The Plan is intended to provide compensation for certain retirees to assist them in obtaining retiree medical benefits. Under the Plan, eligible retirees receive periodic payments (monthly, paid quarterly) based on the Plan's benefit formula. Payments are determined at retirement based on the retiree's service; a minimum of 25 years is required to receive the benefit. Payments are made over the duration of the retiree's remaining lifetime, with payments ceasing upon the retiree's death.

Benefits provided

The town provides \$250 per month, plus \$10 per month for each year of credit service in excess of 25. Payments are made quarterly to participants for the retiree's lifetime.

Employees covered by benefit terms

The number of participants at June 30, 2019 was as follows:

Retirees currently receiving benefits	12
Active employees	<u>126</u>
Total	<u><u>138</u></u>

Total OPEB liability

The Town's total OPEB liability of \$2,364,541 was measured as of June 30, 2019, and was determined based on an actuarial valuation performed as of July 1, 2019.

(Continued)

TOWN OF FARMVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 13. Other Postemployment Benefits – Local Plan (Continued)

Actuarial assumptions and other inputs

The total OPEB liability was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Salary increases, including inflation	3.00%
Actuarial funding method:	Entry Age Normal, level % of pay
Discount rate	3.50% Bond Buyer 20-Bond GO Index
Actuarial cost method	Entry Age Normal

Mortality rates: RP-2014, generational Scale MP-2019 for males and females.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2018 through June 30, 2019.

Changes in assumptions and other inputs reflect a change in the discount rate.

Changes in the total OPEB liability

Balance at June 30, 2019	\$ 1,925,728
Changes for the year:	
Service cost	100,864
Interest	73,834
Differences between expected and actual experience	(41,031)
Assumption or other input changes	340,906
Benefit payments	(35,760)
Net changes	438,813
Balance at June 30, 2020	\$ 2,364,541

Sensitivity of the total OPEB liability to changes in the discount rate

The following presents the total OPEB liability, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.50%) or one percentage point higher (4.50%) than the current discount rate:

(Continued)

TOWN OF FARMVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 13. Other Postemployment Benefits – Local Plan (Continued)

Sensitivity of the total OPEB liability to changes in the discount rate (Continued)

	1.00% Decrease (2.50%)	Current Discount Rate (3.50%)	1.00% Increase (4.50%)
Total OPEB liability	\$ 2,754,289	\$ 2,364,541	\$ 2,048,910

OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB

For the year ended June 30, 2020, the Town recognized OPEB expense of \$185,720. At June 30, 2020, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in assumptions	\$ 306,820	\$ 158,317
Difference between expected and actual experience	5,659	108,530
Employer contributions subsequent to measurement date	43,190	-
	<u>\$ 355,669</u>	<u>\$ 266,847</u>

The \$43,190 reported as deferred outflows of resources related to OPEB resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the new OPEB liability in the year ending June 20, 2021. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	Increase (Reduction) to OPEB Expense
2021	\$ 10,879
2022	10,879
2023	10,879
2024	10,879
2025	10,879
Thereafter	(8,763)

(Continued)

TOWN OF FARMVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 14. Property Taxes

Real and Property taxes are levied on a calendar year basis. The Counties provide the Town with the assessed value as of January 1 for real and personal property. Real estate taxes are payable December 15. The real estate tax rate was \$0.12 per \$100 of assessed value for both 2020 and 2019.

Personal property taxes are payable on December 15. The personal property tax rate was \$1.50 per \$100 for both 2020 and 2019. A penalty of 10% for late payment and interest at the rate of 10% per annum, is charged on unpaid balances. The Town bills and collects its own property taxes.

Note 15. Risk Management

The Risk Management programs of the Town are as follows:

General liability and other

The Town purchases insurance coverage for exposure related to property, general, boiler and machinery, flood, accident and automobile liability from Virginia Municipal League Insurance Programs. The Town's property and contents are insured up to a limit of approximately \$67,000,000. The Town maintains an additional \$1,000,000 umbrella policy over all forms of liability insurance. The Town's Public Officials and Law Enforcement Liability coverages, with a \$1,000,000 limit for each, are provided through a policy with the Commonwealth of Virginia. Total premiums for fiscal year 2020 were \$398,182.

The Town continues to carry commercial insurance for all other risks of loss, including employee dishonesty and employee health and accident insurance. The Component Unit Farmville IDA carries commercial insurance for all risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The Town has a Surety Bond on the Treasurer of \$50,000 and all other town employees a blanket bond of \$50,000.

Note 16. Commitments and Contingencies

Grants

Under the terms of federal and state grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to reimbursement to the grantor agencies. Management believes disallowances, if any, would not be material to the financial position of the Town.

Note 17. Incentive Grants

In fiscal year 2018, the Authority, in conjunction with the Town of Farmville, entered into a performance agreement with Hotel Weyanoke LLC. The Authority and other parties agreed to provide certain cash incentives to Hotel Weyanoke LLC provided the Hotel meets the capital investment set forth in the agreement. During fiscal year 2020, the Hotel was considered in compliance with performance requirements to date.

(Continued)

TOWN OF FARMVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 18. New Accounting Standards

The Governmental Accounting Standards Board (GASB) has issued the following Statements which are not yet effective. The effective dates below are updated based on **Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*** due to the COVID-19 pandemic.

The GASB issued **Statement No. 84, *Fiduciary Activities*** in January 2017. This Statement establishes standards of accounting and financial reporting for fiduciary activities. The requirements of this Statement are effective for periods beginning after December 15, 2019.

The GASB issued **Statement No. 87, *Leases*** in June 2017. This Statement establishes standards of accounting and financial reporting for leases by lessees and lessors. The requirements of this Statement are effective for periods beginning after June 15, 2021.

The GASB issued **Statement No. 90, *Majority Equity Interests, an amendment of GASB Statements No. 14 and No. 61*** in August 2018. This Statement improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

The requirements of this Statement are effective for periods beginning after December 15, 2019. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis.

TOWN OF FARMVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 18. New Accounting Standards (Continued)

The GASB issued **Statement No. 91**, *Conduit Debt Obligations* in May 2019. This Statement provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021.

In January 2020, the GASB issued **Statement No. 92**, *Omnibus*. This Statement enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. Certain requirements of this Statement are effective immediately and others for reporting periods beginning after June 15, 2021.

In March 2020, the GASB issued **Statement No. 93**, *Replacement of Interbank Offered Rates*. This Statement addresses accounting and financial reporting implications that result from the replacement of an IBOR. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2022. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

In March 2020, the GASB issued **Statement No. 94**, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. This Statement improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

In May 2020, the GASB issued **Statement No. 96**, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

In June 2020, the GASB issued **Statement No. 97**, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32*. This Statement provides a more consistent financial reporting of defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans, while mitigating the costs associated with reporting those plans. Certain requirements of this Statement are effective immediately and others for reporting periods beginning after June 15, 2021.

Management has not determined the effects these new GASB Statements may have on prospective financial statements.

(Continued)

TOWN OF FARMVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 19. COVID-19 Impact

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The Town’s operations are heavily dependent on the ability to raise taxes, assess fees, and access the capital markets. The outbreak will have a continued material adverse impact on economic and market conditions, triggering a period of global economic slowdown. This situation has depressed the tax bases and other areas in which the Town received revenue during fiscal year 2020. As such, the Town’s financial condition and liquidity may be negatively impacted for the fiscal year 2021.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude the pandemic will have on the Town’s financial condition, liquidity, and future results of operations. Management is actively monitoring the impact of the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Town is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2021.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF FARMVILLE, VIRGINIA

**REQUIRED SUPPLEMENTARY INFORMATION –
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS –
LOCAL PLAN
June 30, 2020**

	Primary Government		
	2020	2019	2018
Total OPEB Liability			
Service cost	\$ 100,864	\$ 100,555	\$ 72,280
Interest on total OPEB liability	73,834	67,336	70,354
Difference between expected and actual experience	(41,031)	4,980	(88,368)
Changes in assumptions	340,906	(110,151)	(81,438)
Benefit payments	(35,760)	(35,760)	(39,240)
Net change in total OPEB liability	438,813	26,960	(66,412)
Total OPEB liability – beginning	<u>1,925,728</u>	<u>1,898,768</u>	<u>1,965,180</u>
Total OPEB liability – ending	<u><u>\$ 2,364,541</u></u>	<u><u>\$ 1,925,728</u></u>	<u><u>\$ 1,898,768</u></u>
Covered payroll	<u>\$ 5,336,985</u>	<u>\$ 5,052,986</u>	<u>\$ 5,113,418</u>
Net OPEB liability as a percentage of covered payroll	<u>44%</u>	<u>38%</u>	<u>37%</u>

This schedule is intended to show information for 10 years. Since fiscal year 2018 is the first year for this presentation, no earlier data is available. Additional years will be included as they become available.

TOWN OF FARMVILLE, VIRGINIA

**REQUIRED SUPPLEMENTARY INFORMATION –
SCHEDULE OF OPEB CONTRIBUTIONS – LOCAL PLAN
June 30, 2020**

Entity Fiscal Year Ended June 30,	Actuarially Determined Employer Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percentage of Covered Payroll
Local Plan					
2020	\$ 158,722	\$ 43,190	\$ 115,532	\$ 5,336,985	0.81 %
2019	210,477	35,760	174,717	5,425,989	0.66
2018	179,144	35,760	143,384	5,052,986	0.71

This schedule is intended to show information for 10 years. Since 2018 was the first year for this presentation, no earlier data is available. Additional years will be included as they become available.

The covered payroll amounts above are for the entity's fiscal year – i.e. the covered payroll on which required contributions were based for the same year.

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COMPLIANCE SECTION

SCHEDULE 1**TOWN OF FARMVILLE, VIRGINIA****SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2020**

Federal Grantor/Pass – Through Grantor/ Program or Cluster Title	Federal CFDA Number	Federal Expenditures
Department of Homeland Security		
Pass Through Payments		
Virginia Department of Emergency Management		
Emergency Management Performance Grants	97.042	\$ 24,360
Disaster Grants – Public Assistance	97.036	90,909
		<hr/>
Total Department of Homeland Security		115,269
		<hr/>
Department of Treasury		
Pass Through Payments		
Virginia Department of the Treasury/Prince Edward County, Virginia		
Coronavirus Relief Fund – CARES Act	21.019	20,021
		<hr/>
Department of Transportation		
Direct Payment		
Airport Improvement Program	20.106	3,397,022
Pass Through Payments		
Virginia Department of Rail and Public Transportation		
Formula Grants for Rural Areas	20.509	482,796
Highway Planning and Construction Cluster	20.205	1,966,511
Virginia Department of Motor Vehicles Alcohol		
Open Container Requirements	20.607	39,795
		<hr/>
Total Department of Transportation		5,886,124
		<hr/>
Department of Justice		
Direct Payment		
Bulletproof Vest Partnership Program	16.607	503
Edward Byrne Memorial Justice Assistance Grant Program	16.738	5,964
		<hr/>
Total Department of Justice		6,467
		<hr/>
Total Expenditures of Federal Awards		\$ 6,027,881
		<hr/>

TOWN OF FARMVILLE, VIRGINIA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS June 30, 2020

Basis of Presentation

The accompanying Schedule of Federal Expenditures includes the activity of all federally assisted programs for the Town of Farmville, Virginia and is presented on the modified accrual basis of accounting, as described in Note 1 to the Town's basic financial statements. All federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included on this schedule.

De Minimis Indirect Cost Rate

The Town did not elect to utilize the 10 % de minimis indirect cost rate

Subrecipient Monitoring

The Town provided no amounts to subrecipients during fiscal year 2020.

Outstanding Loan Balances

At June 30, 2020, the Town had no outstanding loan balances requiring continuing disclosure.

**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 Honorable Mayor and Members of Town Council
Town of Farmville, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits for Counties, Cities, and Towns* and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of the Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Farmville, Virginia (the "Town") as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated December 14, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) as a basis for designing 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's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town'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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. **We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2020-001, 2020-002, and 2020-003 that we considered to be material weaknesses.**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of 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 financial statements. 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned costs, as item 2020-004.**

Town of Farmville, Virginia's Response to Findings

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

Purpose of this Report

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

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Lynchburg, Virginia
December 14, 2020



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Honorable Mayor and Members of Town Council
Town of Farmville, Virginia

Report on Compliance for Each Major Federal Program

We have audited the Town of Farmville, Virginia's (the "Town") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Town's major federal programs for the year ended June 30, 2020. The Town's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, the terms, and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Town of Farmville, Virginia, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2020.

Report on Internal Control over Compliance

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

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

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

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

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Lynchburg, Virginia
December 14, 2020

TOWN OF FARMVILLE, VIRGINIA
SUMMARY OF COMPLIANCE MATTERS
June 30, 2020

As more fully described in the 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*, we performed tests of the Town's compliance with certain provisions of the laws, regulations, contracts, and grants shown below.

STATE COMPLIANCE MATTERS

Code of Virginia

Budget and Appropriation Laws

Cash and Investment Laws

Conflicts of Interest Act

Debt Provisions

Procurement Laws

Uniform Disposition of Unclaimed Property Act

Fire Program Aid

State Agency Requirements

Urban Highway Maintenance

FEDERAL COMPLIANCE MATTERS

Compliance Supplement for Single Audits of State and Local Governments

Provisions and conditions of agreements related to federal programs selected for testing.

TOWN OF FARMVILLE, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2020

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an **unmodified opinion** on the financial statements.
2. **Three material weaknesses** related to the audit of the financial statements were reported in the 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*.
3. **No instances of noncompliance** material to the financial statements, or other matters, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. **No significant deficiencies** relating to the audit of the major federal award programs was reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance.
5. The auditor's report on compliance for the major federal award programs expresses an **unmodified opinion**.
6. The audit disclosed **no audit findings relating to the major program**.
7. The major programs of the Town are:

<u>Name of Program</u>	<u>CFDA #</u>
Airport Improvement Grant	20.106
Highway Planning and Construction	20.205

8. The **threshold for** distinguishing Type A and B programs was **\$750,000**.
9. The Town of Farmville was **not** determined to be a **low-risk auditee**.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

2020-001: Segregation of Duties (Material Weakness)

Condition:

There is a lack of segregation of duties between employees.

- Employees who prepare the bank reconciliations also have the ability to process cash and write manual checks.
- Employees who prepare the accounts receivable billings also collect the money and have the ability to post cash receipts in the accounts receivable subledger.
- The employee who processes payroll also has the ability to edit the master employee/payroll file, can generate payroll checks and record payroll expenses to the general ledger.
- The Treasurer has access to cash receipts prior to being recorded, prepares the deposits and takes deposit to the bank, and has access to change utility charges on individual accounts.

(Continued)

TOWN OF FARMVILLE, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2020

B. FINDINGS – FINANCIAL STATEMENT AUDIT (Continued)

2020-001: Segregation of Duties (Material Weakness) (Continued)

Criteria:

The Town should maintain proper segregation of duties between employees.

Cause:

The Town lacks sufficient staff to properly segregate their duties.

Effects:

No one employee should have access to both physical assets and the related accounting records, or to all phases of a transaction. A lack of segregation of duties increases the exposure of the Town to various risk such as an increased risk of errors or fraud that may go undetected due to the involvement of only one person performing these functions.

Recommendations:

We recommend the Town take steps to eliminate performance of conflicting duties where possible. For those areas where this is not feasible, we recommend the Town take steps to implement effective compensating controls.

Management's Response:

The Town will continue to evaluate our internal procedures to see how we can utilize current staff in different capacities to reduce some of the concerns associated with segregation of duties.

2020-002: Adjustments (Material Weakness)

Condition:

The Town did not post journal entries, which were deemed material to the financial statements, in order for them to be presented in accordance with accounting principles generally accepted in the United States of America.

Criteria:

Journal entries must be made to properly reflect the Town's financial status at year end.

Cause:

Town staff did not take proper steps to ensure that these entries were recorded at year-end.

(Continued)

TOWN OF FARMVILLE, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2020

B. FINDINGS – FINANCIAL STATEMENT AUDIT (Continued)

2020-002: Adjustments (Material Weakness) (Continued)

Effects:

Not posting these journal entries could mislead users of the financials as to the actual financial condition of the Town.

Recommendations:

We recommend reconciliations of all significant assets and liability accounts especially at year end, and rigorous analysis of variances and grant related activity.

Management's Response:

Town staff will work to ensure all significant assets and liabilities accounts will be reviewed and reconciled at year end for variances. Any adjustments found will be recorded and explained.

2020-003: Information Technology (Material Weakness)

Condition:

During review of the Information Technology controls for the Town we noted several areas where there is a lack of controls or a lack of segregation of duties.

Criteria:

The following Information Technology lack of controls were noted:

- Information Technology is not evaluated for risk.
- The application server is located in the Treasurer's office.
- There is no formal security policy.
- The Treasurer has application administrator access.
- The Town does not use formal access requests to provision or de-provision access to the network or financial application.
- The Treasurer has access to process financial transactions as well as provision access privileges. In addition, the five to six front office staff that interact with the public share login information to access desktop applications for collections, etc.
- The Treasurer is notified of terminations for financial application access. For network access to be disabled, CXE must be notified to take such action. There is no formal access request form for terminations.
- The passwords for the financial application are only required to be 3 or 4 characters in length and do not enforce complexity. In addition, the Active Directory passwords are required to be 6 characters in length with 24 passwords remembered and locks out the account after 5 unsuccessful login attempts. However, complexity is not enabled and there is no password expiration.

(Continued)

TOWN OF FARMVILLE, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2020

B. FINDINGS – FINANCIAL STATEMENT AUDIT (Continued)

2020-003: Information Technology (Material Weakness) (Continued)

Cause:

The Town has not had their Information Technology system evaluated in the past.

Effects:

The lack of Information Technology controls exposure the Town to various risks including:

- No checks and balances of users or data.
- The Town would be unaware of proper procedures were no place to reduce data loss.
- Access to the Town's system.
- Breach to system.
- Ransom and malware attacks.

Recommendations:

We suggest the Town implement the following control consideration:

- The Town should conduct a formal IT risk assessment at least annually.
- The Town should move the application server to a separate, secure room with dedicated environmental equipment and with access limited to IT staff only.
- The Town should formally document information security and acceptable use policies and procedures.
- IT should be responsible for application administration and the Treasurer's access to provision application accounts be removed.
- The Town should develop a formal means for communicating provision and de-provision access requests.
- The Treasurer should not have access to process financial transactions as well as provision access privileges. The 5 or 6 front office staff that interact with the public should NOT share login information to access desktop applications for collections, etc.
- The Treasurer is notified of terminations for financial application access. For network access to be disabled, CXE must be notified to take such action. A formal access request form for terminations should be made.
- The passwords for the financial application should enforce complexity. Also, the Active Directory passwords are required to be 6 characters in length with 24 passwords remembered and locks out the account after 5 unsuccessful login attempts. However, complexity should be enabled and there should be password expiration.

Management's Response:

The Town will review its information technology policies and procedures to ensure appropriate controls are in place.

(Continued)

TOWN OF FARMVILLE, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2020

C. FINDINGS – COMMONWEALTH OF VIRGINIA

2020-004: Commonwealth of Virginia Disclosure Statements

Condition:

One statement of economic interest form was not filed by the individual out of the thirty-two filers listed by the Town.

Criteria:

Per requirements set forth by the Commonwealth of Virginia, statements of economic interest are to be filed by February 1, 2020.

Cause:

Individual would not return his completed statement.

Effects:

The Town cannot review the filing to ensure the individual has no economic interest conflicts.

Recommendation:

Steps should be taken to ensure that these statements are filed and in a timely manner.

Management's Response:

The Town will ensure all these statements are filed in a timely manner.

D. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None.

TOWN OF FARMVILLE, VIRGINIA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2020

2019-001: Segregation of Duties (Material Weakness)

Condition:

There is a lack of segregation of duties between employees.

- Employees who prepare the bank reconciliations also have the ability to process cash and write manual checks.
- Employees who prepare the accounts receivable billings also collect the money and have the ability to post cash receipts in the accounts receivable subledger.
- The employee who processes payroll also has the ability to edit the master employee/payroll file, can generate payroll checks and record payroll expenses to the general ledger.
- The Treasurer has access to cash receipts prior to being recorded, prepares the deposits and takes deposit to the bank, and has access to change utility charges on individual accounts.

Recommendations:

We recommend the Town take steps to eliminate performance of conflicting duties where possible. For those areas where this is not feasible, we recommend the Town take steps to implement effective compensating controls.

Current Status:

See current year finding 2020-001 for planned corrected action.

2019-002: Adjustments (Material Weakness)

Condition:

The Town did not post journal entries, which were deemed material to the financial statements, in order for them to be presented in accordance with accounting principles generally accepted in the United States of America.

Recommendations:

We recommend reconciliations of all significant assets and liability accounts especially at year end, and rigorous analysis of variances and grant related activity.

Current Status:

See current year finding 2020-002 for planned corrected action.

TOWN OF FARMVILLE, VIRGINIA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2020

2019-003: Information Technology (Material Weakness)

Condition:

During review of the Information Technology controls for the Town we noted several areas where there is a lack of controls or a lack of segregation of duties.

Recommendations:

We suggest the Town implement the following control consideration:

- The Town should conduct a formal IT risk assessment at least annually.
- The Town should move the application server to a separate, secure room with dedicated environmental equipment and with access limited to IT staff only.
- The Town should formally document information security and acceptable use policies and procedures.
- IT should be responsible for application administration and the Treasurer's access to provision application accounts be removed.
- The Town should develop a formal means for communicating provision and de-provision access requests.

Current Status:

See current year finding 2020-003 for planned corrected action.

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