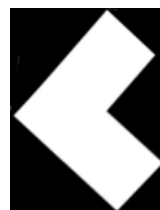


***Town of Farmville, Virginia***  
***Comprehensive Annual Financial Report***  
***Year Ended June 30, 2014***



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

## Town of Farmville, Virginia

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## **FINANCIAL SECTION**



**Creedle  
Jones  
& Alga**

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Virginia Society of Certified Public Accountants*

## **INDEPENDENT AUDITOR'S REPORT**

To the 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 Town of Farmville, Virginia, as of and for the year ended June 30, 2014, 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 *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and specifications require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Farmville, Virginia, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 1 through 8 and 45 through 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Farmville, Virginia's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2014, on our consideration of the Town of Farmville, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Farmville, Virginia's internal control over financial reporting and compliance.

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

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

South Hill, Virginia  
October 27, 2014

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Town of Farmville, Virginia presents the following discussion and analysis as an overview of the Town of Farmville, Virginia's financial activities for the fiscal year ending June 30, 2014. We encourage readers to read this discussion and analysis in conjunction with the transmittal letter and the Town's financial statements.

### Financial Highlights

#### Highlights for Government-Wide Financial Statements

- At the close of the fiscal year, the assets of the Town, excluding its Component Unit, exceeded its liabilities by \$10,605,778. The governmental activities had a net position of \$4,315,222 of which \$2,234,399 was an unrestricted deficit and the business-type activities had a net position of \$6,290,556 of which \$171,101 was unrestricted.
- For the fiscal year, general and program revenues of the Town's governmental activities were \$10,054,360 and expenses amounted to \$12,041,784. The Town's total net position decreased \$816,325.
- For business-type activities, revenues were \$5,099,178 and expenses were \$4,287,887. The net position decreased by \$359,808.

#### Highlights for Fund Financial Statements

- As of June 30, 2014, the Town's Governmental Funds reported combined fund balances of \$1,941,692, a decrease of \$153,778 in comparison with the prior year. Unassigned fund balances are \$1,091,265 or 5.2% and are available to meet the Town's current and future needs.
- The General Fund reported a fund balance of \$1,135,243, a decrease of \$388,056 from June 30, 2013.

## OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required and other supplementary information in addition to the basic financial statements themselves.

### Government-Wide Financial Statements

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

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

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

The government-wide financial statements distinguish governmental activities from business-type activities identified as the primary government. The governmental activities of the Town include general government administration, public safety, public works, parks, recreation and cultural, and community development. Water and sewer system, an airport, and a transportation system represent the business-type activities.

Furthermore, the government-wide financial statements include a legally separate entity, the Farmville Industrial Development Authority, for which the Town is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

### **Fund Financial Statements**

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

The Town has three types of funds:

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

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

*Fiduciary Funds* – The Town is the trustee, or fiduciary, for the Town's agency funds. Agency funds utilize the accrual basis of accounting described in the Governmental Fund presentation. Since by definition, these assets are being held for the benefit of a third party and cannot be used to support activities or obligations of the government, these funds are not incorporated into the government-wide financial statements.



## Notes to the Basic Financial Statements

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

### Other

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

Governmental accounting and reporting standards also require reporting certain information about the Town's other postemployment benefits as required supplementary information. The Town has elected to include this information within the notes to the basic financial statements.

## FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

### Statement of Net Position

The following table reflects the condensed Statement of Net Position:

Summary of Net Position							
As of June 30, 2014 and 2013							
	Governmental Activities		Business-Type Activities		Total Primary Government		Component Unit Farmville IDA
	2014	2013	2014	2013	2014	2013	2014 2013
<b>Assets</b>							
Current and other assets	\$ 2,226,360	\$ 2,390,033	\$ 1,366,505	\$ 4,610,716	\$ 3,592,865	\$ 7,000,749	\$ 406,443 \$ 454,071
Capital assets	22,035,834	23,170,275	9,761,184	7,420,817	31,797,018	30,591,092	- -
Other assets	-	33,509	-	291,415	-	324,924	- -
Total Assets	<u>\$ 24,262,194</u>	<u>\$ 25,593,817</u>	<u>\$ 11,127,689</u>	<u>\$ 12,322,948</u>	<u>\$ 35,389,883</u>	<u>\$ 37,916,765</u>	<u>\$ 406,443</u> <u>\$ 454,071</u>
<b>Liabilities</b>							
Other liabilities	\$ 256,655	\$ 200,340	\$ 363,758	\$ 640,538	\$ 620,413	\$ 840,878	\$ 488,595 \$ 488,851
Long-term liabilities	19,690,317	20,228,421	4,473,375	4,740,631	24,163,692	24,969,052	497,639 527,501
Total Liabilities	<u>19,946,972</u>	<u>20,428,761</u>	<u>4,837,133</u>	<u>5,381,169</u>	<u>24,784,105</u>	<u>25,809,930</u>	<u>986,234</u> <u>1,016,352</u>
<b>Net Position</b>							
Net investment in capital assets	6,549,621	6,608,446	5,739,414	6,652,159	12,289,035	13,260,605	- -
Restricted - capital projects	-	-	380,041	3,786,931	380,041	3,786,931	- -
Unrestricted (deficit)	(2,234,399)	(1,443,390)	171,101	(3,497,311)	(2,063,298)	(4,940,701)	(579,791) (562,281)
Total Net Position (Deficit)	<u>4,315,222</u>	<u>5,165,056</u>	<u>6,290,556</u>	<u>6,941,779</u>	<u>10,605,778</u>	<u>12,106,835</u>	<u>(579,791)</u> <u>(562,281)</u>
Total Liabilities and Net Position	<u>\$ 24,262,194</u>	<u>\$ 25,593,817</u>	<u>\$ 11,127,689</u>	<u>\$ 12,322,948</u>	<u>\$ 35,389,883</u>	<u>\$ 37,916,765</u>	<u>\$ 406,443</u> <u>\$ 454,071</u>

## Statement of Activities

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

### Summary of Changes in Net Position

For the Fiscal Years Ended June 30, 2014 and 2013

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>		<u>Component Unit Farmville IDA</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
<b>Revenues</b>								
<b>Program Revenues</b>								
Charges for services	\$ 1,040,749	\$ 1,283,167	\$ 4,179,479	\$ 3,872,944	\$ 5,220,228	\$ 5,156,111	\$ -	\$ 150,000
Operating grants and contributions	1,854,031	2,667,637	850,544	982,569	2,704,575	3,650,206	-	-
<b>General Revenues</b>								
General property taxes, real and personal	804,662	850,381	-	-	804,662	850,381	-	-
Other taxes	5,152,335	4,887,841	-	-	5,152,335	4,887,841	-	-
Noncategorical aid from state	741,095	763,446	-	-	741,095	763,446	-	-
Use of property	152,903	219,245	54,801	32,573	207,704	251,818	-	-
Investment earnings	8,234	6,483	2,992	11,516	11,226	17,999	9,760	10,879
Miscellaneous	300,351	327,065	11,362	1,850	311,713	328,915	-	-
Total Revenues	10,054,360	11,005,265	5,099,178	4,901,452	15,153,538	15,906,717	9,760	160,879
<b>Expenses</b>								
General government administration	1,063,691	1,074,446	-	-	1,063,691	1,074,446	-	-
Public safety	3,614,517	3,751,726	-	-	3,614,517	3,751,726	-	-
Public works	5,936,059	4,855,490	-	-	5,936,059	4,855,490	-	-
Parks, recreation, and cultural	798,331	1,752,634	-	-	798,331	1,752,634	-	-
Community development	144,554	146,036	-	-	144,554	146,036	3,000	3,011
Enterprise fund expenses	-	-	4,136,241	4,805,522	4,136,241	4,805,522	-	-
Interest on long-term debt	484,632	442,364	151,646	134,206	636,278	576,570	24,270	26,595
Total Expenses	12,041,784	12,022,696	4,287,887	4,939,728	16,329,671	16,962,424	27,270	29,606
Increase (Decrease) in Net Position Before Transfers	(1,987,424)	(1,017,431)	811,291	(38,276)	(1,176,133)	(1,055,707)	(17,510)	131,273
<b>Transfers</b>	1,171,099	1,211,693	(1,171,099)	(1,211,693)	-	-	-	-
Increase (Decrease) in Net Position	(816,325)	194,262	(359,808)	(1,249,969)	(1,176,133)	(1,055,707)	(17,510)	131,273
Beginning Net Position (Deficit)	5,165,056	4,892,616	6,941,779	8,191,748	12,106,835	13,084,364	(562,281)	(693,669)
Prior Period Adjustment	(33,509)	78,178	(291,415)	-	(324,924)	78,178	-	115
Ending Net Position (Deficit)	\$ 4,315,222	\$ 5,165,056	\$ 6,290,556	\$ 6,941,779	\$ 10,605,778	\$ 12,106,835	\$ (579,791)	\$ (562,281)

Governmental activities decreased the Town's net position by \$816,325 for fiscal year 2014. Revenues from governmental activities totaled \$10,054,360. Other taxes comprise the largest source of these revenues, totaling \$5,152,335 or 51.2 percent of all governmental activities revenue.

The total cost of all governmental activities for this fiscal year was \$12,041,784. Public works was the Town's largest program with expenses totaling \$5,936,059. Public safety, which totals \$3,614,517, represents the second largest expense.

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

### Net Cost of Governmental Activities

For the Fiscal Years Ended June 30, 2014 and 2013

	<u>2014</u>		<u>2013</u>	
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
General government administration	\$ 1,063,691	\$ (816,036)	\$ 1,074,446	\$ (821,897)
Public safety	3,614,517	(3,192,269)	3,751,726	(3,013,393)
Public works	5,936,059	(3,848,345)	4,855,490	(2,244,464)
Parks, recreation, and cultural	798,331	(661,168)	1,752,634	(1,403,738)
Community development	144,554	(144,554)	146,036	(146,036)
Interest on long-term debt	<u>484,632</u>	<u>(484,632)</u>	<u>442,364</u>	<u>(442,364)</u>
Total	<u>\$ 12,041,784</u>	<u>\$ (9,147,004)</u>	<u>\$ 12,022,696</u>	<u>\$ (8,071,892)</u>

### FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

As of June 30, 2014, the Town's Governmental Funds reported a combined ending fund balance of \$1,941,692, of this, \$1,091,265 is unassigned and is available for spending at the government's discretion.

The General Fund is the main operating fund of the Town. At the end of the current fiscal year, the General Fund had an unassigned fund balance of \$1,097,756. The General Fund's liquidity can be measured by comparing unassigned fund balance to total fund expenditures. Unassigned fund balance represents 11.4 percent of total fund expenditures.

### BUDGETARY HIGHLIGHTS

#### General Fund

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

## Budgetary Comparison

### General Fund

For the Fiscal Years Ended June 30, 2014 and 2013

	<u>2014</u>			<u>2013</u>		
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
<b>Revenues</b>						
Taxes	\$ 860,000	\$ 860,000	\$ 870,872	\$ 843,550	\$ 843,550	\$ 834,336
Other	6,564,413	6,564,413	6,922,333	6,477,172	6,477,172	7,658,995
Intergovernmental	<u>1,443,283</u>	<u>1,443,283</u>	<u>1,054,495</u>	<u>1,414,940</u>	<u>1,414,940</u>	<u>1,910,209</u>
Total	8,867,696	8,867,696	8,847,700	8,735,662	8,735,662	10,403,540
<b>Expenditures</b>	<u>8,932,081</u>	<u>8,932,081</u>	<u>9,632,543</u>	<u>8,832,868</u>	<u>8,832,868</u>	<u>11,130,847</u>
Excess (Deficiency) of Revenues Over Expenditures	(64,385)	(64,385)	(784,843)	(97,206)	(97,206)	(727,307)
<b>Other Financing Sources (Uses)</b>						
Proceeds of loans	-	-	-	-	-	21,000
Transfers in	1,331,900	1,331,900	1,284,733	-	-	1,315,554
Transfers out	<u>(1,184,917)</u>	<u>(1,184,917)</u>	<u>(887,946)</u>	<u>(366,099)</u>	<u>(366,099)</u>	<u>(689,394)</u>
Total	<u>146,983</u>	<u>146,983</u>	<u>396,787</u>	<u>(366,099)</u>	<u>(366,099)</u>	<u>647,160</u>
Net Change in Fund Balance	82,598	82,598	(388,056)	(463,305)	(463,305)	(80,147)
Contingency/Transfer from Surplus	<u>(82,598)</u>	<u>(82,598)</u>	-	<u>463,305</u>	<u>463,305</u>	-
Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (388,056)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (80,147)</u>

Actual revenues were less than final budget amounts by \$19,996, or .2 percent, while actual expenditures were \$700,462, or 7.8 percent more than final budget amounts.

## CAPITAL ASSETS AND LONG-TERM DEBT

### Capital Assets

As of June 30, 2014, the Town's net investment in capital assets totals \$6,549,621, which are net capital assets less related debt for governmental activities and \$5,739,414 for business-type activities.

During fiscal year 2014, the Town's net capital assets (including additions, decreases, and depreciation) decreased \$1,134,441, or 4.9 percent, for governmental activities and increased \$2,340,367, or 31.5 percent, for business-type activities, as summarized in the following table:

## Change in Capital Assets

### Governmental Activities

	<u>Balance July 1, 2013</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2014</u>
Land and land improvements	\$ 2,750,487	\$ (32,000)	\$ 2,718,487
Other capital assets, net of depreciation	<u>20,419,788</u>	<u>(1,102,441)</u>	<u>19,317,347</u>
Total Capital Assets	<u>\$ 23,170,275</u>	<u>\$ (1,134,441)</u>	<u>\$ 22,035,834</u>

### Business-Type Activities

	<u>Balance July 1, 2013</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2014</u>
Land and land improvements	\$ 1,703,672	\$ -	\$ 1,703,672
Other capital assets, net of depreciation	<u>5,717,145</u>	<u>2,340,367</u>	<u>8,057,512</u>
Total Capital Assets	<u>\$ 7,420,817</u>	<u>\$ 2,340,367</u>	<u>\$ 9,761,184</u>

## Long-Term Debt

As of June 30, 2014, the Town's long-term obligations, excluding the Component Unit, total \$21,208,968.

	<u>Balance July 1, 2013</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2014</u>
<b>Primary Government</b>			
<b>Governmental Activities</b>			
Long-term debt	\$ 14,071,000	\$ (897,700)	\$ 13,173,300
Net pension obligation	1,094,263	97,807	1,192,070
Landfill obligation	1,303,772	1,139,826	2,443,598
Compensated absences			
Governmental Funds	<u>1,268,557</u>	<u>(700,121)</u>	<u>568,436</u>
Total Governmental Activities	17,737,592	(360,188)	17,377,404
<b>Business-Type Activities</b>			
Long-term debt	3,880,000	(120,000)	3,760,000
Compensated absences			
Enterprise Funds	<u>185,041</u>	<u>(113,477)</u>	<u>71,564</u>
Total Business-Type Activities	<u>4,065,041</u>	<u>(233,477)</u>	<u>3,831,564</u>
Total Primary Government	<u>\$ 21,802,633</u>	<u>\$ (593,665)</u>	<u>\$ 21,208,968</u>
<b>Governmental Activities</b>			
Bond Premiums	<u>\$ 2,490,829</u>	<u>\$ (177,916)</u>	<u>\$ 2,312,913</u>
<b>Business-Type Activities</b>			
Bond Premiums	<u>\$ 675,590</u>	<u>\$ (33,779)</u>	<u>\$ 641,811</u>
<b>Component Unit Farmville IDA</b>			
Long-term debt	<u>\$ 527,501</u>	<u>\$ (29,862)</u>	<u>\$ 497,639</u>

The legal debt limit is the amount of general obligation bonded indebtedness that the Town can at any time incur or have outstanding.

More detailed information on the Town's long-term obligations is presented in Note 11 to the financial statements.

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

- The average unemployment rate for the Town of Farmville, Virginia in June 2014, which uses Prince Edward County's rate, was 9.8 percent, a decrease of .3 percent from June 2013. This compares unfavorably to the state's rate of 5.4 percent and the national rate of 6.3 percent as of June 2014.
- According to the 2010 U.S. Census, the population in the Town of Farmville, Virginia was 8,216, an increase of 20%, since the 2000 U.S. Census.
- The per capita income in the Town of Farmville, Virginia was \$14,817, compared to \$27,705 for the state, according to the 2010 U.S. Census data.

The fiscal year 2015 adopted budget anticipates General Fund revenues to be \$9,723,298.

### **REQUESTS FOR INFORMATION**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Town's finances and to demonstrate the Town's accountability for the money it receives. Questions concerning this report or requests for additional information should be directed to Carol Anne Seal, Treasurer, Town of Farmville, Virginia, P. O. Drawer 368, Farmville, Virginia 23901, telephone 434-392-3333, or visit the Town's website at [www.farmvilleva.com](http://www.farmvilleva.com).

# **BASIC FINANCIAL STATEMENTS**

## Town of Farmville, Virginia

## Statement of Net Position

At June 30, 2014

	<u>Primary Government</u>			<u>Component Unit Farmville IDA</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	
<b>Assets</b>				
Cash and cash equivalents	\$ 820,102	\$ 378,197	\$ 1,198,299	\$ 36,060
Restricted cash	-	380,041	380,041	-
Receivables, net	378,126	416,886	795,012	370,383
Inventory	44,784	191,381	236,165	-
Due from other governments	983,348	-	983,348	-
<b>Capital Assets</b>				
Land and construction in progress	2,718,487	1,703,672	4,422,159	-
Other capital assets, net of depreciation	19,317,347	8,057,512	27,374,859	-
Total Capital Assets	22,035,834	9,761,184	31,797,018	-
Total Assets	<u>\$ 24,262,194</u>	<u>\$ 11,127,689</u>	<u>\$ 35,389,883</u>	<u>\$ 406,443</u>
<b>Liabilities</b>				
Accounts payable and accrued expenses	\$ 256,655	\$ 283,252	\$ 539,907	\$ 6,004
Due to other governments	-	-	-	482,591
Customer deposits	-	80,506	80,506	-
<b>Long-Term Liabilities</b>				
<i>Due within one year</i>				
Bonds, loans, and capital leases payable	932,795	125,000	1,057,795	31,038
<i>Due in more than one year</i>				
Compensated absences	568,436	71,564	640,000	-
Net pension obligation	1,192,070	-	1,192,070	-
Landfill obligation	2,443,598	-	2,443,598	-
Bonds, loans, and capital leases payable	12,240,505	3,635,000	15,875,505	466,601
Add: Bond premiums	2,312,913	641,811	2,954,724	-
Total Liabilities	19,946,972	4,837,133	24,784,105	986,234
<b>Net Position</b>				
Net investment in capital assets	6,549,621	5,739,414	12,289,035	-
Restricted for capital projects	-	380,041	380,041	-
Unrestricted (deficit)	(2,234,399)	171,101	(2,063,298)	(579,791)
Total Net Position (Deficit)	<u>4,315,222</u>	<u>6,290,556</u>	<u>10,605,778</u>	<u>(579,791)</u>
Total Liabilities and Net Position	<u>\$ 24,262,194</u>	<u>\$ 11,127,689</u>	<u>\$ 35,389,883</u>	<u>\$ 406,443</u>

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



**Town of Farmville, Virginia**  
**Statement of Activities**  
For the Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position			Component Unit Farmville IDA	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-Type Activities		Total
Primary Government								
Governmental Activities								
General government administration	\$ 1,063,691	\$ 247,655	\$ -	\$ -	\$ (816,036)		\$ (816,036)	
Public safety	3,614,517	249,315	172,933	-	(3,192,269)		(3,192,269)	
Public works	5,936,059	407,252	1,680,462	-	(3,848,345)		(3,848,345)	
Parks, recreation, and cultural	798,331	136,527	636	-	(661,168)		(661,168)	
Community development	144,554	-	-	-	(144,554)		(144,554)	
Interest on long-term debt	484,632	-	-	-	(484,632)		(484,632)	
Total Governmental Activities	12,041,784	1,040,749	1,854,031	-	(9,147,004)		(9,147,004)	
Business-Type Activities								
Water fund	1,879,262	1,813,190	25,053	-		\$ (41,019)	(41,019)	
Sewer fund	1,099,508	2,124,650	-	-		1,025,142	1,025,142	
Airport fund	474,960	232,572	40,784	-		(201,604)	(201,604)	
Transportation fund	834,157	9,067	784,707	-		(40,383)	(40,383)	
Total Business-Type Activities	4,287,887	4,179,479	850,544	-		742,136	742,136	
Total Primary Government	\$ 16,329,671	\$ 5,220,228	\$ 2,704,575	\$ -		742,136	(8,404,868)	
Component Unit								
Farmville IDA	\$ 27,270	\$ -	\$ -	\$ -				\$ (27,270)
General Revenues								
Taxes								
General property taxes, real and personal					804,662	-	804,662	-
Other local taxes					5,152,335	-	5,152,335	-
Noncategorical aid from state					741,095	-	741,095	-
Use of property					152,903	54,801	207,704	-
Investment earnings					8,234	2,992	11,226	9,760
Miscellaneous					300,351	11,362	311,713	-
Transfers					1,171,099	(1,171,099)	-	-
Total General Revenues and Transfers					8,330,679	(1,101,944)	7,228,735	9,760
Change in Net Position					(816,325)	(359,808)	(1,176,133)	(17,510)
Net Position (Deficit) - Beginning of Year					5,165,056	6,941,779	12,106,835	(562,281)
Restatement of Net Position - GASB 65 Bond Issuance Costs					(33,509)	(291,415)	(324,924)	-
Net Position (Deficit) - End of Year					\$ 4,315,222	\$ 6,290,556	\$ 10,605,778	\$ (579,791)

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

**Town of Farmville, Virginia**

Balance Sheet

Governmental Funds

At June 30, 2014

	<b>General Fund</b>	<b>Street Maintenance Fund</b>	<b>ICA Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets</b>					
Cash and investments	\$ 20,515	\$ -	\$ 522,528	\$ 277,059	\$ 820,102
Property taxes receivable, net	30,549	-	-	-	30,549
Accounts receivable	331,283	-	16,294	-	347,577
Inventory	37,487	-	-	7,297	44,784
Due from other governments	983,348	-	-	-	983,348
<b>Total Assets</b>	<b>\$ 1,403,182</b>	<b>\$ -</b>	<b>\$ 538,822</b>	<b>\$ 284,356</b>	<b>\$ 2,226,360</b>
<b>Liabilities</b>					
Accounts payable and accrued liabilities	\$ 239,926	\$ 6,491	\$ -	\$ 10,238	\$ 256,655
<b>Total Liabilities</b>	<b>239,926</b>	<b>6,491</b>	<b>-</b>	<b>10,238</b>	<b>256,655</b>
<b>Deferred Inflows of Resources</b>					
Unavailable revenue - property taxes	28,013	-	-	-	28,013
<b>Total Deferred Inflows of Resources</b>	<b>28,013</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>28,013</b>
<b>Fund Balance</b>					
Nonspendable fund balance - inventory	37,487	-	-	7,297	44,784
Restricted fund balance	-	-	-	4,330	4,330
Assigned fund balance	-	-	538,822	262,491	801,313
Unassigned fund balance	1,097,756	(6,491)	-	-	1,091,265
<b>Total Fund Balance</b>	<b>1,135,243</b>	<b>(6,491)</b>	<b>538,822</b>	<b>274,118</b>	<b>1,941,692</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balance</b>	<b>\$ 1,403,182</b>	<b>\$ -</b>	<b>\$ 538,822</b>	<b>\$ 284,356</b>	<b>\$ 2,226,360</b>

The accompanying 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

At June 30, 2014

Total Fund Balances for Governmental Funds	\$ 1,941,692
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Total net position reported for governmental activities in the Statement of Net Position is different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of:

Land	\$ 2,718,487
Buildings and improvements, net of accumulated depreciation	11,053,339
Infrastructure and equipment, net of accumulated depreciation	<u>8,264,008</u>

Total Capital Assets	22,035,834
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Other assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.

Unavailable revenue - property taxes	28,013
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Liabilities applicable to the Town's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities.

Balances of long-term liabilities affecting net position are as follows:

Bonds, loans, and capital leases payable	(13,173,300)
Bond premiums	(2,312,913)
Net pension obligation	(1,192,070)
Landfill obligation	(2,443,598)
Compensated absences	<u>(568,436)</u>

Total	<u>(19,690,317)</u>
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Total Net Position of Governmental Activities	<u><u>\$ 4,315,222</u></u>
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The accompanying notes to financial statements are an integral part of this statement.

**Town of Farmville, Virginia**

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Year Ended June 30, 2014

	<b>General Fund</b>	<b>Street Maintenance Fund</b>	<b>ICA Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>					
Property taxes	\$ 870,872	\$ -	\$ -	\$ -	\$ 870,872
Other local taxes	5,152,335	-	-	-	5,152,335
Permits, privilege fees, and regulatory licenses	52,734	-	-	-	52,734
Fines and forfeitures	106,972	-	-	-	106,972
Use of money and property	173,528	-	-	43,772	217,300
Charges for services	561,768	-	191,923	127,352	881,043
Miscellaneous	296,345	-	-	4,006	300,351
Recovered costs	578,651	-	-	-	578,651
<i>Intergovernmental</i>					
Revenue from the Commonwealth	1,010,314	1,539,658	-	973	2,550,945
Revenue from the Federal Government	44,181	-	-	-	44,181
Total Revenues	8,847,700	1,539,658	191,923	176,103	10,755,384
<b>Expenditures</b>					
<b>Current</b>					
General government administration	1,333,456	-	-	-	1,333,456
Public safety	3,714,834	-	-	2,375	3,717,209
Public works	2,439,914	1,949,463	-	2,115	4,391,492
Parks, recreation, and cultural	439,537	-	-	493,765	933,302
Community development	144,554	-	-	-	144,554
Debt service	1,560,248	-	-	-	1,560,248
Total Expenditures	9,632,543	1,949,463	-	498,255	12,080,261
Excess (Deficiency) of Revenues Over Expenditures	(784,843)	(409,805)	191,923	(322,152)	(1,324,877)
<b>Other Financing Sources (Uses)</b>					
Transfers in	1,284,733	404,697	-	391,782	2,081,212
Transfers out	(887,946)	-	-	(22,167)	(910,113)
Total Other Financing Sources (Uses)	396,787	404,697	-	369,615	1,171,099
Net Change in Fund Balance	(388,056)	(5,108)	191,923	47,463	(153,778)
Fund Balance (Deficit) - Beginning of Year	1,523,299	(1,383)	346,899	226,655	2,095,470
Fund Balance (Deficit) - End of Year	\$ 1,135,243	\$ (6,491)	\$ 538,822	\$ 274,118	\$ 1,941,692

The accompanying 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 Governmental Funds to the Statement of Activities**

Year Ended June 30, 2014

Net Change in Fund Balances - Total Governmental Funds		\$	(153,778)
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded net capital outlays in the current period.			
			(1,134,441)
Revenues in the Statement of Activities that do not provide current financial resources are deferred in the fund statements. This amount represents the difference in the amounts deferred in the fund financial statements, but recognized in the Statement of Activities.			
			(66,210)
Bond and capital lease proceeds are reported as financing sources in Governmental Funds and thus contribute to the change in fund balance. In the Statement of Net Position, however, issuing debt increases the long-term liabilities and does not affect the Statement of Activities. Similarly, the repayment of principal is an expenditure in the Governmental Funds but reduces the liability in the Statement of Net Position.			
Bond premium amortization	177,916		
Repayments on debt	<u>897,700</u>		
Net Adjustment			1,075,616
Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable financial resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. This adjustment combines the net changes of the following:			
Net OPEB obligation	(97,807)		
Compensated absences	700,121		
Landfill obligation	<u>(1,139,826)</u>		
Net Adjustment			<u>(537,512)</u>
Change in Net Position of Governmental Activities		\$	<u><u>(816,325)</u></u>

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

## Town of Farmville, Virginia

## Statement of Net Position

## Proprietary Funds

At June 30, 2014

	<u>Business-Type Activities - Enterprise Funds</u>				
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Transportation Fund</u>	<u>Airport Fund</u>	<u>Total</u>
<b>Assets</b>					
<b>Current Assets</b>					
Cash	\$ 110,607	\$ 160,173	\$ 68,983	\$ 38,434	\$ 378,197
Cash - restricted	380,041	-	-	-	380,041
Accounts receivable (net of allowance for bad debts)	219,930	177,071	19,291	594	416,886
Inventory	<u>106,339</u>	<u>22,893</u>	<u>-</u>	<u>62,149</u>	<u>191,381</u>
Total Current Assets	816,917	360,137	88,274	101,177	1,366,505
<b>Capital Assets</b>					
Land and construction in process	1,380,699	113,495	16,050	193,428	1,703,672
Other capital assets	15,611,104	9,979,852	1,915,900	3,182,062	30,688,918
Less: Accumulated depreciation	<u>(10,719,291)</u>	<u>(8,996,418)</u>	<u>(763,799)</u>	<u>(2,151,898)</u>	<u>(22,631,406)</u>
Total Capital Assets	<u>6,272,512</u>	<u>1,096,929</u>	<u>1,168,151</u>	<u>1,223,592</u>	<u>9,761,184</u>
Total Assets	<u>\$ 7,089,429</u>	<u>\$ 1,457,066</u>	<u>\$ 1,256,425</u>	<u>\$ 1,324,769</u>	<u>\$ 11,127,689</u>
<b>Liabilities</b>					
<b>Current Liabilities</b>					
Accounts payable	\$ 188,225	\$ 52,635	\$ 1,902	\$ 6,629	\$ 249,391
Accrued wages	<u>22,385</u>	<u>11,476</u>	<u>-</u>	<u>-</u>	<u>33,861</u>
Total Current Liabilities	210,610	64,111	1,902	6,629	283,252
<b>Noncurrent Liabilities</b>					
Customer deposits	80,506	-	-	-	80,506
Compensated absences	36,166	35,398	-	-	71,564
General obligation bonds	3,760,000	-	-	-	3,760,000
Bond premium	<u>641,811</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>641,811</u>
Total Noncurrent Liabilities	<u>4,518,483</u>	<u>35,398</u>	<u>-</u>	<u>-</u>	<u>4,553,881</u>
Total Liabilities	4,729,093	99,509	1,902	6,629	4,837,133
<b>Net Position</b>					
Net investment in capital assets	2,250,743	1,096,928	1,168,151	1,223,592	5,739,414
Restricted for capital projects	380,041	-	-	-	380,041
Unrestricted (deficit)	<u>(270,448)</u>	<u>260,629</u>	<u>86,372</u>	<u>94,548</u>	<u>171,101</u>
Total Net Position	<u>2,360,336</u>	<u>1,357,557</u>	<u>1,254,523</u>	<u>1,318,140</u>	<u>6,290,556</u>
Total Liabilities and Net Position	<u>\$ 7,089,429</u>	<u>\$ 1,457,066</u>	<u>\$ 1,256,425</u>	<u>\$ 1,324,769</u>	<u>\$ 11,127,689</u>

The accompanying 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, 2014

	<u>Business-Type Activities - Enterprise Funds</u>				
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Transportation Fund</u>	<u>Airport Fund</u>	<u>Total</u>
<b>Operating Revenues</b>					
Charges for services	\$ 1,719,989	\$ 2,095,150	\$ 9,067	\$ 232,572	\$ 4,056,778
Rental income	36,500	-	-	7,043	43,543
Operating grants - state	8,869	-	127,785	31,284	167,938
Operating grants - federal	16,184	-	417,612	-	433,796
Contribution - Counties and other	-	-	239,310	9,500	248,810
Miscellaneous	9,290	-	2,072	-	11,362
Tap fees	<u>93,201</u>	<u>29,500</u>	<u>-</u>	<u>-</u>	<u>122,701</u>
Total Operating Revenues	1,884,033	2,124,650	795,846	280,399	5,084,928
<b>Operating Expenses</b>					
Salaries and wages	448,543	302,925	398,731	30,546	1,180,745
Fringe benefits	162,458	100,381	85,971	9,295	358,105
Cost of fuel	-	-	94,219	173,848	268,067
Contractual services and professional fees	123,359	16,673	-	3,200	143,232
Sludge removal	10,224	34,256	-	-	44,480
Administrative costs to general fund	81,720	72,990	-	-	154,710
Chemicals	72,355	104,441	-	-	176,796
Repairs and maintenance	195,310	176,563	43,683	47,995	463,551
Other charges	38,692	27,481	5,133	13,716	85,022
Bad debt	-	9,127	-	-	9,127
Depreciation	441,005	86,315	176,040	134,405	837,765
Utilities	127,652	145,143	9,720	18,249	300,764
Insurance	<u>26,298</u>	<u>23,213</u>	<u>20,660</u>	<u>43,706</u>	<u>113,877</u>
Total Operating Expenses	<u>1,727,616</u>	<u>1,099,508</u>	<u>834,157</u>	<u>474,960</u>	<u>4,136,241</u>
Operating Income (Loss)	156,417	1,025,142	(38,311)	(194,561)	948,687
<b>Nonoperating Revenues (Expenses)</b>					
Interest earned	2,843	-	1	148	2,992
Gain (loss) on sale of fixed assets	4,500	3,500	3,258	-	11,258
Interest expense on bonds	<u>(151,646)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(151,646)</u>
Total Nonoperating Revenues (Expenses)	<u>(144,303)</u>	<u>3,500</u>	<u>3,259</u>	<u>148</u>	<u>(137,396)</u>
Income (Loss) Before Operating Transfers	12,114	1,028,642	(35,052)	(194,413)	811,291
Operating Transfers In	-	-	-	91,467	91,467
Operating Transfers Out	<u>(150,000)</u>	<u>(1,112,566)</u>	<u>-</u>	<u>-</u>	<u>(1,262,566)</u>
Net Operating Transfers	<u>(150,000)</u>	<u>(1,112,566)</u>	<u>-</u>	<u>91,467</u>	<u>(1,171,099)</u>
Change in Net Position	(137,886)	(83,924)	(35,052)	(102,946)	(359,808)
Total Net Position - Beginning of Year	2,789,637	1,441,481	1,289,575	1,421,086	6,941,779
Restatement of Net Position GASB 65 -					
Bond Issuance Costs	<u>(291,415)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(291,415)</u>
Total Net Position - End of Year	<u>\$ 2,360,336</u>	<u>\$ 1,357,557</u>	<u>\$ 1,254,523</u>	<u>\$ 1,318,140</u>	<u>\$ 6,290,556</u>

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

## Town of Farmville, Virginia

## Statement of Cash Flow s

## Proprietary Funds

Year Ended June 30, 2014

Business-Type Activities - Enterprise Funds

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Transportation Fund</u>	<u>Airport Fund</u>	<u>Total</u>
<b>Cash Flows from Operating Activities</b>					
Receipts from customers	\$ 1,781,563	\$ 2,150,605	\$ 9,067	\$ 239,985	\$ 4,181,220
Receipts from County and others	-	-	220,801	9,500	230,301
Operating grants from state and federal government	25,053	-	545,397	31,284	601,734
Other receipts	9,290	-	2,072	-	11,362
Payments to personnel and related expenses	(662,702)	(451,600)	(484,702)	(39,841)	(1,638,845)
Payments to suppliers	<u>(1,033,205)</u>	<u>(565,166)</u>	<u>(174,786)</u>	<u>(299,159)</u>	<u>(2,072,316)</u>
Net Cash Provided by (Used in) Operating Activities	119,999	1,133,839	117,849	(58,231)	1,313,456
<b>Cash Flows from Noncapital Financing Activities</b>					
Funds from (paid to) other funds	<u>(150,000)</u>	<u>(1,112,566)</u>	-	91,467	<u>(1,171,099)</u>
Net Cash Provided by (Used in) Noncapital Financing Activities	(150,000)	(1,112,566)	-	91,467	(1,171,099)
<b>Cash Flows from Financing Capital and Related Activities</b>					
Purchase of capital assets	(3,093,544)	(15,794)	(65,307)	(13,727)	(3,188,372)
Gain (loss) on disposition of capital assets	4,500	3,500	13,501	-	21,501
Principal paid on capital debt	(153,779)	-	-	-	(153,779)
Interest paid on capital debt	<u>(151,646)</u>	-	-	-	<u>(151,646)</u>
Net Cash Used in Financing Capital and Related Activities	(3,394,469)	(12,294)	(51,806)	(13,727)	(3,472,296)
<b>Cash Flows from Investing Activities</b>					
Interest income	<u>2,843</u>	-	1	148	<u>2,992</u>
Net Cash Provided by Investing Activities	2,843	-	1	148	2,992
Net Increase (Decrease) in Cash	(3,421,627)	8,979	66,044	19,657	(3,326,947)
Cash - Beginning of Year	<u>3,912,275</u>	<u>151,194</u>	<u>2,939</u>	<u>18,777</u>	<u>4,085,185</u>
Cash - End of Year	<u>\$ 490,648</u>	<u>\$ 160,173</u>	<u>\$ 68,983</u>	<u>\$ 38,434</u>	<u>\$ 758,238</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities</b>					
Operating income (loss)	\$ 156,417	\$ 1,025,142	\$ (38,311)	\$ (194,561)	\$ 948,687
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities					
Depreciation expense	441,005	86,315	176,040	134,405	837,765
Changes in assets and liabilities					
Receivables, net	(71,146)	25,955	(18,509)	370	(63,330)
Inventory	(13,710)	(2,536)	-	(3,161)	(19,407)
Accounts payable	(343,885)	47,257	(1,371)	4,716	(293,283)
Accrued wages	10,116	3,367	-	-	13,483
Compensated absences	(61,817)	(51,661)	-	-	(113,478)
Customer deposits	<u>3,019</u>	-	-	-	<u>3,019</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ 119,999</u>	<u>\$ 1,133,839</u>	<u>\$ 117,849</u>	<u>\$ (58,231)</u>	<u>\$ 1,313,456</u>

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



**Town of Farmville, Virginia**

Statement of Fiduciary Net Position  
Fiduciary Funds

At June 30, 2014

	<b>Retirement Trust Fund</b>	<b>Paulette Memorial Trust Fund</b>
<b>Assets</b>		
Cash and investments	\$6,948,825	\$ 2,629
Cash and investments - participant loans portion	<u>37,826</u>	<u>-</u>
Total Assets	<u><u>\$6,986,651</u></u>	<u><u>\$ 2,629</u></u>
<b>Liabilities and Net Position</b>		
<b>Liabilities</b>		
Due to forfeiture account	\$ 10,175	\$ -
<b>Net Position - Restricted</b>	<u>6,976,476</u>	<u>2,629</u>
Total Liabilities and Net Position	<u><u>\$6,986,651</u></u>	<u><u>\$ 2,629</u></u>

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

**Town of Farmville, Virginia**

Statement of Changes in Fiduciary Net Position  
Fiduciary Funds

For the Year Ended June 30, 2014

	<b>Retirement Trust Fund</b>	<b>Paulette Memorial Trust Fund</b>
<b>Additions</b>		
Contributions	\$ 428,021	\$ -
Interest, dividends, and unrealized gains (losses)	<u>980,872</u>	<u>9</u>
Total Additions	1,408,893	9
<b>Deductions</b>		
Benefits paid to participants or beneficiaries	612,500	-
Administrative expenses	<u>7,763</u>	<u>222</u>
Total Deductions	<u>620,263</u>	<u>222</u>
Change in Net Position	788,630	(213)
Net Position - Beginning	<u>6,187,846</u>	<u>2,842</u>
Net Position - Ending	<u><u>\$6,976,476</u></u>	<u><u>\$ 2,629</u></u>

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

## Town of Farmville, Virginia

### Notes to Financial Statements

Year Ended June 30, 2014

## 1 Summary of Significant Accounting Policies

### *Narrative Profile*

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 Town is governed by an elected mayor and an elected Town Council with each serving administrative and legislative functions.

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

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

### **1-A. Financial Reporting Entity**

The basic criterion for determining whether a governmental department, agency, institution, commission, public authority, or other governmental organization should be included in a primary governmental unit's reporting entity for the basic financial statements is financial accountability. Financial accountability includes the appointment of a voting majority of the organization's governing body and the ability of the primary government to impose its will on the organization or if there is a financial benefit/burden relationship. In addition, an organization which is fiscally dependent on the primary government should be included in its reporting entity. These financial statements present the Town of Farmville, Virginia (the primary government) and its component unit. Blended component units, although legally separate entities, are, in substance, part of the government's operations. The Town has no blended component units at this time. Each discretely presented component unit, on the other hand, is reported in a separate column in the combined financial statements to emphasize it is legally separate from the government.

### **Individual Component Unit Disclosures**

#### **Discretely Presented Component Unit**

##### *Farmville Industrial Development Authority*

The Authority is a separate and distinct entity from the Town of Farmville, Virginia and is, in accordance with the Act, a political subdivision of the Commonwealth of Virginia.

A seven-member board appointed by the judge of the Circuit Court of Prince Edward County governs the Authority. The directors are to serve staggered terms of four years each.

In addition, the Authority is authorized to issue revenue bonds for the purpose of obtaining and constructing facilities. Liability under the bonds may be retained by the Authority or it may be assumed by the enterprise for which facilities are constructed. Collection of revenues pledged to liquidate the bonds may be assigned to a trustee. The revenue bonds are not deemed to constitute a debt or pledge of the faith and credit of the Commonwealth of Virginia or any municipality thereof. The bonds are payable solely from revenues generated from the lease of the facilities constructed and may be secured by a deed of trust on those facilities.

The Authority is a component unit of the financial reporting entity of the Town of Farmville, Virginia. The Authority issued a separate audit report dated September 2, 2014. Questions concerning this report or requests for additional information should be directed to Carol Anne Seal, Town Treasurer, Farmville Industrial Development Authority, P. O. Drawer 368, Farmville, Virginia 23901, telephone 434-392-3333.

### **Exclusions from the Reporting Entity**

#### **Jointly Governed Organizations**

Jointly governed organizations are regional governments or other multi-governmental arrangements that are governed by representation from each of the governments that create the organizations, and the participants do not retain an ongoing financial interest or responsibility in the organization.

The financial activities of the following organization are excluded from the accompanying financial statements for the reasons indicated:

#### *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 \$45,000 in operating funds and \$120,000 for rent subsidy in fiscal year 2014. The Town has no equity interest in the Library.

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

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

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

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

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

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

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

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

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

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

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

## 1-C. Financial Statement Presentation

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

**Governmental Funds** – Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Fund liabilities are assigned to the fund from which they will be liquidated. The Town reports the difference between its governmental fund assets and deferred outflows of resources and its liabilities and deferred inflows of resources as fund balance. The following are the Town's major governmental funds:

### **Major Governmental Funds**

**General Fund** – The General Fund is the primary operating fund of the Town and accounts for all revenues and expenditures applicable to the general operations of the Town which are not accounted for in other funds. Revenues are derived primarily from property and other local taxes, licenses, permits, charges for services, use of money and property, and intergovernmental grants.

**Special Revenue Funds** – Special Revenue Funds account for the proceeds of specific revenue sources (other than those derived from special assessments, expendable trusts, or dedicated for major capital projects) requiring separate accounting due to legal or regulatory provisions or administrative action. Special Revenue Funds include the following:

ICA Fund – This fund accounts for the funding and operations for the immigration detention facility operating near the Town of Farmville, Virginia.

Probation/Parole Building Fund – This fund accounts for the rental activity of the Probation/Parole Building.

Narcotic Fund – This fund accounts for special police activity having to do with narcotics and drug seizures and forfeitures.

Golf Fund – This fund accounts for the daily operations and maintenance of the golf course.

**Capital Projects Funds** – The Capital Projects Fund consists of the CDBG Fund which accounts for financial resources to be used for rehabilitation projects other than those financed by proprietary funds.

***Proprietary Funds*** – Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. The Town has four enterprise funds, which accounts for operations that are financed and operated in a manner similar to private business enterprises. The intent of the Town is that the cost of providing services to the general public be financed or recovered through user charges. The Enterprise Funds consist of the following:

The Water Fund accounts for activities associated with providing water services to customers in the Town.

The Sewer Fund accounts for activities associated with providing sewer services to customers in the Town.

The Transportation Fund accounts for activities providing bus transportation services to local residents of the Town of Farmville and Prince Edward County residents.

The Airport Fund accounts for activities associated with maintaining the airport and providing airport services to the local Farmville area.

***Fiduciary Funds – (Trust and Agency Funds)*** – Fiduciary funds account for assets held by the Town in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. Agency funds utilize the accrual basis of accounting. Since by definition, these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide financial statements. Trust and Agency Funds consist of the following:

Private Purpose Trust Funds

The Town maintains the Retirement Trust Fund of the Town employees as a service to the employees. The fund is administered by Retirement Plan Administrative Service, Ltd. in Richmond, Virginia. It also has the Paulette Memorial Trust Fund for the cemetery.

Agency Funds

The Town has no agency funds at this time.

***Discretely Presented Component Unit (Farmville Industrial Development Authority)***

The Farmville Industrial Development Authority only maintains its one operating fund for all activities.

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

The accompanying financial statements are prepared in accordance with pronouncements issued by the Governmental Accounting Standards Board. The principles prescribed by GASB represent generally accepted accounting principles applicable to governmental units.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (general government administration, public safety, public works, parks, recreation, and cultural, community development, etc.) which are otherwise being supported by general government revenues, (property taxes, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions. The program revenues must be directly associated with the function (general government administration, public safety, public works, parks, recreation, and cultural, community development, etc.) or a business-type activity.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The Town's fiduciary funds are presented in the fund financial statements by type. Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

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

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



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

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

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

***1-E-1 Cash and Cash Equivalents***

The Town operates a cash and investment pool which all funds utilize with the exception of restricted CDBG funds and fiduciary funds. The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

The Town allocates investment earnings of the cash and investment pool to each participating fund on a monthly basis in accordance with that fund's average equity balance in the pool for that month.

***1-E-2 Investments***

Investments are stated at fair value which approximates market; no investments are valued at cost. Certificates of deposit and short-term repurchase agreements are reported in the accompanying financial statements as cash and cash equivalents.

State statutes authorize the government to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, State Treasurer's Local Government Investment Pool (LGIP), and the State Non-Arbitrage Program (SNAP).

***1-E-3 Receivables and Payables***

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

All trade and property tax receivables are shown net of an allowance for uncollectibles. The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance is composed of the following:

**Governmental Funds**

General Fund - taxes receivable	\$ 74,679
General Fund - miscellaneous receivables	<u>77,112</u>
Total General Fund Allowance	151,791

**Enterprise Funds**

Water Fund - water bills	28,880
Water Fund - miscellaneous receivables	<u>7,815</u>
Total Water Fund Allowance	36,695
Sewer Fund - sewer bills	<u>32,669</u>
Total Sewer Fund Allowance	<u>32,669</u>
Total Enterprise Funds Allowance	<u>69,364</u>
Total Allowance - Primary Government	<u><u>\$ 221,155</u></u>

***Real and Personal Property Tax Data***

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

**Real Property Personal Property**

Assessed	January 1	January 1
Due Date	December 15	December 15

The Town bills and collects its own property taxes.

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

***1-E-4 Prepaid Items***

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

***1-E-5 Capital Assets***

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. Improvements to capital assets are capitalized; however, the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

Capital assets of the primary government, as well as the component unit, are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Description</u>	<u>Estimated Lives</u>
Buildings and improvements	10 to 50 years
Furniture and other equipment	3 to 25 years
Infrastructure	40 years

#### **1-E-6 Deferred Outflows/Inflows of Resources**

In addition to assets, the Statement of Financial Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources until then.

In addition to liabilities, the Statement of Financial Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources until that time. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30 and is deferred and recognized as an inflow of resources in the period that the amount becomes available.

#### **1-E-7 Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the Town will compensate the employees for the benefits through paid time off or some other means.

All compensated absence liabilities include salary-related payments, where applicable.

The total compensated absence liability is reported on the government-wide financial statements. Proprietary funds report the total compensated absence liability in each individual fund at the fund reporting level. Governmental funds report the compensated absence liability at the fund reporting level when paid.

#### **1-E-8 Defined Contribution Plan**

The Town provides retirement benefits for all of its full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. For more information on the Plan, see notes to the financial statement.

### **1-E-9 Post Retirement Compensation Plan**

The Town established a "Medical Policy for Certain Retirees." The policy or "Plan" is intended to provide compensation for certain retirees to assist them in obtaining retiree medical benefits. For more information on the Plan, see notes to the financial statement.

### **1-E-10 Fund Equity**

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

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

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

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

Committed – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level of action to remove or change the constraint.

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

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

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

The Town applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

### **1-E-11 Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the Town, these revenues are charges for services for utilities, transportation, and airport operations. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the fund. All other items that do not directly relate to the principal and usual activity of the fund are recorded as nonoperating revenues and expenses. These items include investment earnings and gains or losses on the disposition of capital assets.

### **1-E-12 Interfund Activity**

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

### **1-E-13 Long-Term Obligations**

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

### **1-E-14 Estimates**

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

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

### ***Budgets and Budgetary Accounting***

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

#### ***Budgetary Data***

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

1. Prior to April 1, the Town Manager submits to the Town Council a proposed operating and capital budget for the fiscal year commencing July 1. The operating budget and capital budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.

3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the fund, function, and departmental level. These appropriations for each fund, function, and department can be revised only by the Town Council.
5. Formal budgetary integration is employed as a management control device during the year and budgets are legally adopted for all major funds and component unit.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Supplemental Appropriations are adopted if necessary during the fiscal year.

#### **Expenditures in Excess of Appropriations**

Expenditures exceeded budget in the General Fund by \$700,462.

#### **Fund Deficits**

There is an unrestricted net position deficit balance in the governmental activities of \$2,234,399. There is a fund deficit of \$6,491 in the Street Maintenance Fund. There is a deficit in the unrestricted net position of the Water Fund of \$270,448.

There is also a fund deficit in the Discretely Presented Component Unit this year of \$579,791.

### **3 Deposits and Investments**

#### *Deposits*

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

#### *Investments*

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

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.

The following is a summary of cash and investments:

<u>Asset Type</u>	<u>Balance June 30, 2014</u>			
Petty cash	\$		3,100	
Deposit accounts			1,613,929	
Investments for retirement plan			<u>6,986,651</u>	
Total Cash and Investments	\$		<u>8,603,680</u>	

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Fiduciary Responsibilities</u>	<u>Total</u>
<b>Primary Government</b>				
Cash and cash equivalents	\$ 820,102	\$ 378,197	\$ 2,629	\$ 1,200,928
Cash - restricted	-	380,041	-	380,041
Investments	-	-	<u>6,986,651</u>	<u>6,986,651</u>
Total Primary Government	820,102	758,238	6,989,280	8,567,620
<b>Component Unit Farmville IDA</b>				
Cash and cash equivalents	<u>36,060</u>	-	-	<u>36,060</u>
Total Primary Government and Component Unit Farmville IDA	<u>\$ 856,162</u>	<u>\$ 758,238</u>	<u>\$ 6,989,280</u>	<u>\$ 8,603,680</u>

## 4 Receivables

Receivables at June 30, 2014 consist of the following:

	<u>Primary Government</u>					
	<u>Governmental Activities</u>					<u>Component Unit Farmville IDA</u>
	<u>General</u>	<u>ICA Fund</u>	<u>Other Nonmajor</u>	<u>Total</u>	<u>Business-Type Activities</u>	
Property taxes	\$ 105,228	\$ -	\$ -	\$ 105,228	\$ -	\$ -
Utility taxes	29,022	-	-	29,022	-	-
Sanitation fees	36,710	-	-	36,710	-	-
Sales tax	29,211	-	-	29,211	-	-
Food tax	174,827	-	-	174,827	-	-
Lodging tax	28,198	-	-	28,198	-	-
Other miscellaneous	110,427	16,294	-	126,721	-	370,383
Water fund accounts	-	-	-	-	256,625	-
Sewer fund accounts	-	-	-	-	209,740	-
Transportation fund accounts	-	-	-	-	19,291	-
Airport fund accounts	-	-	-	-	<u>594</u>	-
Total	513,623	16,294	-	529,917	486,250	370,383
Allowance for uncollectibles	<u>(151,791)</u>	-	-	<u>(151,791)</u>	<u>(69,364)</u>	-
Net Receivables	<u>\$ 361,832</u>	<u>\$ 16,294</u>	<u>\$ -</u>	<u>\$ 378,126</u>	<u>\$ 416,886</u>	<u>\$ 370,383</u>

## 5 Interfund Transfers

Interfund transfers for the year ended June 30, 2014 consisted of the following:

### Primary Government

<b>Transfers To/From Other Funds</b>	<b>Transfer To</b>	<b>Transfer From</b>
<b>General Fund</b>		
To Airport Fund for operating costs	\$ 91,467	\$ -
To Street Maintenance Fund for operating costs	404,697	-
To Golf Course Fund for operating costs and maintenance	391,782	-
From Narcotics Fund	-	22,167
From Water Fund for debt service	-	150,000
From Sewer Fund for debt service	-	1,112,566
Total General Fund	887,946	1,284,733
<b>Street Maintenance Fund</b>		
From General Fund for operating costs	-	404,697
<b>Sewer Fund</b>		
To General Fund for operating costs	1,112,566	-
<b>Airport Fund</b>		
From General Fund for operating costs	-	91,467
<b>Water Fund</b>		
To General Fund for debt payments	150,000	-
<b>Narcotics Fund</b>		
To General Fund for operating costs	22,167	-
<b>Golf Course Fund</b>		
From General Fund for operating costs	-	391,782
Total Transfers	<u>\$ 2,172,679</u>	<u>\$ 2,172,679</u>

## 6 Transfer to Component Unit/Transfer from Primary Government

Details of the primary government due to component unit as of June 30, 2014 are as follows:

	<b>Due From</b>	<b>Due To</b>
<b>Between Town of Farmville, Virginia and Component Unit Farmville IDA</b>		
<b>Town of Farmville, Virginia - General Fund</b>		
From Component Unit Farmville IDA	\$ 980,230	\$ -
<b>Component Unit Farmville IDA</b>		
To Town of Farmville, Virginia - General Fund	-	980,230
Total Between Primary Government and Component Unit	<u>\$ 980,230</u>	<u>\$ 980,230</u>



## 7 Due from Other Governmental Units

Details of the Town's receivables from other governmental units, as of June 30, 2014, are as follows:

	<b>Governmental Activities</b>
<b>Commonwealth of Virginia</b>	
E-911 wireless payments	\$ 3,118
Farmville IDA	<u>980,230</u>
 Total	 <u>\$ 983,348</u>

## 8 Capital Assets

The following is a summary of changes in capital assets for the year ended June 30, 2014:

### Primary Government

	<b>Balance July 1, 2013</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2014</b>
<b>Capital Assets Not Being Depreciated</b>				
Land and land improvements	\$ 2,750,487	\$ -	\$ 32,000	\$ 2,718,487
Total Capital Assets Not Being Depreciated	2,750,487	-	32,000	2,718,487
<b>Other Capital Assets</b>				
Buildings and improvements	15,011,876	90,644	-	15,102,520
Infrastructure	21,734,830	15,358	-	21,750,188
Vehicles and equipment	<u>5,895,993</u>	<u>213,956</u>	<u>143,156</u>	<u>5,966,793</u>
Total Other Capital Assets	42,642,699	319,958	143,156	42,819,501
<b>Less: Accumulated depreciation for</b>				
Buildings and improvements	3,625,653	423,528	-	4,049,181
Infrastructure	14,305,672	456,590	-	14,762,262
Vehicles and equipment	<u>4,291,586</u>	<u>518,118</u>	<u>118,993</u>	<u>4,690,711</u>
Total Accumulated Depreciation	<u>22,222,911</u>	<u>1,398,236</u>	<u>118,993</u>	<u>23,502,154</u>
Other Capital Assets, Net	<u>20,419,788</u>	<u>(1,078,278)</u>	<u>24,163</u>	<u>19,317,347</u>
Net Capital Assets	<u>\$ 23,170,275</u>	<u>\$ (1,078,278)</u>	<u>\$ 56,163</u>	<u>\$ 22,035,834</u>

Depreciation expense was allocated as follows:

General government administration	\$ 23,161
Public safety	311,202
Public works	987,835
Parks, recreation, and cultural	<u>76,038</u>
Total Depreciation Expense	<u>\$ 1,398,236</u>

## Business-Type Activities

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014
<b>Capital Assets Not Being Depreciated</b>				
Land and land improvements	\$ 1,703,672	\$ -	\$ -	\$ 1,703,672
Total Capital Assets Not Being Depreciated	1,703,672	-	-	1,703,672
<b>Other Capital Assets</b>				
Buildings and improvements	2,829,033	144,804	-	2,973,837
Infrastructure	22,886,151	2,959,341	-	25,845,492
Equipment and vehicles	1,948,513	84,228	163,152	1,869,589
Total Other Capital Assets	27,663,697	3,188,373	163,152	30,688,918
<b>Less: Accumulated depreciation for</b>				
Buildings and improvements	1,569,341	66,538	-	1,635,879
Infrastructure	19,071,346	573,805	-	19,645,151
Equipment and vehicles	1,305,865	197,421	152,910	1,350,376
Total Accumulated Depreciation	21,946,552	837,764	152,910	22,631,406
Other Capital Assets, Net	5,717,145	2,350,609	10,242	8,057,512
Net Capital Assets	\$ 7,420,817	\$ 2,350,609	\$ 10,242	\$ 9,761,184

## 9 Compensated Absences

After 12 months of employment, each Town employee earns annual leave at the rate of eight hours per two-week pay period. After 10 years of employment, annual leave is earned at a rate of ten hours per two-week pay period. The maximum carryover of annual leave shall be 1,040 hours at the end of the last full two-week pay period in the calendar year. When an employee exceeds 1,040 hours of leave, he/she will be paid at 75% of the hours in excess of 1,040, multiplied by the current hourly rate. This will be paid annually on the last payday in December. The Town has outstanding compensated absences totaling \$568,436 in the governmental activities and \$71,564 in the business-type activities.

## 10 Short-Term Debt

The Town also had some short-term debt activity in the form of a Revenue Anticipation note. Activity for the note is as follows:

	Balance July 1, 2013	Increase	Decrease	Balance June 30, 2014
<b>Short-Term Debt</b>				
The Town has an operating line of credit with Farmers Bank. The line is for \$1.5 million with an interest rate of 3.25 percent. Interest is paid monthly. There is an annual renewal fee of \$500.	\$ -	\$ 1,000,000	\$ 1,000,000	\$ -

# 11 Long-Term Debt

## PRIMARY GOVERNMENT

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

Year(s) Ended June 30,	Governmental Activities		Business-Type Activities		Total Town of Farmville	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 932,795	\$ 612,503	\$ 125,000	\$ 180,497	\$ 1,057,795	\$ 793,000
2016	977,892	566,390	130,000	174,312	1,107,892	740,702
2017	1,022,994	519,816	135,000	168,122	1,157,994	687,938
2018	1,068,098	470,934	145,000	161,547	1,213,098	632,481
2019	1,118,207	420,063	150,000	154,587	1,268,207	574,650
2020-2024	6,153,314	1,233,589	870,000	653,969	7,023,314	1,887,558
2025-2029	1,900,000	106,650	1,105,000	414,541	3,005,000	521,191
2030-2034	-	-	1,100,000	116,081	1,100,000	116,081
Compensated Absences	568,436	-	71,564	-	640,000	-
Net Pension Obligation	1,192,070	-	-	-	1,192,070	-
Landfill Obligation	2,443,598	-	-	-	2,443,598	-
Total	<u>\$ 17,377,404</u>	<u>\$3,929,945</u>	<u>\$ 3,831,564</u>	<u>\$2,023,656</u>	<u>\$21,208,968</u>	<u>\$5,953,601</u>

Year(s) Ended June 30,	Component Unit Farmville IDA		Total Above Town of Farmville		Total Reporting Entity	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 31,038	\$ 23,311	\$ 1,057,795	\$ 793,000	\$ 1,088,833	\$ 816,311
2016	32,509	21,775	1,107,892	740,702	1,140,401	762,477
2017	33,980	20,226	1,157,994	687,938	1,191,974	708,164
2018	35,598	18,598	1,213,098	632,481	1,248,696	651,079
2019	37,216	16,899	1,268,207	574,650	1,305,423	591,549
2020-2024	206,528	55,528	7,023,314	1,887,558	7,229,842	1,943,086
2025-2029	88,407	15,333	3,005,000	521,191	3,093,407	536,524
2030-2034	32,363	3,415	1,100,000	116,081	1,132,363	119,496
Compensated Absences	-	-	640,000	-	640,000	-
Net Pension Obligation	-	-	1,192,070	-	1,192,070	-
Landfill Obligation	-	-	2,443,598	-	2,443,598	-
Total	<u>\$ 497,639</u>	<u>\$ 175,085</u>	<u>\$21,208,968</u>	<u>\$5,953,601</u>	<u>\$21,706,607</u>	<u>\$6,128,686</u>

### Changes in Long-Term Debt

The following is a summary of changes in long-term obligations of the Town for the year ended June 30, 2014:

	<u>Balance July 1, 2013</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2014</u>	<u>Due Within One Year</u>
<b>Primary Government</b>					
\$19,015,000 General Obligation Refunding Bond, Series 2012A with Virginia Resources Authority issued June 13, 2012 with interest rates from 2.125% to 5.125% payable semiannually in October and April. Annual principal payments range from \$1,085,000 to \$295,000 due in October of every year.					
Enterprise Fund Portion	\$ 3,880,000	\$ -	\$ 120,000	\$ 3,760,000	\$ 125,000
General Fund Portion	<u>14,050,000</u>	<u>-</u>	<u>895,000</u>	<u>13,155,000</u>	<u>930,000</u>
Total Series 2012A Refunding Bonds	17,930,000	-	1,015,000	16,915,000	1,055,000
\$21,000 note payable to USDA Rural Development dated August 23, 2012. The note is payable annually with an interest rate of 3.50 percent per annum. Proceeds used to buy a police car and Treasurer's computers.					
	21,000	-	2,700	18,300	2,795
Net Pension Obligation	1,094,263	97,807	-	1,192,070	-
Landfill Obligation	1,303,772	1,139,826	-	2,443,598	-
Compensated Absences - Governmental Activities	1,268,557	-	700,121	568,436	-
Compensated Absences - Business-Type Activities	<u>185,041</u>	<u>-</u>	<u>113,477</u>	<u>71,564</u>	<u>-</u>
Total Primary Government	<u>\$ 21,802,633</u>	<u>\$ 1,237,633</u>	<u>\$ 1,831,298</u>	<u>\$ 21,208,968</u>	<u>\$ 1,057,795</u>
<b>Recap by Fund of Above Debt</b>					
Governmental Funds	\$ 17,737,592	\$ 1,237,633	\$ 1,597,821	\$ 17,377,404	\$ 932,795
Enterprise Funds	<u>4,065,041</u>	<u>-</u>	<u>233,477</u>	<u>3,831,564</u>	<u>125,000</u>
Total Primary Government	<u>\$ 21,802,633</u>	<u>\$ 1,237,633</u>	<u>\$ 1,831,298</u>	<u>\$ 21,208,968</u>	<u>\$ 1,057,795</u>
Bond Premium on Series 2012 Bond - Governmental Fund portion	<u>\$ 2,490,829</u>	<u>\$ -</u>	<u>\$ 177,916</u>	<u>\$ 2,312,913</u>	<u>\$ 177,916</u>
Bond Premium on Series 2012 Bond - Enterprise Fund portion	<u>\$ 675,590</u>	<u>\$ -</u>	<u>\$ 33,779</u>	<u>\$ 641,811</u>	<u>\$ 33,779</u>
<b>Component Unit Farmville IDA</b>					
<b><i>Town of Farmville, Virginia</i></b>					
During the current fiscal year, 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. 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 October 1, 2032. Payments are scheduled to begin on October 1, 2012.					
	<u>\$ 527,501</u>	<u>\$ -</u>	<u>\$ 29,862</u>	<u>\$ 497,639</u>	<u>\$ 31,038</u>

## 12 Net Investment in Capital Assets

The "net investment in capital assets" amount reported on the government-wide Statement of Net Position as of June 30, 2014 is determined as follows:

	<b>Governmental Activities</b>	<b>Business- Type Activities</b>
<b>Net Investment in Capital Assets</b>		
Cost of capital assets	\$ 45,537,988	\$ 32,392,590
Less: Accumulated depreciation	<u>(23,502,154)</u>	<u>(22,631,406)</u>
Book value	22,035,834	9,761,184
Add: Bond proceeds held in escrow	-	380,041
Less: Capital related debt	(13,173,300)	(3,760,000)
Less: Unamortized debt issuance premium	<u>(2,312,913)</u>	<u>(641,811)</u>
Net Investment in Capital Assets	<u>\$ 6,549,621</u>	<u>\$ 5,739,414</u>

## 13 Deferred Inflows of Resources

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

### Primary Government - Deferred Inflows of Resources

#### General Fund

Delinquent taxes not collected within 60 days and adjusted for uncollectible amounts after 3 years	\$ 28,013
Total Deferred Inflows of Resources - Governmental Funds	<u>\$ 28,013</u>

## 14 Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town joined together with other local governments in Virginia to form the Virginia Municipal Liability Pool, a public entity risk pool currently operating as a common risk management and insurance program for participating local governments. The Town pays an annual premium to the pool for substantially all of its insurance coverage. In the event of a loss deficit and depletion of all available excess insurance, the pool may assess all members in the proportion which the premium of each bears to the total premiums of all members in the year in which such deficit occurs.

The Town continues to carry commercial insurance for all other risks of loss, including employee dishonesty and employee health and accident insurance. 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.

## 15 Commitments and Contingencies

If applicable, federal programs in which the Town and the discretely presented component unit participate were audited in accordance with the provisions of U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Pursuant to the provisions of this circular, all major programs and certain other programs were tested for compliance with applicable grant requirements. While no matters of noncompliance were disclosed by the audit, the Federal Government may subject grant programs to additional compliance tests which may result in disallowed expenditures. In the opinion of management, any future disallowance of current grant program expenditures, if any, would be immaterial.

## 16 Litigation

At June 30, 2014, there were no matters of litigation involving the Town which would materially affect the Town's financial position should any court decisions or pending matters not be favorable to such entities.

## 17 Legal Compliance

### *Computation of Legal Debt Margin*

Total Assessed Value of Taxed Real Estate	<u>\$ 502,983,846</u>
Debt Limit - 10 Percent of Total Assessed Value	\$ 50,298,385
Amount of Debt Applicable to Debt Limit	
General obligation debt	<u>16,933,300</u>
Legal Debt Margin	<u>\$ 33,365,085</u>

## 18 Surety Bond Information

The following are insured through the Aetna Insurance Company - Surety in effect at June 30, 2014:

### **Aetna Insurance Company - Surety**

Carol Anne Seal, Treasurer	\$ 50,000
All Town Employees - Blanket Bond	50,000

## 19 Landfill Obligation

State and Federal laws and regulations require the Town to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure.

The Town will recognize the remaining estimated costs of closure and post-closure care of \$2,443,598 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, 2014.

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. The calculated landfill costs were \$1,443,598. However, due to a contamination issue, EPA Regulation 9 VAC 20-70-113.A requires that a flat \$1 million be added to calculated closure and post-closure costs. Therefore, the audit reports \$2,443,598 as a long-term liability.

The percentage of landfill capacity used to date is 100 percent. The estimated landfill life would be zero since we ceased accepting municipal waste in September 1990.

## **20** Defined Contribution Plan

The Town provides retirement benefits for all of its full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate after 90 days of service and attainment of age 18. Employees can contribute not less than 4 percent of his 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. The Town's contributions for each employee (and interest allocated to the employee's account) are fully vested after ten years continuous service. Town contributions for, and interest forfeited by, employees who leave employment before five years of service are used to reduce the Town's current period contribution requirement.

The Town's total payroll in fiscal year 2014 was \$6,621,848. Employees contribute earnings and the Town matches this dollar for dollar with a cap of 5 percent. Both the Town and the covered employees made the required contributions totaling \$428,021 of which \$170,586 was from the Town.

## **21** Post Retirement Compensation Plan

In December of 2002, the Town of Farmville ("The Town") established a "Medical Policy for Certain Retirees." The policy or "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.

Although the Town intends that the payments assist retirees with obtaining medical benefits, the payments are made in cash directly to retirees and are reported as W-2 compensation to the IRS. Thus, the payments constitute a form of retirement income provided through a defined benefit plan, albeit there is no pre-funding of plan benefits nor is the Plan qualified. Nonetheless, the Government Accounting Standards Board (GASB) has indicated that this type of arrangement is subject to its Statement No. 27 ("GASB 27").

Following are the required disclosures for the Town's Post Retirement Compensation Plan for the years ending June 30, 2014, 2013, and 2012:

<i>Year Ended June 30</i>	<u><b>2014</b></u>	<u><b>2013</b></u>	<u><b>2012</b></u>
<i>Actuarial Valuation Date</i>	<b>July 1, 2013</b>	July 1, 2012*	July 1, 2011*
<b><i>Annual Pension Cost (APC)</i></b>			
Annual Required Contribution (ARC)	\$ <b>162,734</b>	\$ 159,780	\$ 154,493
Interest on net beginning Net Pension Obligation (NPO)	<b>38,299</b>	34,698	31,269
Adjustment to ARC	<b>(59,497)</b>	(53,902)	(48,575)
Annual Pension Cost (APC)	<b>141,536</b>	140,576	137,187
<b><i>Components of Annual Required Contribution (ARC)</i></b>			
Normal Cost	<b>68,323</b>	69,399	68,597
Amortization of Accrued Liability	<b>88,909</b>	84,978	80,672
Interest Cost	<b>5,503</b>	5,403	5,224
Annual Required Contribution	<b>162,735</b>	159,780	154,493
% Annual Pension Cost Contributed	<b>30.90%</b>	26.80%	28.58%
<b><i>Change in NPO During the Fiscal Year</i></b>			
NPO at beginning of fiscal year	<b>1,094,263</b>	991,367	893,391
Interest on NPO	<b>38,299</b>	34,698	31,269
Annual Required Contribution (ARC) for the fiscal year	<b>162,735</b>	159,780	154,493
Adjustment to the ARC	<b>(59,497)</b>	(53,902)	(48,576)
Employer Contribution made during the fiscal year	<b>(43,730)</b>	(37,680)	(39,210)
NPO at end of fiscal year	<b>1,192,070</b>	1,094,263	991,367
Net change in NPO	<b>97,807</b>	102,896	97,976
<b><i>Funded Status at End of Fiscal Year</i></b>			
Accrued Liability at end of year	<b>1,774,286</b>	1,707,723	1,625,714
Plan assets at end of year	-	-	-
Unfunded Accrued Liability	<b>(1,774,286)</b>	(1,707,723)	(1,625,714)
Percentage of Funded Accrued Liability	<b>0%</b>	0%	0%
Covered Payroll	<b>4,777,906</b>	\$ 4,977,880	N/A
UAAL as a Percentage of Covered Payroll	<b>37.14%</b>	34.31%	N/A

\*Amounts represent Required Supplementary Information, which is unaudited.

Projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.



The following methods and assumptions were utilized for the July 1, 2013 actuarial valuation date:

*Actuarial Valuation Date*

July 1, 2013

*Annual Discount Rate*

3.50%

*Mortality and Employee Turnover*

Mortality Tables for Males and Females, as required for funding under IRC Section 430 for 2013; Scale T-3 employee turnover.

Probability of Continued Employment until Age 65

Current

Age

Males

Females

Sample rates, based on combined mortality and turnover illustrate probability of continued employment until age 65.

25

31.2%

31.5%

35

51.6%

52.1%

45

77.7%

78.1%

55

94.6%

94.8%

*Assumed Retirement Age*

Later of age 65 or date eligible for benefits, but not more than age 75.

*Actuarial Cost Method for Determining ARC:*

Projected Unit Credit Cost Method

Under the Projected Unit Credit Cost Method, the actuarial present value of each employee's future retiree health benefit claims costs is allocated over a portion of the employee's employment, the "attribution period." The attribution period for this group begins with the employee's date of employment and ends with the date on which the employee is expected to retire. Accrued liability for active employees is the portion of benefit liability attributed to service years to date. Normal Cost is the amount of benefit liability attributed to the current employment year. Normal Cost for retired employees is zero.

*Amortization of Accrued Liability*

30-Year, level dollar, fresh start each year

### ***Plan Description***

#### ***Summary of Employer Provided Retiree Health Benefits***

*Effective Date*

Plan adopted by Town Council 12-11-2002.  
First Payments made on 4-2-2003.

*Employee Class*

Permanent Full-Time Employees

*Eligibility*

25 years of service and attainment of Town of Farmville Retirement age (62). Employees must meet both requirements upon retiring from Town to receive benefit. Employees terminating prior to meeting either requirement are not eligible for future benefits.

*Monthly Benefit*

\$250 per month, plus \$10/month for each year of credited service in excess of 25. Payments are made quarterly (1/1, 4/1, 7/1, 10/1).

Payments are for the retiree's lifetime.

### *Credited Service*

Credited service must be earned while employed as a permanent full-time employee. 12 months of service is required for each year of credit.

Prior service of rehired employees is credited.

Employees who have met retirement age and continue working at least 24 hours per week may meet 25-year service requirement with combination of prior full-time service and part-time service after meeting retirement age.

### *Surviving Spouses*

Benefit is payable only to retiree, no benefit payable to spouse after death of retiree.

### *Retiree Cost Sharing*

Employer pays full cost.

### *Employer Funding Policy*

Pay as you go funding.

## 22 Fund Balances – Governmental Funds

As of June 30, 2014, fund balances are composed of the following:

	<u>Primary Government</u>					<u>Probation/ Parole Building Fund</u>	<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Golf Fund</u>	<u>CDBG Fund</u>	<u>ICA Fund</u>	<u>Narcotic Fund</u>		
<b>Nonspendable</b>							
Used to identify inventory balance	<u>\$ 37,487</u>	<u>\$ 7,297</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 44,784</u>
<b>Restricted for</b>							
Used for collecting CDBG recovered costs	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,330</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,330</u>
<b>Assigned for</b>							
Used for immigration center	\$ -	\$ -	\$ -	\$ 538,822	\$ -	\$ -	\$ 538,822
Used by police department	-	-	-	-	672	-	672
Used in supporting golf club	-	68,009	-	-	-	-	68,009
Used in paying building debt	-	-	-	-	-	193,810	193,810
Total Assigned Fund Balances	<u>\$ -</u>	<u>\$ 68,009</u>	<u>\$ -</u>	<u>\$ 538,822</u>	<u>\$ 672</u>	<u>\$ 193,810</u>	<u>\$ 801,313</u>

## 23 Implementation of GASB Statement No. 65

The Town implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, in fiscal year ended June 30, 2014. These statements required changes in account captions in the Statements of Net Position.

## 24 Prior Period Adjustment

Due to the implementation of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, the balance of unamortized bond issuance costs of \$(33,509) at June 30, 2014 was adjusted through a prior period adjustment in the fiscal year ended June 30, 2014 for the governmental activities and \$(291,415) for the business-type activities (specifically the Water Fund).

## **REQUIRED SUPPLEMENTARY INFORMATION**

**Town of Farmville, Virginia**

Budgetary Comparison Schedule

Year Ended June 30, 2014

**General Fund**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
<b>Revenues</b>				
<b>General Property Taxes</b>				
Real property taxes	\$ 605,000	\$ 605,000	\$ 602,060	\$ (2,940)
Public service corporation property taxes	30,000	30,000	32,153	2,153
Personal property taxes	215,000	215,000	220,555	5,555
Mobile home taxes	1,000	1,000	2,163	1,163
Interest on taxes	5,000	5,000	7,785	2,785
Penalties on taxes	4,000	4,000	6,156	2,156
Total General Property Taxes	860,000	860,000	870,872	10,872
<b>Other Local Taxes</b>				
Local sales and use taxes	350,000	350,000	332,253	(17,747)
Consumption tax	27,000	27,000	29,140	2,140
Consumers' utility taxes	340,000	340,000	373,371	33,371
Business licenses	1,205,000	1,205,000	1,341,404	136,404
Franchise license taxes	35,000	35,000	32,517	(2,483)
Motor vehicle licenses	75,000	75,000	70,492	(4,508)
Bank stock taxes	170,000	170,000	188,069	18,069
Cigarette taxes	150,000	150,000	250,083	100,083
Hotel and motel room taxes	335,000	335,000	294,412	(40,588)
Restaurant food taxes	2,201,000	2,201,000	2,240,594	39,594
Total Other Local Taxes	4,888,000	4,888,000	5,152,335	264,335
<b>Permits, Privilege Fees, and Regulatory Licenses</b>				
Building permits	80,025	80,025	40,834	(39,191)
Other permits, licenses, and fees	12,200	12,200	11,900	(300)
Total Permits, Privilege Fees, and Regulatory Licenses	92,225	92,225	52,734	(39,491)
<b>Fines and Forfeitures</b>				
Court fines	70,000	70,000	74,175	4,175
Other fines and forfeitures	18,550	18,550	32,797	14,247
Total Fines and Forfeitures	88,550	88,550	106,972	18,422
<b>Revenue from Use of Money and Property</b>				
Revenue from use of money	5,480	5,480	8,026	2,546
Revenue from use of property				
Rental of general property and real estate	51,525	51,525	53,328	1,803
Sale of property	17,500	17,500	112,174	94,674
Total Revenue from Use of Money and Property	74,505	74,505	173,528	99,023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance With Final Budget Positive (Negative)</b>
<b>Charges for Services</b>				
Miscellaneous	199,500	199,500	40,057	(159,443)
Administrative - fuel	20,000	20,000	15,675	(4,325)
Sanitation fees	340,000	340,000	330,986	(9,014)
Rescue Squad	-	-	106,713	106,713
Parking meters	34,588	34,588	35,630	1,042
Public works	120,000	120,000	23,532	(96,468)
Grave openings	10,000	10,000	9,175	(825)
Total Charges for Services	724,088	724,088	561,768	(162,320)
<b>Miscellaneous</b>				
Payment from PE County for share of debt	226,299	226,299	226,299	-
Miscellaneous	96,988	96,988	70,046	(26,942)
Total Miscellaneous	323,287	323,287	296,345	(26,942)
<b>Recovered Costs</b>				
Other funds and street department	370,228	370,228	357,030	(13,198)
Library rent	-	-	120,000	120,000
Fire Department for four vehicles	-	-	72,001	72,001
Salaries - Chamber	-	-	5,748	5,748
Other recovered costs	3,530	3,530	23,872	20,342
Total Recovered Costs	373,758	373,758	578,651	204,893
<b>Intergovernmental</b>				
<i>Revenue from the Commonwealth</i>				
<b>Non-Categorical Aid</b>				
Communications taxes	500,000	500,000	521,696	21,696
Mobile home titling tax	400	400	2,562	2,162
Rolling stock taxes - motor vehicle carriers tax	100	100	118	18
Aid to localities with police departments	166,940	166,940	166,940	-
Auto rental tax	40,000	40,000	49,779	9,779
Total Non-Categorical Aid	707,440	707,440	741,095	33,655
<b>Categorical Aid</b>				
Wireless quarterly payments	60,000	60,000	84,872	24,872
Litter Control Grant	3,000	3,000	3,422	422
Other grants	5,000	5,000	12,322	7,322
VDOT Grants	632,663	632,663	136,409	(496,254)
DMV and Police Grants	2,000	2,000	7,519	5,519
Fire program	21,000	21,000	24,675	3,675
Total Categorical Aid	723,663	723,663	269,219	(454,444)
Total Revenue from the Commonwealth	1,431,103	1,431,103	1,010,314	(420,789)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
<i>Revenue from the Federal Government</i>				
Emergency Services grants	12,180	12,180	12,180	-
DMV Ground Transportation Safety	-	-	31,365	31,365
CDBG Grant - Moton Exhibits	-	-	636	636
Total Revenue from the Federal Government	<u>12,180</u>	<u>12,180</u>	<u>44,181</u>	<u>32,001</u>
Total Intergovernmental Revenue	<u>1,443,283</u>	<u>1,443,283</u>	<u>1,054,495</u>	<u>(388,788)</u>
Total Revenues	8,867,696	8,867,696	8,847,700	(19,996)
<b>Expenditures</b>				
<b>Current</b>				
<i>General Government Administration</i>				
Town Council	202,882	202,882	205,594	(2,712)
Town Manager	628,044	628,044	653,636	(25,592)
Chamber of Commerce	-	-	784	(784)
Treasurer	<u>455,435</u>	<u>455,435</u>	<u>473,442</u>	<u>(18,007)</u>
Total General Government Administration	1,286,361	1,286,361	1,333,456	(47,095)
<i>Public Safety</i>				
Police Department	2,118,102	2,118,102	2,310,265	(192,163)
911 services	851,599	851,599	877,191	(25,592)
Fire services	186,046	186,046	262,926	(76,880)
Rescue services	-	-	106,713	(106,713)
Building inspector	143,625	143,625	135,039	8,586
Animal control	<u>22,596</u>	<u>22,596</u>	<u>22,700</u>	<u>(104)</u>
Total Public Safety	3,321,968	3,321,968	3,714,834	(392,866)
<i>Public Works</i>				
Recycling department	114,581	114,581	110,882	3,699
Sanitation	635,447	635,447	708,380	(72,933)
Maintenance of highways and streets	(341,608)	(341,608)	330,862	(672,470)
South Street Conference Center	-	-	2,548	(2,548)
Train Station	-	-	9,621	(9,621)
Surveying	94,295	94,295	96,250	(1,955)
Maintenance of buildings and grounds	1,035,171	1,035,171	1,109,648	(74,477)
Horticulturist	<u>75,552</u>	<u>75,552</u>	<u>71,723</u>	<u>3,829</u>
Total Public Works	1,613,438	1,613,438	2,439,914	(826,476)
<i>Parks, Recreation, and Cultural</i>				
Library	24,196	24,196	24,557	(361)
Appropriation - Library - Rent	-	-	120,000	(120,000)
Appropriation - Library	45,000	45,000	45,000	-
Sports Arena	-	-	29,266	(29,266)
Wilck's Lake	-	-	11,071	(11,071)
Moton Museum Grant	508,123	508,123	36,179	471,944
Field of Dreams	14,365	14,365	7,473	6,892
Parks and recreation	<u>339,753</u>	<u>339,753</u>	<u>165,991</u>	<u>173,762</u>
Total Parks, Recreation, and Cultural	931,437	931,437	439,537	491,900

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance With Final Budget Positive (Negative)</b>
<i>Community Development</i>				
Planning and community development	77,500	77,500	78,524	(1,024)
Town Planner	<u>69,689</u>	<u>69,689</u>	<u>66,030</u>	<u>3,659</u>
Total Community Development	147,189	147,189	144,554	2,635
<i>Debt Service</i>				
Principal	967,700	967,700	897,700	70,000
Interest	<u>663,988</u>	<u>663,988</u>	<u>662,548</u>	<u>1,440</u>
Total Debt Service	<u>1,631,688</u>	<u>1,631,688</u>	<u>1,560,248</u>	<u>71,440</u>
Total Expenditures	<u>8,932,081</u>	<u>8,932,081</u>	<u>9,632,543</u>	<u>(700,462)</u>
Excess (Deficiency) of Revenues Over Expenditures	(64,385)	(64,385)	(784,843)	(720,458)
<b>Other Financing Sources (Uses)</b>				
Transfers in	1,331,900	1,331,900	1,284,733	(47,167)
Transfers out	<u>(1,184,917)</u>	<u>(1,184,917)</u>	<u>(887,946)</u>	<u>296,971</u>
Total Other Financing Sources (Uses)	<u>146,983</u>	<u>146,983</u>	<u>396,787</u>	<u>249,804</u>
Net Change in Fund Balance	82,598	82,598	(388,056)	(470,654)
Transfer from Surplus (Contingency)	<u>(82,598)</u>	<u>(82,598)</u>	-	<u>82,598</u>
Net Change after Transfer from Surplus	<u>\$ -</u>	<u>\$ -</u>	(388,056)	<u>\$ (388,056)</u>
Fund Balance - Beginning of Year			<u>1,523,299</u>	
Fund Balance - End of Year			<u>\$ 1,135,243</u>	
<b>Street Maintenance Fund</b>				
<b>Revenues</b>				
<b>Intergovernmental</b>				
<i>Revenue from the Commonwealth</i>				
<b>Categorical Aid</b>				
Street maintenance fund	<u>\$ 1,500,000</u>	<u>\$ 1,500,000</u>	<u>\$ 1,539,658</u>	<u>\$ 39,658</u>
Total Categorical Aid and Revenues	1,500,000	1,500,000	1,539,658	39,658
<b>Expenditures</b>				
<b>Current</b>				
<i>Public Works</i>				
Maintenance of streets and highways	<u>2,232,628</u>	<u>2,232,628</u>	<u>1,949,463</u>	<u>283,165</u>
Excess (Deficiency) of Revenues Over Expenditures	(732,628)	(732,628)	(409,805)	322,823
<b>Other Financing Sources (Uses)</b>				
Transfers in (out)	<u>732,628</u>	<u>732,628</u>	<u>404,697</u>	<u>(327,931)</u>
Total Other Financing Sources (Uses)	<u>732,628</u>	<u>732,628</u>	<u>404,697</u>	<u>(327,931)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	(5,108)	<u>\$ (5,108)</u>
Fund Balance (Deficit) - Beginning of Year			<u>(1,383)</u>	
Fund Balance - End of Year (Deficit)			<u>\$ (6,491)</u>	



	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
<b>ICA Fund</b>				
<b>Revenues</b>				
Charges for Services - administration of ICE	\$ 180,000	\$ 180,000	\$ 191,923	\$ 11,923
Total Revenues	180,000	180,000	191,923	11,923
<b>Expenditures</b>	<u>180,000</u>	<u>180,000</u>	<u>-</u>	<u>180,000</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	191,923	<u>\$ 191,923</u>
Fund Balance - Beginning of Year			<u>346,899</u>	
Fund Balance - End of Year			<u>\$ 538,822</u>	

## **OTHER SUPPLEMENTARY INFORMATION**

# **Town of Farmville, Virginia**

Combining Balance Sheet

Other Governmental Funds

At June 30, 2014

	<u>Special Revenue Funds</u>			<u>Capital Projects</u>	
	<u>Probation/ Parole Building Fund</u>	<u>Golf Fund</u>	<u>Narcotic Fund</u>	<u>CDBG Fund</u>	<u>Total Other Governmental Funds</u>
<b>Assets</b>					
Cash and investments	\$ 193,810	\$ 78,247	\$ 672	\$ 4,330	\$ 277,059
Inventory	-	7,297	-	-	7,297
	<u>-</u>	<u>7,297</u>	<u>-</u>	<u>-</u>	<u>7,297</u>
Total Assets	<u>\$ 193,810</u>	<u>\$ 85,544</u>	<u>\$ 672</u>	<u>\$ 4,330</u>	<u>\$ 284,356</u>
<b>Liabilities</b>					
Accounts payable	\$ -	\$ 9,511	\$ -	\$ -	\$ 9,511
Accrued liabilities	-	727	-	-	727
	<u>-</u>	<u>727</u>	<u>-</u>	<u>-</u>	<u>727</u>
Total Liabilities	-	10,238	-	-	10,238
<b>Fund Balance</b>					
Nonspendable - inventory	-	7,297	-	-	7,297
Restricted	-	-	-	4,330	4,330
Assigned	193,810	68,009	672	-	262,491
	<u>193,810</u>	<u>68,009</u>	<u>672</u>	<u>-</u>	<u>262,491</u>
Total Fund Balance	<u>193,810</u>	<u>75,306</u>	<u>672</u>	<u>4,330</u>	<u>274,118</u>
Total Liabilities and Fund Balance	<u>\$ 193,810</u>	<u>\$ 85,544</u>	<u>\$ 672</u>	<u>\$ 4,330</u>	<u>\$ 284,356</u>

## Town of Farmville, Virginia

## Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

## Other Governmental Funds

At June 30, 2014

	<u>Special Revenue Funds</u>			<u>Capital Projects</u>	
	<u>Probation/ Parole Building Fund</u>	<u>Golf Fund</u>	<u>Narcotic Fund</u>	<u>CDBG Fund</u>	<u>Total Other Governmental Funds</u>
<b>Revenues</b>					
Use of money and property	\$ 43,564	\$ 117	\$ 91	\$ -	\$ 43,772
Charges for services	-	127,352	-	-	127,352
Miscellaneous	-	3,800	-	206	4,006
<b>Intergovernmental</b>					
From the Commonwealth of Virginia	-	-	973	-	973
<b>Total Revenues</b>	<b>43,564</b>	<b>131,269</b>	<b>1,064</b>	<b>206</b>	<b>176,103</b>
<b>Expenditures</b>					
<b>Current</b>					
Public safety	-	-	2,375	-	2,375
Public works	2,115	-	-	-	2,115
Parks, recreation, and cultural	-	493,765	-	-	493,765
<b>Total Expenditures</b>	<b>2,115</b>	<b>493,765</b>	<b>2,375</b>	<b>-</b>	<b>498,255</b>
Excess (Deficiency) of Revenues Over Expenditures	41,449	(362,496)	(1,311)	206	(322,152)
<b>Other Financing Sources (Uses)</b>					
Transfers in	-	391,782	-	-	391,782
Transfers out	-	-	(22,167)	-	(22,167)
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>391,782</b>	<b>(22,167)</b>	<b>-</b>	<b>369,615</b>
<b>Net Change in Fund Balances</b>	<b>41,449</b>	<b>29,286</b>	<b>(23,478)</b>	<b>206</b>	<b>47,463</b>
<b>Fund Balance - Beginning of Year</b>	<b>152,361</b>	<b>46,020</b>	<b>24,150</b>	<b>4,124</b>	<b>226,655</b>
<b>Fund Balance - End of Year</b>	<b>\$193,810</b>	<b>\$ 75,306</b>	<b>\$ 672</b>	<b>\$ 4,330</b>	<b>\$ 274,118</b>

**Town of Farmville, Virginia**

## Statement of Net Position (Deficit)

Discretely Presented Component Unit - IDA

Farmville Industrial Development Authority

As of June 30, 2014

**Assets****Assets****Current Assets**

Cash	\$ 36,060
Accrued interest receivable	2,355
Notes receivable - current portion	<u>24,316</u>
Total Current Assets	62,731

**Long-Term Notes Receivable**343,712

Total Assets	<u><u>\$ 406,443</u></u>
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**Liabilities and Net Position (Deficit)****Liabilities****Current Liabilities**

Due to Town of Farmville, Virginia	\$ 482,591
Accrued interest payable	6,004
Notes payable - current portion	<u>31,038</u>
Total Current Liabilities	519,633

**Long-Term Liabilities**

Note payable - less current portion	<u>466,601</u>
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Total Liabilities	986,234
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**Net Position (Deficit)**

Unrestricted (deficit)	<u>(579,791)</u>
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Total Liabilities and Net Position (Deficit)	<u><u>\$ 406,443</u></u>
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**Town of Farmville, Virginia**

## Statement of Revenues, Expenses, and Changes in Net Position (Deficit)

Discretely Presented Component Unit - IDA

Farmville Industrial Development Authority

Year Ended June 30, 2014

<b>Operating Income - Administration Fee</b>	\$ -
<b>Operating Expenses</b>	
Professional fees	3,000
Total Operating Expenses	<u>3,000</u>
Net Operating Loss	(3,000)
<b>Non-Operating Revenues (Expenses)</b>	
Interest income	9,760
Interest expense	<u>(24,270)</u>
Net Non-Operating Revenues (Expenses)	<u>(14,510)</u>
Change in Net Position	(17,510)
Total Net Position (Deficit) - Beginning of Year	<u>(562,281)</u>
Total Net Position (Deficit) - End of Year	<u><u>\$ (579,791)</u></u>

**Town of Farmville, Virginia**

## Statement of Cash Flows

Discretely Presented Component Unit - IDA

Farmville Industrial Development Authority

Year Ended June 30, 2014

**Cash Flows from Operating Activities**

Payments to suppliers	\$ (3,000)
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Net Cash Used in Operating Activities	(3,000)
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**Cash Flows from Capital and Related Financing Activities**

Curtailment of borrowings	(29,861)
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Proceeds resulting from curtailment of note receivable	24,312
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Accrued interest receivable	156
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Accrued interest payable	(256)
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Net Cash Used in Capital and Related Financing Activities	(5,649)
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**Cash Flows from Investing Activities**

Interest income	9,760
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Interest expense	(24,271)
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Net Cash Used in Investing Activities	(14,511)
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Net Decrease in Cash and Cash Equivalents	(23,160)
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Cash and Cash Equivalents - Beginning of Year	59,220
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Cash and Cash Equivalents - End of Year	\$ 36,060
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**Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities**

Operating loss	\$ (3,000)
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Net Cash Used in Operating Activities	\$ (3,000)
---------------------------------------	------------

# **COMPLIANCE SECTION**





**Creedle  
Jones  
& Alga**

*A Professional Corporation*

*Robin B. Jones, CPA, CFP  
David V. Alga, CPA, CVA, CFF  
Denise C. Williams, CPA, CSEP  
Scott A. Thompson, CPA  
Nadia A. Rogers, CPA*

*James A. Allen, Jr., CPA  
Nadine L. Chase, CPA  
Kimberly N. Walker, CPA*

*Sherwood H. Creedle, Emeritus*

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

## **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Town Council  
Town of Farmville, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Town of Farmville, Virginia, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Town of Farmville, Virginia's basic financial statements and have issued our report thereon dated October 27, 2014.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Town of Farmville, Virginia's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Farmville, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Farmville, Virginia's internal control.

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

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

### Compliance and Other Matters

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

### Purpose of this Report

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



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

South Hill, Virginia  
October 27, 2014