



# **TOWN OF FARMVILLE, VIRGINIA**

## **FINANCIAL REPORT**

**FISCAL YEAR ENDED JUNE 30, 2019**



# **TOWN OF FARMVILLE, VIRGINIA**

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# INTRODUCTORY SECTION

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**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**

Gerald J. Spates .....	Town Manager
C. Scott Davis.....	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**

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**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, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

#### *Management's Responsibility for the Financial Statements*

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

#### *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* and the *Specifications for Audits of Authorities, Boards, and Commissions*, 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 of 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.



## **Report on the Financial Statements (Continued)**

### *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, 2019, 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.**

### *Prior Period Restatement*

As described in Note 19 to the financial statements, in 2019 the Town made prior period adjustments to beginning net position and fund balances. Our opinion is not modified with respect to these matters.

### *Other Matters*

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require the 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 to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 and 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 November 26, 2019 on our consideration of the Town's internal control over financial reporting and 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 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  
November 26, 2019

# **BASIC FINANCIAL STATEMENTS**

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## TOWN OF FARMVILLE, VIRGINIA

## STATEMENT OF NET POSITION

June 30, 2019

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Totals	Industrial Development Authority
<b>ASSETS</b>				
Cash and investments (Note 2)				
Unrestricted	\$ 1,134,979	\$ 2,765,992	\$ 3,900,971	\$ 73,897
Restricted	2,060,309	-	2,060,309	-
Receivables, net (Note 3)	548,800	894,599	1,443,399	1,534
Due from component unit (Note 5)	38,834	-	38,834	-
Due from other governments (Note 6)	296,974	104,733	401,707	-
Prepays and other	-	3,600	3,600	784
Inventories	31,429	189,688	221,117	-
Note receivable, net (Note 7)	-	665,000	665,000	239,590
Due from component unit, long-term (Note 5)	739,897	-	739,897	-
Capital assets: (Note 8)			-	
Non-depreciable	5,336,375	2,481,362	7,817,737	-
Depreciable, net	16,918,166	6,543,763	23,461,929	-
Total assets	27,105,763	13,648,737	40,754,500	315,805
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows related to other postemployment benefits (Note 13)	36,258	4,079	40,337	-
<b>LIABILITIES</b>				
Accounts payable	517,886	298,717	816,603	-
Accrued payroll and related liabilities	314,191	79,269	393,460	-
Accrued interest	100,341	37,836	138,177	4,029
Due to primary government (Note 5)	-	-	-	38,834
Refundable deposits	19,100	98,259	117,359	-
Long-term liabilities:				
Due to primary government (Note 5)	-	-	-	739,897
Net other postemployment benefit liability (Note 13)	1,731,014	194,714	1,925,728	-
Due within one year (Note 9)	1,700,572	210,068	1,910,640	-
Due in more than one year (Note 9)	9,761,472	3,419,291	13,180,763	-
Total liabilities	14,144,576	4,338,154	18,482,730	782,760
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows related to other postemployment benefits (Note 13)	224,334	25,234	249,568	-
<b>NET POSITION</b>				
Net investment in capital assets	12,008,984	5,477,209	17,486,193	-
Restricted for:				
Debt service	1,285,791	-	1,285,791	-
Grants and forfeiture funds	774,369	-	774,369	-
Unrestricted	(1,296,033)	3,812,219	2,516,186	(466,955)
Total net position	\$ 12,773,111	\$ 9,289,428	\$ 22,062,539	\$ (466,955)

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

## TOWN OF FARMVILLE, VIRGINIA

STATEMENT OF ACTIVITIES  
Year Ended June 30, 2019

		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	\$ 1,756,338	\$ 491,529	\$ -	\$ -	\$ (1,264,809)		\$ (1,264,809)	
Public safety	4,410,817	481,067	420,098	-	(3,509,652)		(3,509,652)	
Public works	5,629,684	393,354	1,732,561	-	(3,503,769)		(3,503,769)	
Parks, recreation, and cultural	769,387	382,240	77,500	407,624	97,977		97,977	
Community development	207,375	329,710	-	-	122,335		122,335	
Interest on long-term debt	250,577	-	-	-	(250,577)		(250,577)	
Total governmental activities	13,024,178	2,077,900	2,230,159	407,624	(8,308,495)		(8,308,495)	
Business-type activities:								
Water	1,703,026	1,963,912	-	-		\$ 260,886	260,886	
Sewer	1,156,837	2,396,191	1,900	-		1,241,254	1,241,254	
Transportation	868,109	11,016	1,191,331	-		334,238	334,238	
Airport	270,286	84,368	1,661,537	-		1,475,619	1,475,619	
Total business-type activities	3,998,258	4,455,487	2,854,768	-		3,311,997	3,311,997	
Total primary government	\$ 17,022,436	\$ 6,533,387	\$ 5,084,927	\$ 407,624	(8,308,495)	3,311,997	(4,996,498)	
Component unit:								
Industrial Development Authority	\$ 68,933	\$ 69,726	\$ -	\$ -	-	-	-	\$ 793
Total component units	\$ 68,933	\$ 69,726	\$ -	\$ -	-	-	-	793
General revenues:								
Real estate and personal property taxes					904,140	-	904,140	-
Other taxes:								
Local sales and use taxes					392,110	-	392,110	-
Consumption tax					27,267	-	27,267	-
Consumers' utility taxes					380,347	-	380,347	-
Business licenses					1,499,673	-	1,499,673	-
Franchise license taxes					256,119	-	256,119	-
Motor vehicle licenses					101,383	-	101,383	-
Cigarette taxes					196,232	-	196,232	-
Meals and lodging taxes					3,576,772	-	3,576,772	-
Noncategorical state and federal aid					562,135	-	562,135	-
Investment income					21,251	2,327	23,578	6,674
Gain on sale of assets					16,680	24,779	41,459	-
Miscellaneous					446,492	262,137	708,629	-
Transfers					1,170,161	(1,170,161)	-	-
Total general revenues and transfers					9,550,762	(880,918)	8,669,844	6,674
Change in net position					1,242,267	2,431,079	3,673,346	7,467
Net position – beginning, as restated (Note 19)					11,530,844	6,858,349	18,389,193	(474,422)
Net position – ending					\$ 12,773,111	\$ 9,289,428	\$ 22,062,539	\$ (466,955)

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

## TOWN OF FARMVILLE, VIRGINIA

**BALANCE SHEET –  
GOVERNMENTAL FUNDS  
June 30, 2019**

	General	Street Maintenance	Nonmajor Governmental Fund	Total
<b>ASSETS</b>				
Cash and investments	\$ 759,131	\$ 375,848	\$ -	\$ 1,134,979
Cash and investments – restricted	2,037,002	-	23,307	2,060,309
Receivables, net				
Taxes	418,694	-	-	418,694
Accounts	70,595	-	-	70,595
Other	59,511	-	-	59,511
Due from component unit	778,731	-	-	778,731
Due from other governments	296,974	-	-	296,974
Inventories, net	31,429	-	-	31,429
Total assets	<u>\$ 4,452,067</u>	<u>\$ 375,848</u>	<u>\$ 23,307</u>	<u>\$ 4,851,222</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 498,217	\$ 19,520	\$ 149	\$ 517,886
Accrued payroll and related liabilities	293,309	20,882	-	314,191
Refundable deposits	19,100	-	-	19,100
Total liabilities	<u>810,626</u>	<u>40,402</u>	<u>149</u>	<u>851,177</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable/deferred revenue	<u>40,344</u>	<u>-</u>	<u>-</u>	<u>40,344</u>
<b>FUND BALANCES</b>				
Nonspendable	771,326	-	-	771,326
Restricted	2,037,002	-	23,158	2,060,160
Committed	104,214	-	-	104,214
Assigned	-	335,446	-	335,446
Unassigned	688,555	-	-	688,555
Total fund balances	<u>3,601,097</u>	<u>335,446</u>	<u>23,158</u>	<u>3,959,701</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 4,452,067</u>	<u>\$ 375,848</u>	<u>\$ 23,307</u>	<u>\$ 4,851,222</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, 2019**

**Total fund balances – governmental funds** \$ 3,959,701

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	\$ 51,125,391	
Accumulated depreciation	(28,870,850)	
		22,254,541

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	(1,731,014)	
Net other postemployment deferred inflows	(224,334)	
Net other postemployment deferred outflows	36,258	
		(1,919,090)

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

40,344

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	(9,473,331)	
Notes payable	(910,495)	
Compensated absences	(678,005)	
Accrued interest	(100,341)	
Landfill	(400,213)	
		(11,562,385)

**Total net position – governmental activities** \$ 12,773,111

## TOWN OF FARMVILLE, VIRGINIA

**STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES –  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2019**

	General	Street Maintenance	Nonmajor Governmental Fund	Total
<b>REVENUES</b>				
Property taxes	\$ 904,140	\$ -	\$ -	\$ 904,140
Other local taxes	6,429,903	-	-	6,429,903
Fines and forfeitures	131,043	-	-	131,043
Permits, privilege fees, and regulatory licenses	99,656	-	-	99,656
Revenue from use of money and property	132,310	-	103	132,413
Charges for services	1,042,549	-	-	1,042,549
Miscellaneous	446,492	-	-	446,492
Contributions	66,443	-	-	66,443
Recovered costs	714,490	-	-	714,490
Intergovernmental	1,355,699	1,732,561	8,089	3,096,349
Total revenues	11,322,725	1,732,561	8,192	13,063,478
<b>EXPENDITURES</b>				
Current:				
General government	1,824,893	-	-	1,824,893
Public safety	4,274,698	-	6,309	4,281,007
Public works	3,792,043	1,936,381	-	5,728,424
Parks, recreation, and cultural	1,066,504	-	-	1,066,504
Community development	204,082	-	-	204,082
Debt service:				
Principal	1,320,982	-	-	1,320,982
Interest	439,610	-	-	439,610
Total expenditures	12,922,812	1,936,381	6,309	14,865,502
Excess (deficiency) of revenues over expenditures	(1,600,087)	(203,820)	1,883	(1,802,024)
<b>OTHER FINANCING SOURCES (USES)</b>				
Loan proceeds	586,297	-	-	586,297
Transfers in	1,325,570	214,926	-	1,540,496
Transfers out	(369,765)	-	(570)	(370,335)
Total other financing sources (uses)	1,542,102	214,926	(570)	1,756,458
Net change in fund balances	(57,985)	11,106	1,313	(45,566)
<b>FUND BALANCES</b>				
Beginning, as restated (Note 19)	3,659,082	324,340	21,845	4,005,267
Ending	\$ 3,601,097	\$ 335,446	\$ 23,158	\$ 3,959,701

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, 2019**

**Net change in fund balances – total governmental funds** \$ (45,566)

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	\$ 1,928,010	
Depreciation expense	<u>(1,426,189)</u>	
		501,821

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. (4,321)

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	1,320,982	
Loan proceeds	(586,297)	
Amortization of premium	177,916	
Change in accrued interest	<u>11,121</u>	
		923,722

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	35,760	
Other postemployment benefit expense	<u>(174,067)</u>	
		(138,307)

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	(8,998)	
Change in compensated absences	<u>(23,207)</u>	
		(32,205)

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

<b>Total change in net position – governmental activities</b>		<u><u>\$ 1,242,267</u></u>
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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, 2019**

	<b>Budgeted Amounts</b>			<b>Variances with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>REVENUES</b>				
Property taxes				
Real property taxes	\$ 638,337	\$ 638,337	\$ 642,869	\$ 4,532
Public service corporation property taxes	34,000	34,000	35,261	1,261
Personal property taxes	198,000	198,000	195,172	(2,828)
Delinquent taxes	-	-	22,006	22,006
Interest on taxes	4,500	4,500	3,912	(588)
Penalties on taxes	4,500	4,500	4,920	420
	<u>879,337</u>	<u>879,337</u>	<u>904,140</u>	<u>24,803</u>
Other local taxes				
Local sales and use taxes	401,454	401,454	392,110	(9,344)
Consumption tax	30,000	30,000	27,267	(2,733)
Consumers' utility taxes	375,000	375,000	380,347	5,347
Business licenses	1,453,000	1,453,000	1,499,673	46,673
Franchise license taxes	226,000	226,000	256,119	30,119
Motor vehicle licenses	75,000	75,000	101,383	26,383
Cigarette taxes	170,800	170,800	196,232	25,432
Lodging taxes	650,000	650,000	639,815	(10,185)
Meals taxes	2,762,588	2,762,588	2,936,957	174,369
	<u>6,143,842</u>	<u>6,143,842</u>	<u>6,429,903</u>	<u>286,061</u>
Fines and forfeitures				
Court fines	60,000	60,000	98,612	38,612
Other fines and forfeitures	25,500	25,500	32,431	6,931
	<u>85,500</u>	<u>85,500</u>	<u>131,043</u>	<u>45,543</u>
Permits, privilege fees, and regulatory licenses				
Building permits	100,000	100,000	52,179	(47,821)
Other permits, licenses, and fees	49,845	49,845	47,477	(2,368)
	<u>149,845</u>	<u>149,845</u>	<u>99,656</u>	<u>(50,189)</u>
Revenue from use of money and property				
Revenue from use of money	10,825	10,825	21,148	10,323
Rental of general property and real estate	83,660	83,660	90,162	6,502
Sale of property and equipment	50,500	50,500	21,000	(29,500)
	<u>144,985</u>	<u>144,985</u>	<u>132,310</u>	<u>(12,675)</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, 2019**

	<b>Budgeted Amounts</b>			<b>Variances with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>REVENUES (Continued)</b>				
Charges for services				
Miscellaneous	\$ 167,117	\$ 151,117	\$ 215,850	\$ 64,733
ICA per diem	275,000	275,000	259,016	(15,984)
Sanitation fees	342,000	342,000	347,440	5,440
Golf course charges	107,850	123,850	119,109	(4,741)
Longwood Streets	35,000	35,000	35,000	-
Parking meters	43,000	43,000	44,658	1,658
Public works	10,000	10,000	7,951	(2,049)
Grave openings	10,000	10,000	13,525	3,525
	<u>989,967</u>	<u>989,967</u>	<u>1,042,549</u>	<u>52,582</u>
Miscellaneous				
Payment from PE County for share of debt	226,299	226,299	226,299	-
Miscellaneous	22,400	105,175	220,193	115,018
	<u>248,699</u>	<u>331,474</u>	<u>446,492</u>	<u>115,018</u>
Recovered costs				
Other funds and street department	582,023	592,223	447,355	(144,868)
Library rent	180,000	180,000	180,000	-
Other recovered costs	182,357	182,357	87,135	(95,222)
	<u>944,380</u>	<u>954,580</u>	<u>714,490</u>	<u>(240,090)</u>
Contributions				
Other contributions	25	25	943	918
Donation – Wilck’s Lake playground equipment	70,000	70,000	65,500	(4,500)
	<u>70,025</u>	<u>70,025</u>	<u>66,443</u>	<u>(3,582)</u>
Intergovernmental				
Revenue from the Commonwealth				
Non-categorical aid				
Communication taxes	475,000	475,000	447,707	(27,293)
Mobile home titling tax	2,000	2,000	2,238	238
Rolling stock taxes – motor vehicle carriers tax	100	100	137	37
Auto rental tax	60,000	60,000	74,928	14,928
	<u>537,100</u>	<u>537,100</u>	<u>525,010</u>	<u>(12,090)</u>
Categorical aid				
Wireless quarterly payments	92,000	92,000	78,658	(13,342)
PSAP – wireless grant	75,000	75,000	75,000	-
Litter control grant	3,000	3,000	3,365	365
Law enforcement grant	172,312	172,312	178,688	6,376
Virginia tourism brochure	2,500	2,500	5,591	3,091

(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, 2019**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variances with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES (Continued)</b>				
Intergovernmental (Continued)				
Categorical aid (Continued)				
Virginia commissions for the arts	\$ 5,000	\$ 5,000	\$ -	\$ (5,000)
DMV and police grants	-	-	2,000	2,000
Fire program	26,000	26,000	28,438	2,438
VML Safety grant	-	-	2,100	2,100
Miscellaneous police grant	10,000	10,000	-	(10,000)
	<u>385,812</u>	<u>385,812</u>	<u>373,840</u>	<u>(11,972)</u>
Revenue from the Federal Government				
Emergency service grants	12,180	12,180	12,180	-
Police related grants	79,558	79,558	37,045	(42,513)
VDOT Grant – Milnwood and Buffalo Creek	5,000,000	5,000,000	407,624	(4,592,376)
VDOT Grant – pavement overlay	150,000	150,000	-	(150,000)
	<u>5,241,738</u>	<u>5,241,738</u>	<u>456,849</u>	<u>(4,784,889)</u>
	<u>6,164,650</u>	<u>6,164,650</u>	<u>1,355,699</u>	<u>(4,808,951)</u>
Total revenues	<u>\$ 15,821,230</u>	<u>\$ 15,914,205</u>	<u>\$ 11,322,725</u>	<u>\$ (4,591,480)</u>
<b>EXPENDITURES</b>				
Current:				
General government				
Town Council	\$ 261,594	\$ 261,594	\$ 219,173	\$ 42,421
Town Manager	1,044,294	1,106,773	911,243	195,530
Treasurer	820,749	768,937	694,477	74,460
	<u>2,126,637</u>	<u>2,137,304</u>	<u>1,824,893</u>	<u>312,411</u>
Public safety				
Police department	2,891,856	2,891,856	2,691,144	200,712
911 services	1,166,702	1,249,477	1,169,863	79,614
Fire services	244,627	251,802	270,196	(18,394)
Building inspector	148,573	149,573	126,481	23,092
Animal control	21,488	21,488	17,014	4,474
	<u>4,473,246</u>	<u>4,564,196</u>	<u>4,274,698</u>	<u>289,498</u>
Public works				
Recycling department	109,571	109,571	93,023	16,548
Sanitation	815,560	1,126,127	722,990	403,137
Maintenance of highways and streets	5,701,079	5,671,512	1,382,062	4,289,450
South Street Conference Center	16,678	16,678	13,436	3,242
Surveyor	135,340	135,340	132,452	2,888
Maintenance of building and grounds	1,388,074	1,516,954	1,367,541	149,413
Horticulturist	104,688	104,688	80,539	24,149
	<u>8,270,990</u>	<u>8,680,870</u>	<u>3,792,043</u>	<u>4,888,827</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, 2019**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variances with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>EXPENDITURES (Continued)</b>				
Current: (Continued)				
Parks, recreation, and cultural				
Library	\$ 31,585	\$ 31,585	\$ 109,048	\$ (77,463)
Appropriation – Library – Rent	180,000	180,000	180,000	-
Appropriation – Library	63,136	63,136	63,136	-
Golf course	440,593	440,593	366,623	73,970
Banquet room	33,852	33,852	27,515	6,337
Pool	62,593	62,593	57,540	5,053
Sports arena	45,454	52,824	46,317	6,507
Wilck's Lake	24,261	28,261	22,864	5,397
Train station	17,909	19,609	16,444	3,165
Parks and recreation	208,371	221,421	177,017	44,404
	<u>1,107,754</u>	<u>1,133,874</u>	<u>1,066,504</u>	<u>67,370</u>
Community development				
Planning and community development	164,909	179,442	157,418	22,024
Town planner	92,720	92,720	46,664	46,056
	<u>257,629</u>	<u>272,162</u>	<u>204,082</u>	<u>68,080</u>
Debt service:				
Principal	1,336,630	1,320,849	1,320,978	(129)
Interest	423,991	439,773	439,614	159
	<u>1,760,621</u>	<u>1,760,622</u>	<u>1,760,592</u>	<u>30</u>
Total expenditures	<u>17,996,877</u>	<u>18,549,028</u>	<u>12,922,812</u>	<u>5,626,216</u>
Deficiency of revenues under expenditures	<u>(2,175,647)</u>	<u>(2,634,823)</u>	<u>(1,600,087)</u>	<u>1,034,736</u>
<b>OTHER FINANCING SOURCES</b>				
Loan proceeds	1,218,436	1,218,436	586,297	(632,139)
Transfers in	1,325,000	1,325,000	1,325,570	570
Transfers out	(367,789)	(398,460)	(369,765)	28,695
Total other financing sources	<u>2,175,647</u>	<u>2,144,976</u>	<u>1,542,102</u>	<u>(602,874)</u>
Transfer from surplus (contingency)	<u>-</u>	<u>489,847</u>	<u>-</u>	<u>(489,847)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (57,985)</u>	<u>\$ (57,985)</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, 2019**

	Enterprise Funds				
	Water	Sewer	Transportation	Airport	Total
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash and investments	\$ 1,004,971	\$ 1,224,235	\$ 372,754	\$ 164,032	\$ 2,765,992
Receivables, net	423,324	471,275	-	-	894,599
Due from other governments	-	-	104,733	-	104,733
Prepaid expenses	-	3,600	-	-	3,600
Inventories	124,064	27,829	-	37,795	189,688
Total current assets	1,552,359	1,726,939	477,487	201,827	3,958,612
<b>NONCURRENT ASSETS</b>					
Note receivable	665,000	-	-	-	665,000
Capital assets:					
Non-depreciable	159,200	113,496	16,050	2,192,616	2,481,362
Depreciable, net	3,713,418	1,000,295	1,208,702	621,348	6,543,763
Total noncurrent assets	4,537,618	1,113,791	1,224,752	2,813,964	9,690,125
Total assets	6,089,977	2,840,730	1,702,239	3,015,791	13,648,737
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred outflows related to other postemployment benefits	1,107	1,717	1,255	-	4,079
Total deferred outflows of resources	1,107	1,717	1,255	-	4,079
<b>LIABILITIES</b>					
<b>CURRENT LIABILITIES</b>					
Accounts payable	56,527	50,828	85,077	106,285	298,717
Accrued payroll and related liabilities	34,228	25,729	16,568	2,744	79,269
Accrued interest	37,836	-	-	-	37,836
Refundable deposits	98,259	-	-	-	98,259
Long-term liabilities, due within one year	202,101	7,967	-	-	210,068
Total current liabilities	428,951	84,524	101,645	109,029	724,149
<b>NONCURRENT LIABILITIES</b>					
Net other postemployment benefit liability	52,858	81,961	59,895	-	194,714
Long-term liabilities, due in more than one year	3,387,425	31,866	-	-	3,419,291
Total noncurrent liabilities	3,440,283	113,827	59,895	-	3,614,005
Total liabilities	3,869,234	198,351	161,540	109,029	4,338,154
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred inflows related to other postemployment benefits	6,850	10,622	7,762	-	25,234
Total deferred inflows of resources	6,850	10,622	7,762	-	25,234
<b>NET POSITION</b>					
Net investment in capital assets	324,702	1,113,791	1,224,752	2,813,964	5,477,209
Unrestricted	1,890,298	1,519,683	309,440	92,798	3,812,219
	<u>\$ 2,215,000</u>	<u>\$ 2,633,474</u>	<u>\$ 1,534,192</u>	<u>\$ 2,906,762</u>	<u>\$ 9,289,428</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, 2019**

	<b>Enterprise Funds</b>				
	<b>Water</b>	<b>Sewer</b>	<b>Transportation</b>	<b>Airport</b>	<b>Total</b>
<b>OPERATING REVENUES</b>					
Charges for services	\$ 1,963,912	\$ 2,396,191	\$ 11,016	\$ 84,368	\$ 4,455,487
<b>OPERATING EXPENSES</b>					
Salaries and wages	493,818	430,959	419,100	33,583	1,377,460
Benefits	199,625	152,530	108,700	18,710	479,565
Fuel	-	-	65,858	61,771	127,629
Professional fees	19,639	29,034	-	4,400	53,073
Sludge removal	-	819	-	-	819
Chemicals	84,328	71,862	-	-	156,190
Depreciation	344,709	99,731	196,408	78,217	719,065
Repairs and maintenance	177,065	104,887	50,332	30,389	362,673
Other charges	25,925	19,119	-	4,236	49,280
Utilities	105,561	153,762	10,773	14,627	284,723
Insurance	21,670	31,222	16,938	24,353	94,183
General and administrative	111,499	62,912	-	-	174,411
Total operating expenses	1,583,839	1,156,837	868,109	270,286	3,879,071
Operating income (loss)	380,073	1,239,354	(857,093)	(185,918)	576,416
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Tap income	99,208	73,120	-	-	172,328
Rental income	66,744	-	-	6,660	73,404
Other income (expense)	16,013	(1,914)	2,306	-	16,405
Gain on disposition of assets	2,300	-	22,479	-	24,779
Federal and state grants	-	1,900	954,981	1,653,937	2,610,818
Other contributions	-	-	236,350	7,600	243,950
Interest income	-	1,926	-	401	2,327
Interest expense	(119,187)	-	-	-	(119,187)
Total nonoperating revenues	65,078	75,032	1,216,116	1,668,598	3,024,824
Income before transfers	445,151	1,314,386	359,023	1,482,680	3,601,240
Transfers in	-	-	-	154,839	154,839
Transfers out	(425,000)	(900,000)	-	-	(1,325,000)
	(425,000)	(900,000)	-	154,839	(1,170,161)
Change in net position	20,151	414,386	359,023	1,637,519	2,431,079
Total net position – beginning, as restated (Note 19)	2,194,849	2,219,088	1,175,169	1,269,243	6,858,349
Total net position – ending	\$ 2,215,000	\$ 2,633,474	\$ 1,534,192	\$ 2,906,762	\$ 9,289,428

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, 2019**

	<b>Water</b>	<b>Sewer</b>	<b>Enterprise Funds Transportation</b>	<b>Airport</b>	<b>Total</b>
<b>OPERATING ACTIVITIES</b>					
Received from customers	\$ 1,882,862	\$ 2,331,724	\$ 11,019	\$ 84,365	\$ 4,309,970
Payments to suppliers for goods and services	(513,955)	(516,023)	(451,111)	(35,294)	(1,516,383)
Payments to employees for services	(682,632)	(573,126)	(523,052)	(52,412)	(1,831,222)
Nonoperating revenue (expense)	181,965	71,206	2,306	6,660	262,137
Net cash provided by (used in) operating activities	868,240	1,313,781	(960,838)	3,319	1,224,502
<b>NONCAPITAL FINANCING ACTIVITIES</b>					
Transfers from other funds	-	-	-	154,839	154,839
Transfers to other funds	(425,000)	(900,000)	-	-	(1,325,000)
Operating grants received	-	1,900	1,129,597	11,408	1,142,905
Net cash provided by (used in) noncapital financing activities	(425,000)	(898,100)	1,129,597	166,247	(27,256)
<b>CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Acquisition of capital assets	(245,792)	(92,052)	(117,794)	(1,798,264)	(2,253,902)
Capital contributions received	-	-	-	1,653,937	1,653,937
Proceeds from sale of capital assets	2,300	-	22,479	-	24,779
Principal payments on long-term debt	(150,000)	-	-	-	(150,000)
Interest payments on long-term debt	(154,588)	-	-	-	(154,588)
Net cash used in capital and related financing activities	(548,080)	(92,052)	(95,315)	(144,327)	(879,774)
<b>INVESTING ACTIVITIES</b>					
Interest on investments	-	1,926	-	401	2,327
Payments received on note receivable	95,000	-	-	-	95,000
Net cash provided by investing activities	95,000	1,926	-	401	97,327
Net increase (decrease) in cash and investments	(9,840)	325,555	73,444	25,640	414,799
<b>CASH AND CASH EQUIVALENTS</b>					
Beginning	1,014,811	898,680	299,310	138,392	2,351,193
Ending	\$ 1,004,971	\$ 1,224,235	\$ 372,754	\$ 164,032	\$ 2,765,992

(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, 2019**

	Enterprise Funds				
	Water	Sewer	Transportation	Airport	Total
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>					
Operating income (loss)	\$ 380,073	\$ 1,239,354	\$ (857,093)	\$ (185,918)	\$ 576,416
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	344,709	99,731	196,408	78,217	719,065
OPEB expense	4,221	6,549	4,785	-	15,555
Nonoperating revenue, net	181,965	71,206	2,306	6,660	262,137
Change in operating assets and liabilities					
Change in receivables	(87,846)	(64,467)	-	-	(152,313)
Change in prepaid expenses	-	(3,600)	-	-	(3,600)
Change in inventories	22,240	2,691	-	7,088	32,019
Change in accounts payable	9,494	(41,497)	(307,210)	97,394	(241,819)
Change in refundable deposits related liabilities	6,588	3,814	(34)	(122)	10,246
Change in refundable deposits	6,796	-	-	-	6,796
Net cash provided by (used in) operating activities	<u>\$ 868,240</u>	<u>\$ 1,313,781</u>	<u>\$ (960,838)</u>	<u>\$ 3,319</u>	<u>\$ 1,224,502</u>

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, 2019**

	<b>Paulette Memorial Trust Fund</b>
	<hr/>
<b>ASSETS</b>	
Cash	\$ 1,435
	<hr/>
<b>NET POSITION</b>	
Restricted	\$ 1,435
	<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, 2019**

	<b>Paulette Memorial Trust Fund</b>
	<hr/>
<b>ADDITIONS</b>	
Interest	\$ 5
	<hr/>
<b>DEDUCTIONS</b>	
Administrative expenses	265
	<hr/>
Change in net position	(260)
<b>NET POSITION HELD IN TRUST FOR PENSION</b>	
Beginning	1,695
	<hr/>
Ending	\$ 1,435
	<hr/> <hr/>

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

**TOWN OF FARMVILLE, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**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 2019. The Town has no equity interest in the Library.

(Continued)

**TOWN OF FARMVILLE, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**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 consist 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, 2019**

**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, 2019**

**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, 2019**

**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, 2019**

**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.
- Difference between projected and actual earnings on the OPEB plan investments. This difference will be recognized in the OPEB expense over a closed five year period and may be reported as a deferred outflow or inflow 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, 2019**

**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, 2019**

**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 \$466,955. 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, 2019**

**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. Significant encumbrances as of June 30 totaled \$104,214 in the general fund.

**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, 2019**

**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:

	<b>Town of Farmville</b>	<b>Component Unit – Farmville IDA</b>
Petty cash	\$ 3,000	\$ -
Deposit accounts	<u>5,958,280</u>	<u>73,897</u>
Total deposits and investments	<u><u>\$ 5,961,280</u></u>	<u><u>73,897</u></u>
Reconciliation of deposits and investments to Exhibit 1:		
Cash and cash equivalents	\$ 3,900,971	\$ 73,897
Cash and cash equivalents, restricted	<u>2,060,309</u>	<u>-</u>
Total deposits and investments	<u><u>\$ 5,961,280</u></u>	<u><u>\$ 73,897</u></u>

**Restricted cash and cash equivalents**

Restricted cash and cash equivalents consists of the following:

	<b>Governmental Activities</b>
Library trust	\$ 128,513
Maintained as a condition of certain bond instruments	1,285,791
Grant restrictions	507,736
Capital improvements	<u>138,269</u>
	<u><u>\$ 2,060,309</u></u>

(Continued)

**TOWN OF FARMVILLE, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**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	\$ 428,383	\$ -	\$ -
Accounts	77,136	784,504	-
Other	<u>62,161</u>	<u>156,800</u>	<u>1,534</u>
Gross receivables	567,680	941,304	1,534
Less: allowance for uncollectibles	<u>(18,880)</u>	<u>(46,705)</u>	<u>-</u>
Net receivables	<u><u>\$ 548,800</u></u>	<u><u>\$ 894,599</u></u>	<u><u>\$ 1,534</u></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 \$40,344.

**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	\$ 1,325,570	\$ (369,765)	\$ 955,805
Nonmajor governmental fund	-	(570)	(570)
Street Maintenance Fund	<u>214,926</u>	<u>-</u>	<u>214,926</u>
	<u><u>\$ 1,540,496</u></u>	<u><u>\$ (370,335)</u></u>	<u><u>\$ 1,170,161</u></u>
Enterprise Funds:			
Sewer Fund	\$ -	\$ (900,000)	\$ (900,000)
Water Fund	-	(425,000)	(425,000)
Airport Fund	<u>154,839</u>	<u>-</u>	<u>154,839</u>
	<u><u>\$ 154,839</u></u>	<u><u>\$ (1,325,000)</u></u>	<u><u>\$ (1,170,161)</u></u>

Transfers from the General Fund to the Street Maintenance Fund because the latter operates for the benefit of the Town.

(Continued)

**TOWN OF FARMVILLE, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 4. Transfers (Continued)**

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.

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, 2019 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, 2019, the Authority owed the Town \$451,434. 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, 2019, the balance owed to the Town from the component unit Farmville Industrial Development Authority consists of the following:

Payables	\$ 451,434
Bond payments	<u>327,297</u>
	778,731
Less: long-term portion	<u>(739,897)</u>
Current portion	<u><u>\$ 38,834</u></u>

(Continued)

**TOWN OF FARMVILLE, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 5. Balance Between Town and Component Unit (Continued)**

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>
2020	\$ 38,834	\$ 15,118	\$ 53,952
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
2025-2030	95,909	16,800	112,709
2031-2033	24,860	1,949	26,809
	<u>\$ 327,297</u>	<u>\$ 74,276</u>	<u>\$ 401,573</u>

**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:		
Milwood and Buffalo Creek project	\$ 147,235	\$ -
Transportation operations	-	104,733
Utility tax	29,767	-
Communication tax	73,574	-
Other miscellaneous state and federal grants	17,522	-
Sales taxes	28,876	-
	<u>\$ 296,974</u>	<u>\$ 104,733</u>

(Continued)



**TOWN OF FARMVILLE, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**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:

<b>Year Ending</b> <b>June 30,</b>	<b>Water Fund</b>	
	<b>Principal</b>	<b>Interest</b>
2020	\$ 95,000	\$ -
2021	95,000	-
2022	95,000	16,625
2023	95,000	13,300
2024	95,000	9,975
2025-2026	190,000	9,975
	<u>\$ 665,000</u>	<u>\$ 49,875</u>

**Component Unit:**

The Authority currently has one note receivable outstanding for the fiscal year ended June 30, 2019 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, 2019, the balance of the note was \$239,590.

Based on the Authority's analysis of the note at June 30, 2019, 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:

<b>Fiscal Year</b>	<b>Notes Receivable</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2020	\$ 27,733	\$ 5,779	\$ 33,512
2021	27,721	5,069	32,790
2022	28,853	4,345	33,198
2023	29,978	3,592	33,570
2024	29,954	2,825	32,779
2025-2028	95,351	3,688	99,039
	<u>\$ 239,590</u>	<u>\$ 25,298</u>	<u>\$ 264,888</u>

(Continued)

**TOWN OF FARMVILLE, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 8. Capital Assets**

Capital asset activity for the year was as follows:

<b>Governmental Activities</b>	<b>Beginning Balance (As Restated – Note 19)</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital assets, not depreciated				
Land	\$ 3,647,653	\$ 155,703	\$ -	\$ 3,803,356
Construction in progress	403,767	1,129,252	-	1,533,019
Total capital assets, not depreciated	4,051,420	1,284,955	-	5,336,375
Capital assets, depreciated				
Buildings and improvements	15,938,524	-	-	15,938,524
Infrastructure	22,419,782	21,036	-	22,440,818
Vehicles and equipment	6,944,843	622,019	(157,188)	7,409,674
Total capital assets, depreciated	45,303,149	643,055	(157,188)	45,789,016
Less accumulated depreciation	(27,597,528)	(1,426,189)	152,867	(28,870,850)
Total capital assets, depreciated, net	17,705,621	(783,134)	(4,321)	16,918,166
Governmental activities capital assets, net	<u>\$ 21,757,041</u>	<u>\$ 501,821</u>	<u>\$ (4,321)</u>	<u>\$ 22,254,541</u>
<b>Business-Type Activities</b>				
Capital assets, not depreciated				
Land	\$ 683,098	\$ -	\$ -	\$ 683,098
Construction in progress	-	1,798,264	-	1,798,264
Total capital assets, not depreciated	683,098	1,798,264	-	2,481,362
Capital assets, depreciated				
Buildings and improvements	2,858,139	-	-	2,858,139
Infrastructure	26,305,165	187,709	-	26,492,874
Vehicles and equipment	2,426,235	267,929	(360,159)	2,334,005
Total capital assets, depreciated	31,589,539	455,638	(360,159)	31,685,018
Less accumulated depreciation	(24,782,349)	(719,065)	360,159	(25,141,255)
Total capital assets, depreciated, net	6,807,190	(263,427)	-	6,543,763
Business-type activities capital assets, net	<u>\$ 7,490,288</u>	<u>\$ 1,534,837</u>	<u>\$ -</u>	<u>\$ 9,025,125</u>

(Continued)

**TOWN OF FARMVILLE, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 8. Capital Assets (Continued)**

Depreciation expense was charged to functions/programs as follows:

Governmental activities	
General government administration	\$ 14,262
Public safety	270,976
Public works	1,069,642
Parks, recreation, and cultural	71,309
	<u>\$ 1,426,189</u>
Business-type activities	
Water fund	\$ 344,709
Sewer fund	99,731
Transportation fund	196,408
Airport fund	78,217
	<u>\$ 719,065</u>

**Note 9. Long-Term Liabilities**

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

<b>Governmental Activities</b>	<b>Beginning Balance*</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
General obligation bonds	\$ 9,165,000	\$ -	\$ 1,115,000	\$ 8,050,000	\$ 1,160,000
Bond Premium	1,601,247	-	177,916	1,423,331	177,916
Notes payable	530,180	586,297	205,982	910,495	217,056
Compensated absences	654,798	144,861	121,654	678,005	135,600
Landfill liability	391,215	8,998	-	400,213	10,000
Governmental activities long-term liabilities	<u>\$ 12,342,440</u>	<u>\$ 740,156</u>	<u>\$ 1,620,552</u>	<u>\$ 11,462,044</u>	<u>\$ 1,700,572</u>

(Continued)

**TOWN OF FARMVILLE, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 9. Long-Term Liabilities (Continued)**

<b>Business-Type Activities</b>	<b>Beginning Balance*</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
General obligation bonds	\$ 3,225,000	\$ -	\$ 150,000	\$ 3,075,000	\$ 160,000
Bond Premium	506,695	-	33,779	472,916	33,779
Compensated absences	73,229	22,860	14,646	81,443	16,289
Business-type activities long-term liabilities	<u>\$ 3,804,924</u>	<u>\$ 22,860</u>	<u>\$ 198,425</u>	<u>\$ 3,629,359</u>	<u>\$ 210,068</u>

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

\* Balance reflects adjusted compensated absences due to prior period adjustment, see Note 19.

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

<b>Year Ending June 30,</b>	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>General Obligation Bonds</b>		<b>General Obligation Bonds</b>		<b>General Obligation Bonds</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2020	\$ 1,160,000	\$ 366,638	\$ 160,000	\$ 147,244	\$ 1,320,000	\$ 513,882
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
2025-2029	1,900,000	106,650	1,105,000	414,541	3,005,000	521,191
2030-2033	-	-	1,100,000	116,081	1,100,000	116,081
	<u>\$ 8,050,000</u>	<u>\$ 1,340,420</u>	<u>\$ 3,075,000</u>	<u>\$ 1,184,291</u>	<u>\$ 11,125,000</u>	<u>\$ 2,524,711</u>

<b>Year Ending June 30,</b>	<b>Governmental Activities</b>	
	<b>Note payable</b>	
	<b>Principal</b>	<b>Interest</b>
2020	\$ 217,056	\$ 17,829
2021	217,360	14,103
2022	221,043	10,420
2023	124,385	6,624
2024	64,917	3,419
2025-2029	65,734	1,443
	<u>\$ 910,495</u>	<u>\$ 53,838</u>

(Continued)

**TOWN OF FARMVILLE, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 9. Long-Term Liabilities (Continued)**

Details of long-term indebtedness are as follows:

	<u>Interest Rates</u>	<u>Date Issued</u>	<u>Final Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
<b><u>General Obligation Bonds</u></b>						
Virginia Resources Authority:						
Refunding Series 2012A	2.125 – 5.125%	06/2012	2032	\$ 19,015,000	\$ 8,050,000	\$ 3,075,000
<b><u>Notes Payable</u></b>						
USDA Rural Development:						
General Improvement 2012	3.500	08/2012	2019	21,000	\$ 3,305	
General Improvement 2016	2.880	06/2016	2023	41,000	23,970	
General Improvement 2018	3.250	05/2018	2025	94,000	81,824	
Wilck Family Limited Partnership						
General Improvement	0.000	03/2011	2021	551,850	300,000	
Benchmark Community Bank						
Benchmark – 7yr	3.240	08/2018	2025	300,000	264,453	
Benchmark – 5Yr	2.990	08/2018	2023	286,297	236,943	
					<u>\$ 910,495</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 \$400,213 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, 2019. 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, 2019**

**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.

	<b>General Fund</b>	<b>Street Maintenance Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total</b>
Nonspendable:				
Inventories	\$ 31,429	\$ -	\$ -	\$ 31,429
IDA note receivable, long term portion	739,897	-	-	739,897
Total nonspendable	771,326	-	-	771,326
Restricted for:				
Unspent note proceeds	138,269	-	-	138,269
Police	384,268	-	23,158	407,426
Required debt service	1,285,791	-	-	1,285,791
Library trust	128,513	-	-	128,513
E911 reserve	92,267	-	-	92,267
Narcotics reserve	7,894	-	-	7,894
Total restricted	2,037,002	-	23,158	2,060,160
Committed to:				
Capital projects	104,214	-	-	104,214
Total committed	104,214	-	-	104,214
Assigned to:				
Public works	-	335,446	-	335,446
Total assigned	-	335,446	-	335,466
Unassigned	688,555	-	-	688,555
Total fund balance	\$ 3,601,097	\$ 335,446	\$ 23,158	\$ 3,959,701

**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, 2019**

**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, 2019, \$11,187, of forfeitures were used to reduce the Town's contributions.

At June 30, 2019, there were 127 active City employees and a total of 103 participants, including terminated employees enrolled in the DC Plan. During the year, the Town contributed a total of \$213,465 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, 2018 was as follows:

Retirees currently receiving benefits	8
Active employees	130
	<hr/>
Total	138
	<hr/> <hr/>

Total OPEB liability

The Town's total OPEB liability of \$1,925,728 was measured as of June 30, 2018, and was determined based on an actuarial valuation performed as of July 1, 2018.

(Continued)

**TOWN OF FARMVILLE, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**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	3.87% Bond Buyer 20-Bond GO Index
Actuarial cost method	Entry Age Normal

Mortality rates: RP-2014 Combined Annuitant Mortality Table for males and females.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2017.

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

Changes in the total OPEB liability

Balance at June 30, 2018	\$ 1,898,768
Changes for the year:	
Service cost	100,555
Interest	67,336
Differences between expected and actual experience	4,980
Assumption or other input changes	(110,151)
Benefit payments	(35,760)
Net changes	26,960
Balance at June 30, 2019	\$ 1,925,728

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 (2.87%) or one percentage point higher (4.87%) than the current discount rate:

(Continued)



**TOWN OF FARMVILLE, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

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

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

	<b>1.00% Decrease (2.87%)</b>	<b>Current Discount Rate (3.87%)</b>	<b>1.00% Increase (4.87%)</b>
Total OPEB liability	\$ 2,235,704	\$ 1,925,728	\$ 1,669,953

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

For the year ended June 30, 2019, the Town recognized OPEB expense of \$148,644. At June 30, 2019, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Change in assumptions	\$ -	\$ 172,377
Difference between expected and actual experience	4,577	77,191
Employer contributions subsequent to measurement date	35,760	-
	<u>\$ 40,337</u>	<u>\$ 249,568</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<b>Year Ending June 30,</b>	<b>Increase (Reduction) to OPEB Expense</b>
2020	\$ (19,247)
2021	(19,247)
2022	(19,247)
2023	(19,247)
2024	(19,247)
Thereafter	(148,756)

(Continued)

**TOWN OF FARMVILLE, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 14. Property Taxes**

Real and Property taxes are levied on a calendar year basis. The Counties provides 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 2019 and 2018.

Personal property taxes are payable on December 15. The personal property tax rate was \$1.50 per \$100 for both 2019 and 2018. 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 2019 were \$369,132.

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.

Construction contracts

The Town has several construction and similar contracts in progress at June 30, 2019. The uncompleted portion of these contracts represents financial commitments that were not yet liabilities at June 30, 2019, and consist of the following:

Contracts in progress	\$ 3,166,778
Less: paid or recorded as liabilities	<u>(2,505,758)</u>
Remaining commitment	<u><u>\$ 661,020</u></u>

(Continued)

**TOWN OF FARMVILLE, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 16. Commitments and Contingencies (Continued)**

Encumbrance commitments

The Town had the following outstanding encumbrances, which include the construction contracts in progress above, as of June 30, 2019.

General Fund	\$ 104,214
Total encumbrances	<u>\$ 104,214</u>

**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 2019, the Hotel was considered in compliance with performance requirements to date.

**Note 18. New Accounting Standards**

The Governmental Accounting Standards Board (GASB) has issued the following Statements which are not yet effective.

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, 2018.

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 December 15, 2019.

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.

(Continued)

**TOWN OF FARMVILLE, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 18. New Accounting Standards (Continued)**

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, 2018. 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.

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, 2020.

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

**TOWN OF FARMVILLE, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 19. Prior Period Restatement**

The following is a summary of the restatements to net position and fund balances:

	<u>General</u>	<u>Street Maintenance</u>	<u>Nonmajor Governmental</u>	<u>Total</u>	<u>GTA</u>
Balances, at July 1, 2018 (per fiscal year 2018 CAFR)	\$ 3,891,623	\$ 362,296	\$ 21,845	\$ 4,275,764	\$ 10,682,374
GTA – asset depreciated when it should have been in CIP	-	-	-	-	37,410
Communication tax that should have been recorded in fiscal year 2018	38,368	-	-	38,368	38,368
Record unbilled receivables/ revenue for fiscal year 2018	23,533	-	-	23,533	23,533
Record accrued wages and FICA for fiscal year 2018	(294,442)	(37,956)	-	(332,398)	(332,398)
OPEB allocated across funds and understated in prior years	-	-	-	-	239,551
Record FICA on comp absences	-	-	-	-	(46,532)
Landfill correction should not be included in liability.	-	-	-	-	1,000,000
Accrued interest on bonds and notes payable	-	-	-	-	(111,462)
Balances, restated at July 1, 2018	<u>\$ 3,659,082</u>	<u>\$ 324,340</u>	<u>\$ 21,845</u>	<u>\$ 4,005,267</u>	<u>\$ 11,530,844</u>
	<u>Water</u>	<u>Sewer</u>	<u>Transportation</u>	<u>Airport</u>	<u>BTA Total</u>
Balances, at July 1, 2018 (per fiscal year 2018 CAFR)	\$ 2,150,725	\$ 2,128,181	\$ 1,262,412	\$ 1,272,106	\$ 6,813,424
Record unbilled receivables/ revenue for fiscal year 2018	142,881	157,539	-	-	300,420
Record accrued wages and FICA for fiscal year 2018	(2,030)	(1,677)	(16,605)	(2,863)	(23,175)
OPEB allocated across funds and understated in prior years	(54,378)	(84,317)	(61,618)		(200,313)
Record accrued interest on bond payable	(39,458)	-	-	-	(39,458)
Record FICA on comp absences	(2,891)	(2,711)	-	-	(5,602)
Record a capital asset that should have been capitalized in prior year	-	22,073	-	-	22,073
Correct fixed assets not recorded at the correct value	-	-	(9,020)	-	(9,020)
Balances, restated at July 1, 2018	<u>\$ 2,194,849</u>	<u>\$ 2,219,088</u>	<u>\$ 1,175,169</u>	<u>\$ 1,269,243</u>	<u>\$ 6,858,349</u>

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**REQUIRED  
SUPPLEMENTARY INFORMATION**

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## TOWN OF FARMVILLE, VIRGINIA

**REQUIRED SUPPLEMENTARY INFORMATION –  
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS –  
LOCAL PLAN  
June 30, 2019**

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

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, 2019**

<b>Entity Fiscal Year Ended June 30,</b>	<b>Actuarially Determined Employer Contribution</b>	<b>Actual Employer Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Employer's Covered Payroll</b>	<b>Contributions as a Percentage of Covered Payroll</b>
<b>Local Plan</b>					
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**

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**SCHEDULE 1**

**TOWN OF FARMVILLE, VIRGINIA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2019**

<b>Federal Grantor/Pass – Through Grantor/ Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass- Through Entity Identifying Number</b>	<b>Federal Expenditures</b>
Department of Homeland Security			
Pass Through Payments			
Virginia Department of Emergency Management			
Emergency Management Performance Grants	97.042		<u>\$ 12,180</u>
Department of Transportation			
Direct Payment			
Airport Improvement Program	20.106	N/A	1,653,937
Pass Through Payments			
Virginia Department of Rail and Public Transportation			
Formula Grants for Rural Areas	20.509		894,204
Highway Planning and Construction Cluster	20.205		407,624
Virginia Department of Motor Vehicles			
Alcohol Open Container Requirements	20.607		<u>33,333</u>
Total Department of Transportation			<u>2,989,098</u>
Department of Justice			
Direct Payment			
Bulletproof Vest Partnership Program	16.607	N/A	<u>3,712</u>
Total Expenditures of Federal Awards			<u><u>\$ 3,004,990</u></u>

## **TOWN OF FARMVILLE, VIRGINIA**

### **NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS June 30, 2019**

#### **Summary of Significant Accounting Policies**

The accompanying Schedule of Expenditures of Federal Awards is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal (CFR) Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

#### **Subrecipients**

The Town provided no amounts to subrecipients during fiscal year 2019.

#### **Indirect Cost Rate**

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

#### **Outstanding Loan Balances**

At June 30, 2019, 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 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, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated November 26, 2019.

**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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town'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 2019-001, 2019-002, and 2019-003 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. **The results of our tests disclosed an instance of noncompliance or other matters identified as Item 2019-004 in the accompanying schedule of findings and questioned costs, that is required to be reported under *Government Auditing Standards*.**

## 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  
November 26, 2019

**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, 2019. 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 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, 2019.**



## Report on Internal Control over Compliance

Management of the Town 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  
November 26, 2019

**TOWN OF FARMVILLE, VIRGINIA**  
**SUMMARY OF COMPLIANCE MATTERS**  
**June 30, 2019**

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

*State Agency Requirements*

Urban Highway Maintenance

**FEDERAL COMPLIANCE MATTERS**

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

*Compliance Supplement for Single Audits of State and Local Governments*

**TOWN OF FARMVILLE, VIRGINIA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**June 30, 2019**

**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:

Name of Program	CFDA #
Airport Improvement Grant	20.106

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**

**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.

*Criteria:*

The Town should maintain proper segregation of duties between employees.

(Continued)

**TOWN OF FARMVILLE, VIRGINIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**June 30, 2019**

**B. FINDINGS – FINANCIAL STATEMENT AUDIT (Continued)**

**2019-001: Segregation of Duties (Material Weakness) (Continued)**

*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.

**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.

*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.

*Effects:*

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

(Continued)

**TOWN OF FARMVILLE, VIRGINIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**June 30, 2019**

**B. FINDINGS – FINANCIAL STATEMENT AUDIT (Continued)**

**2019-002: Adjustments (Material Weakness) (Continued)**

*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.

**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.

*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.

*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 in place to reduce data loss.
- Access to the Town's system.
- Breach to system.
- Ransom and malware attacks.

(Continued)

**TOWN OF FARMVILLE, VIRGINIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**June 30, 2019**

**B. FINDINGS – FINANCIAL STATEMENT AUDIT (Continued)**

**2019-003: Information Technology (Material Weakness) (Continued)**

*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.

*Management's Response:*

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

**C. FINDINGS – COMMONWEALTH OF VIRGINIA**

**2019-004: Commonwealth of Virginia Disclosure Statements**

*Condition:*

One statement of economic interest form was not filed by the individual out of the thirty 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, 2019.

*Cause:*

Individual would not return his completed statement.

*Effects:*

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

(Continued)

**TOWN OF FARMVILLE, VIRGINIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**June 30, 2019**

**C. FINDINGS – COMMONWEALTH OF VIRGINIA (Continued)**

**2019-004: Commonwealth of Virginia Disclosure Statements (Continued)**

*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.