



TOWN OF FARMVILLE, VIRGINIA

FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2021

TOWN OF FARMVILLE, VIRGINIA

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INTRODUCTORY SECTION

TOWN OF FARMVILLE, VIRGINIA
DIRECTORY OF PRINCIPAL OFFICIALS

TOWN COUNCIL

David Whitus – Mayor
Chuckie Reid – Vice Mayor

Greg Cole
Donald Hunter
Dan Dwyer

Brian Vincent
Sallie Amos
Tommy Pairet

OTHER OFFICIALS

C. Scott Davis.....	Town Manager
Carol Anne Seal.....	Acting Director of Finance
Steven Wood	Town Clerk
Gary Elder	Town Attorney
Andy Ellington	Chief of Police
Cayden Eagles	Fire Chief
Robin Atkins.....	Director of Public Works
Vacant.....	Director of Recreation

FINANCIAL SECTION

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



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Farmville, Virginia (the "Town"), as of and for the year ended June 30, 2021, 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, the *Specifications for Audits of Counties, Cities, and Towns*, and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, 2021, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

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

Other Information

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

Other Matters (Continued)

Other Information (Continued)

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2021 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

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

CERTIFIED PUBLIC ACCOUNTANTS

Lynchburg, Virginia
December 13, 2021

BASIC FINANCIAL STATEMENTS

TOWN OF FARMVILLE, VIRGINIA

STATEMENT OF NET POSITION

June 30, 2021

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Totals	Industrial Development Authority
ASSETS				
Cash and investments (Note 2)				
Unrestricted	\$ 1,719,622	\$ 5,243,195	\$ 6,962,817	\$ 89,743
Restricted	6,887,842	-	6,887,842	-
Receivables, net (Note 3)	621,115	646,572	1,267,687	24,586
Note receivable (Note 7)	-	-	-	28,853
Due from component unit (Note 5)	42,806	-	42,806	-
Due from other governments (Note 6)	296,678	142,055	438,733	-
Inventories	35,168	143,637	178,805	-
Note receivable, long-term (Note 7)	-	-	-	155,282
Due from component unit, long-term (Note 5)	627,501	-	627,501	-
Capital assets: (Note 8)				
Non-depreciable	3,803,356	8,825,291	12,628,647	-
Depreciable, net	18,006,000	5,572,502	23,578,502	-
Total assets	32,040,088	20,573,252	52,613,340	298,464
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to other postemployment benefits (Note 13)	603,555	148,697	752,252	-
LIABILITIES				
Accounts payable	852,707	393,369	1,246,076	23,406
Accrued payroll and related liabilities	260,364	67,196	327,560	-
Accrued interest	69,326	33,672	102,998	3,009
Due to primary government (Note 5)	-	-	-	42,806
Unearned grants	4,070,178	-	4,070,178	-
Refundable deposits	20,100	103,394	123,494	-
Long-term liabilities:				
Due to primary government (Note 5)	-	-	-	627,501
Net other postemployment benefit liability (Note 13)	2,346,025	577,986	2,924,011	-
Due within one year (Note 9)	1,784,424	234,019	2,018,443	-
Due in more than one year (Note 9)	6,367,058	3,047,539	9,414,597	-
Total liabilities	15,770,182	4,457,175	20,227,357	696,722
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to other postemployment benefits (Note 13)	190,965	58,973	249,938	-
NET POSITION				
Net investment in capital assets	14,637,694	11,242,435	25,880,129	-
Restricted for:				
Debt service	1,750,579	-	1,750,579	-
Grants and forfeiture funds	856,960	-	856,960	-
Unrestricted	(562,737)	4,963,366	4,400,629	(398,258)
Total net position	\$ 16,682,496	\$ 16,205,801	\$ 32,888,297	\$ (398,258)

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

TOWN OF FARMVILLE, VIRGINIA

STATEMENT OF ACTIVITIES
Year Ended June 30, 2021

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit Industrial Development Authority
	Expenses	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	\$ 1,352,402	\$ 432,339	\$ -	\$ -	\$ (920,063)		\$ (920,063)	
Public safety	4,188,808	278,870	979,255	-	(2,930,683)		(2,930,683)	
Public works	5,393,613	404,970	1,739,998	-	(3,248,645)		(3,248,645)	
Parks, recreation, and cultural	727,358	317,456	5,808	124,500	(279,594)		(279,594)	
Community development	539,396	301,384	-	-	(238,012)		(238,012)	
Interest on long-term debt	125,569	-	-	-	(125,569)		(125,569)	
Total governmental activities	12,327,146	1,735,019	2,725,061	124,500	(7,742,566)		(7,742,566)	
Business-type activities:								
Water	1,523,020	1,421,662	-	-		\$ (101,358)	(101,358)	
Sewer	989,720	2,014,722	8,561	-		1,033,563	1,033,563	
Transportation	822,803	8,061	915,769	-		101,027	101,027	
Airport	263,541	120,783	2,612,283	-		2,469,525	2,469,525	
Total business-type activities	3,599,084	3,565,228	3,536,613	-		3,502,757	3,502,757	
Total primary government	\$ 15,926,230	\$ 5,300,247	\$ 6,261,674	\$ 124,500	(7,742,566)	3,502,757	(4,239,809)	
Component unit:								
Industrial Development Authority	\$ 61,801	\$ 50,000	\$ -	\$ 36,857	-	-	-	\$ 25,056
General revenues:								
			Real estate and personal property taxes		973,186	-	973,186	-
			Other taxes:					
			Local sales and use taxes		441,979	-	441,979	-
			Consumption tax		28,223	-	28,223	-
			Consumers' utility taxes		368,421	-	368,421	-
			Business licenses		1,397,584	-	1,397,584	-
			Franchise license taxes		243,830	-	243,830	-
			Motor vehicle licenses		82,428	-	82,428	-
			Cigarette taxes		210,820	-	210,820	-
			Meals and lodging taxes		3,428,216	-	3,428,216	-
			Noncategorical state and federal aid		268,664	-	268,664	-
			Investment income		88,375	569	88,944	5,053
			Miscellaneous		615,940	266,951	882,891	-
			Transfers		786,138	(786,138)	-	-
			Total general revenues and transfers		8,933,804	(518,618)	8,415,186	5,053
			Change in net position		1,191,238	2,984,139	4,175,377	30,109
			Net position – beginning		15,491,258	13,221,662	28,712,920	(428,367)
			Net position – ending		\$ 16,682,496	\$ 16,205,801	\$ 32,888,297	\$ (398,258)

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

TOWN OF FARMVILLE, VIRGINIA

**BALANCE SHEET –
GOVERNMENTAL FUNDS
June 30, 2021**

	General	Street Maintenance	Nonmajor Governmental Fund	Total
ASSETS				
Cash and investments	\$ 632,565	\$ 1,087,057	\$ -	\$ 1,719,622
Cash and investments – restricted	6,886,964	-	878	6,887,842
Receivables, net				
Taxes	469,012	-	-	469,012
Accounts	88,939	-	-	88,939
Other	63,164	-	-	63,164
Due from component unit	670,307	-	-	670,307
Due from other governments	296,678	-	-	296,678
Inventories, net	35,168	-	-	35,168
Total assets	<u>\$ 9,142,797</u>	<u>\$ 1,087,057</u>	<u>\$ 878</u>	<u>\$ 10,230,732</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 451,984	\$ 400,723	\$ -	\$ 852,707
Accrued payroll and related liabilities	240,366	19,998	-	260,364
Unearned grants	4,070,178	-	-	4,070,178
Refundable deposits	20,100	-	-	20,100
Total liabilities	<u>4,782,628</u>	<u>420,721</u>	<u>-</u>	<u>5,203,349</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable/deferred revenue	79,866	-	-	79,866
FUND BALANCES				
Nonspendable	705,475	-	-	705,475
Restricted	2,816,786	-	878	2,817,664
Assigned	-	666,336	-	666,336
Unassigned	758,042	-	-	758,042
Total fund balances	<u>4,280,303</u>	<u>666,336</u>	<u>878</u>	<u>4,947,517</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 9,142,797</u>	<u>\$ 1,087,057</u>	<u>\$ 878</u>	<u>\$ 10,230,732</u>

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

TOWN OF FARMVILLE, VIRGINIA

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2021**

Total fund balances – governmental funds \$ 4,947,517

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

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

Capital assets	\$ 52,385,969	
Accumulated depreciation	(30,576,613)	
		21,809,356

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

Net other postemployment benefit liability	(2,346,025)	
Net other postemployment deferred inflows	(190,965)	
Net other postemployment deferred outflows	603,555	
		(1,933,435)

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

79,866

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

Bonds payable, including unamortized premiums	(6,737,499)	
Notes payable	(474,753)	
Compensated absences	(527,329)	
Accrued interest	(69,326)	
Landfill	(411,901)	
		(8,220,808)

Total net position – governmental activities \$ 16,682,496

TOWN OF FARMVILLE, VIRGINIA

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
Year Ended June 30, 2021**

	General	Street Maintenance	Nonmajor Governmental Fund	Total
REVENUES				
Property taxes	\$ 946,637	\$ -	\$ -	\$ 946,637
Other local taxes	6,201,501	-	-	6,201,501
Fines and forfeitures	88,338	-	-	88,338
Permits, privilege fees, and regulatory licenses	80,629	-	-	80,629
Revenue from use of money and property	88,371	-	4	88,375
Charges for services	859,257	-	-	859,257
Miscellaneous	615,940	-	-	615,940
Contributions	2,722	-	-	2,722
Recovered costs	509,297	-	-	509,297
Intergovernmental	1,570,445	1,739,998	2,556	3,312,999
	<u>10,963,137</u>	<u>1,739,998</u>	<u>2,560</u>	<u>12,705,695</u>
Total revenues				
	<u>10,963,137</u>	<u>1,739,998</u>	<u>2,560</u>	<u>12,705,695</u>
EXPENDITURES				
Current:				
General government	1,487,855	-	-	1,487,855
Public safety	4,037,582	-	3,000	4,040,582
Public works	2,661,591	1,503,810	-	4,165,401
Parks, recreation, and cultural	633,613	-	-	633,613
Community development	533,814	-	-	533,814
Debt service:				
Principal	1,437,781	-	-	1,437,781
Interest	319,331	-	-	319,331
	<u>11,111,567</u>	<u>1,503,810</u>	<u>3,000</u>	<u>12,618,377</u>
Total expenditures				
	<u>11,111,567</u>	<u>1,503,810</u>	<u>3,000</u>	<u>12,618,377</u>
Excess (deficiency) of revenues over expenditures	<u>(148,430)</u>	<u>236,188</u>	<u>(440)</u>	<u>87,318</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	900,000	-	-	900,000
Transfers out	(113,862)	-	-	(113,862)
	<u>786,138</u>	<u>-</u>	<u>-</u>	<u>786,138</u>
Total other financing sources (uses)				
	<u>786,138</u>	<u>-</u>	<u>-</u>	<u>786,138</u>
Net change in fund balances	637,708	236,188	(440)	873,456
FUND BALANCES				
Beginning	3,642,595	430,148	1,318	4,074,061
Ending	<u>\$ 4,280,303</u>	<u>\$ 666,336</u>	<u>\$ 878</u>	<u>\$ 4,947,517</u>

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

TOWN OF FARMVILLE, VIRGINIA

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2021**

Net change in fund balances – total governmental funds \$ 873,456

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

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

Outlays for capital assets	\$ 520,515	
Depreciation expense	<u>(1,742,351)</u>	
		(1,221,836)

Transactions involving debt principal and cash flows relating to other long-term items are expenditures in the governmental funds, however these transactions increase or decrease long-term items in the Statement of Net Position.

Principal payments on long-term debt and notes payable	1,437,781	
Amortization of premium	177,916	
Change in accrued interest	<u>15,846</u>	
		1,631,543

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

Employer other postemployment benefit contributions	56,620	
Other postemployment benefit expense	<u>(234,122)</u>	
		(177,502)

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

Change in landfill liability	(4,884)	
Change in compensated absences	<u>63,912</u>	
		59,028

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

26,549

Total change in net position – governmental activities \$ 1,191,238

TOWN OF FARMVILLE, VIRGINIA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – GENERAL FUND
Year Ended June 30, 2021**

	Budgeted Amounts			Variances with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Property taxes				
Real property taxes	\$ 625,000	\$ 625,000	\$ 650,996	\$ 25,996
Public service corporation property taxes	45,000	45,000	51,230	6,230
Personal property taxes	200,000	200,000	234,946	34,946
Delinquent taxes	3,000	3,000	2,968	(32)
Interest on taxes	3,000	3,000	1,562	(1,438)
Penalties on taxes	3,000	3,000	4,935	1,935
	<u>879,000</u>	<u>879,000</u>	<u>946,637</u>	<u>67,637</u>
Other local taxes				
Local sales and use taxes	320,798	320,798	441,979	121,181
Consumption tax	25,600	25,600	28,223	2,623
Consumers' utility taxes	370,000	370,000	368,421	(1,579)
Business licenses	1,345,000	1,345,000	1,397,584	52,584
Franchise license taxes	230,000	230,000	243,830	13,830
Motor vehicle licenses	75,000	75,000	82,428	7,428
Cigarette taxes	190,000	190,000	210,820	20,820
Lodging taxes	427,603	427,603	541,898	114,295
Meals taxes	2,131,080	2,131,080	2,886,318	755,238
	<u>5,115,081</u>	<u>5,115,081</u>	<u>6,201,501</u>	<u>1,086,420</u>
Fines and forfeitures				
Court fines	65,000	65,000	62,468	(2,532)
Other fines and forfeitures	22,000	22,000	25,870	3,870
	<u>87,000</u>	<u>87,000</u>	<u>88,338</u>	<u>1,338</u>
Permits, privilege fees, and regulatory licenses				
Building permits	50,000	50,000	56,579	6,579
Other permits, licenses, and fees	25,830	25,830	24,050	(1,780)
	<u>75,830</u>	<u>75,830</u>	<u>80,629</u>	<u>4,799</u>
Revenue from use of money and property				
Revenue from use of money	13,535	13,535	18,157	4,622
Rental of general property and real estate	75,198	75,198	60,551	(14,647)
Sale of property and equipment	15,000	18,000	9,663	(8,337)
	<u>103,733</u>	<u>106,733</u>	<u>88,371</u>	<u>(18,362)</u>

(Continued)

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

TOWN OF FARMVILLE, VIRGINIA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – GENERAL FUND
Year Ended June 30, 2021**

	Budgeted Amounts			Variances with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES (Continued)				
Charges for services				
Miscellaneous	\$ 210,772	\$ 225,597	\$ 102,949	\$ (122,648)
ICA per diem	200,000	200,000	182,500	(17,500)
Sanitation fees	352,000	352,000	375,902	23,902
Golf course charges	88,000	88,000	107,318	19,318
Longwood Streets	35,000	35,000	35,000	-
Parking meters	37,000	37,000	30,175	(6,825)
Public works	5,000	5,000	6,138	1,138
Grave openings	10,000	10,000	19,275	9,275
	<u>937,772</u>	<u>952,597</u>	<u>859,257</u>	<u>(93,340)</u>
Miscellaneous				
Payment from PE County for share of debt	226,299	226,299	226,299	-
Setaside account reserve	378,652	537,483	-	(537,483)
Miscellaneous	365,582	370,084	389,641	19,557
	<u>970,533</u>	<u>1,133,866</u>	<u>615,940</u>	<u>(517,926)</u>
Recovered costs				
Other funds and street department	68,899	466,055	179,098	(286,957)
Library rent	180,000	180,000	180,000	-
Other recovered costs	581,856	179,856	150,199	(29,657)
	<u>830,755</u>	<u>825,911</u>	<u>509,297</u>	<u>(316,614)</u>
Contributions				
Other contributions	25	25	2,722	2,697
	<u>25</u>	<u>25</u>	<u>2,722</u>	<u>2,697</u>
Intergovernmental				
Revenue from the Commonwealth				
Non-categorical aid				
Communication taxes	425,000	425,000	384,779	(40,221)
Mobile home titling tax	750	750	1,973	1,223
Rolling stock taxes – motor vehicle carriers tax	100	100	149	49
Auto rental tax	60,000	60,000	78,725	18,725
	<u>485,850</u>	<u>485,850</u>	<u>465,626</u>	<u>(20,224)</u>
Categorical aid				
Wireless quarterly payments	82,000	82,000	101,192	19,192
Wireless 911 grant	-	19,897	19,897	-
Litter control grant	2,500	2,500	3,047	547
Law enforcement grant	175,000	175,000	185,659	10,659
Virginia tourism brochure	2,000	2,000	39	(1,961)

(Continued)

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

TOWN OF FARMVILLE, VIRGINIA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – GENERAL FUND
Year Ended June 30, 2021**

	Budgeted Amounts		Actual	Variances with Final Budget Positive (Negative)
	Original	Final		
REVENUES (Continued)				
Intergovernmental (Continued)				
Categorical aid (Continued)				
Virginia commissions for the arts	\$ 3,000	\$ 3,000	\$ -	\$ (3,000)
DMV and police grants	11,000	11,000	221,582	210,582
Fire program	-	-	31,311	31,311
VML Safety grant	4,000	4,000	-	(4,000)
Miscellaneous police grant	-	-	5,387	5,387
	<u>279,500</u>	<u>299,397</u>	<u>568,114</u>	<u>268,717</u>
Revenue from the Federal Government				
Emergency service grants	12,180	12,180	12,180	-
Police related grants	8,700	8,700	6,270	(2,430)
CARES funding	-	211,468	385,631	174,163
VDEM funding	-	-	924	924
VDOT Grant – miscellaneous	150,000	150,000	7,200.00	(142,800)
VDOT Grant – Milnwood and Buffalo Creek	-	-	124,500	124,500
	<u>170,880</u>	<u>382,348</u>	<u>536,705</u>	<u>154,357</u>
Total intergovernmental revenue	<u>936,230</u>	<u>1,167,595</u>	<u>1,570,445</u>	<u>402,850</u>
Total revenues	<u>\$ 9,935,959</u>	<u>\$ 10,343,638</u>	<u>\$ 10,963,137</u>	<u>\$ 619,499</u>
EXPENDITURES				
Current:				
General government				
Town Council	\$ 338,618	\$ 339,156	\$ 287,720	\$ 51,436
Town Manager	448,311	503,131	475,868	27,263
Treasurer	777,017	785,287	724,267	61,020
	<u>1,563,946</u>	<u>1,627,574</u>	<u>1,487,855</u>	<u>139,719</u>
Public safety				
Police department	2,644,922	2,702,888	2,640,498	62,390
911 services	1,134,263	1,269,787	1,210,193	59,594
Fire services	194,112	194,650	165,163	29,487
Animal control	18,543	21,728	21,728	-
	<u>3,991,840</u>	<u>4,189,053</u>	<u>4,037,582</u>	<u>151,471</u>
Public works				
Recycling department	94,851	94,851	79,431	15,420
Sanitation	768,283	901,127	840,234	60,893
Maintenance of highways and streets	205,957	33,804	462,868	(429,064)

(Continued)

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

TOWN OF FARMVILLE, VIRGINIA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – GENERAL FUND
Year Ended June 30, 2021**

	Budgeted Amounts		Actual	Variances with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES (Continued)				
Current: (Continued)				
Public works (Continued)				
South Street Conference Center	\$ 14,392	\$ 15,728	\$ 15,594	\$ 134
Maintenance of building and grounds	1,164,377	1,298,527	1,175,909	122,618
Horticulturist	97,422	112,785	87,555	25,230
	<u>2,345,282</u>	<u>2,456,822</u>	<u>2,661,591</u>	<u>(204,769)</u>
Parks, recreation, and cultural				
Library	31,256	31,256	20,849	10,407
Appropriation – Library – Rent	180,000	180,000	180,000	-
Appropriation – Library	63,136	63,136	63,136	-
Golf course	302,870	313,338	267,172	46,166
Banquet room	31,669	24,969	11,434	13,535
Sports arena	45,171	45,171	17,427	27,744
Wilck's Lake	25,171	25,171	7,933	17,238
Train station	30,009	30,009	13,116	16,893
Parks and recreation	122,727	123,266	52,546	70,720
	<u>832,009</u>	<u>836,316</u>	<u>633,613</u>	<u>202,703</u>
Community development				
Planning and community development	198,000	197,578	164,197	33,381
Town planner	436,241	448,394	369,617	78,777
	<u>634,241</u>	<u>645,972</u>	<u>533,814</u>	<u>112,158</u>
Debt service:				
Principal	1,437,360	1,437,781	1,437,781	-
Interest	319,753	319,753	319,331	422
	<u>1,757,113</u>	<u>1,757,534</u>	<u>1,757,112</u>	<u>422</u>
Total expenditures	<u>11,124,431</u>	<u>11,513,271</u>	<u>11,111,567</u>	<u>401,704</u>
Deficiency of revenues under expenditures	<u>(1,188,472)</u>	<u>(1,169,633)</u>	<u>(148,430)</u>	<u>1,021,203</u>
OTHER FINANCING SOURCES				
Contingency	-	-	-	-
Transfers in	1,325,000	1,325,000	900,000	(425,000)
Transfers out	(136,528)	(155,367)	(113,862)	41,505
Total other financing sources	<u>1,188,472</u>	<u>1,169,633</u>	<u>786,138</u>	<u>(383,495)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 637,708</u>	<u>\$ 637,708</u>

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

TOWN OF FARMVILLE, VIRGINIA

STATEMENT OF NET POSITION –
PROPRIETARY FUNDS

June 30, 2021

	Enterprise Funds				
	Water	Sewer	Transportation	Airport	Total
ASSETS					
CURRENT ASSETS					
Cash and investments	\$ 2,407,191	\$ 1,797,722	\$ 796,530	\$ 241,752	\$ 5,243,195
Receivables, net	292,267	282,780	71,525	-	646,572
Due from other governments	-	-	66,822	75,233	142,055
Inventories	112,629	11,155	-	19,853	143,637
Total current assets	2,812,087	2,091,657	934,877	336,838	6,175,459
NONCURRENT ASSETS					
Capital assets:					
Non-depreciable	159,200	113,495	16,050	8,536,546	8,825,291
Depreciable, net	3,268,368	1,016,253	811,477	476,404	5,572,502
Total noncurrent assets	3,427,568	1,129,748	827,527	9,012,950	14,397,793
Total assets	6,239,655	3,221,405	1,762,404	9,349,788	20,573,252
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows related to other postemployment benefits	54,428	44,353	49,916	-	148,697
Total deferred outflows of resources	54,428	44,353	49,916	-	148,697
LIABILITIES					
CURRENT LIABILITIES					
Accounts payable	123,420	121,543	8,873	139,533	393,369
Accrued payroll and related liabilities	24,390	21,564	18,906	2,336	67,196
Accrued interest	33,672	-	-	-	33,672
Refundable deposits	103,394	-	-	-	103,394
Long-term liabilities, due within one year	217,888	9,360	5,775	996	234,019
Total current liabilities	502,764	152,467	33,554	142,865	831,650
NONCURRENT LIABILITIES					
Net other postemployment benefit liability	211,560	172,401	194,025	-	577,986
Long-term liabilities, due in more than one year	2,983,016	37,439	23,102	3,982	3,047,539
Total noncurrent liabilities	3,194,576	209,840	217,127	3,982	3,625,525
Total liabilities	3,697,340	362,307	250,681	146,847	4,457,175
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows related to other postemployment benefits	27,334	15,054	16,585	-	58,973
Total deferred inflows of resources	27,334	15,054	16,585	-	58,973
NET POSITION					
Net investment in capital assets	272,210	1,129,748	827,527	9,012,950	11,242,435
Unrestricted	2,297,199	1,758,649	717,527	189,991	4,963,366
	<u>\$ 2,569,409</u>	<u>\$ 2,888,397</u>	<u>\$ 1,545,054</u>	<u>\$ 9,202,941</u>	<u>\$ 16,205,801</u>

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

TOWN OF FARMVILLE, VIRGINIA

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION –
PROPRIETARY FUNDS
Year Ended June 30, 2021**

	Water	Sewer	Enterprise Funds Transportation	Airport	Total
OPERATING REVENUES					
Charges for services	\$ 1,421,662	\$ 2,014,722	\$ 8,061	\$ 120,783	\$ 3,565,228
OPERATING EXPENSES					
Salaries and wages	420,480	320,669	408,201	37,986	1,187,336
Benefits	183,036	136,323	104,646	20,615	444,620
Fuel	-	-	47,237	75,047	122,284
Professional fees	13,470	27,659	-	3,600	44,729
Sludge removal	-	56,939	-	-	56,939
Chemicals	68,771	96,589	-	-	165,360
Depreciation	355,022	45,499	204,196	69,649	674,366
Repairs and maintenance	153,502	84,389	26,451	10,949	275,291
Other charges	30,507	27,054	-	9,882	67,443
Utilities	90,321	126,397	10,059	13,436	240,213
Insurance	19,634	24,033	22,013	22,377	88,057
General and administrative	85,254	44,169	-	-	129,423
Total operating expenses	1,419,997	989,720	822,803	263,541	3,496,061
Operating income (loss)	1,665	1,025,002	(814,742)	(142,758)	69,167
NONOPERATING REVENUES (EXPENSES)					
Tap income	132,681	30,500	-	-	163,181
Rental income	70,442	-	-	7,020	77,462
Other income (expense)	40,622	-	(14,314)	-	26,308
Federal and state grants	-	8,561	669,244	2,608,483	3,286,288
Other contributions	-	-	246,525	3,800	250,325
Interest income	-	-	-	569	569
Interest expense	(103,023)	-	-	-	(103,023)
Total nonoperating revenues (expenses)	140,722	39,061	901,455	2,619,872	3,701,110
Income (loss) before transfers	142,387	1,064,063	86,713	2,477,114	3,770,277
Transfers in	-	39,892	-	113,862	153,754
Transfers out	(39,892)	(900,000)	-	-	(939,892)
	(39,892)	(860,108)	-	113,862	(786,138)
Change in net position	102,495	203,955	86,713	2,590,976	2,984,139
Total net position – beginning	2,466,914	2,684,442	1,458,341	6,611,965	13,221,662
Total net position – ending	\$ 2,569,409	\$ 2,888,397	\$ 1,545,054	\$ 9,202,941	\$ 16,205,801

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

TOWN OF FARMVILLE, VIRGINIA

**STATEMENT OF CASH FLOWS –
PROPRIETARY FUNDS
Year Ended June 30, 2021**

	Water	Sewer	Enterprise Funds Transportation	Airport	Total
OPERATING ACTIVITIES					
Received from customers	\$ 1,583,806	\$ 2,014,822	\$ (63,465)	\$ 120,783	\$ 3,655,946
Payments to suppliers for goods and services	(372,992)	(494,216)	(295,266)	(210,624)	(1,373,098)
Payments to employees for services	(616,051)	(390,726)	(310,458)	(58,807)	(1,376,042)
Nonoperating revenue (expense)	243,745	30,500	(14,314)	3,800	263,731
Net cash provided by (used in) operating activities	838,508	1,160,380	(683,503)	(144,848)	1,170,537
NONCAPITAL FINANCING ACTIVITIES					
Transfers from other funds	-	39,892	-	-	39,892
Transfers to other funds	(39,892)	(900,000)	-	113,862	(826,030)
Operating grants received	-	8,561	1,044,448	7,020	1,060,029
Net cash provided by (used in) noncapital financing activities	(39,892)	(851,547)	1,044,448	120,882	273,891
CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of capital assets	(130,757)	(114,918)	(9,984)	(2,674,120)	(2,929,779)
Capital contributions received	-	-	-	2,745,462	2,745,462
Principal payments on long-term debt	(165,000)	-	-	-	(165,000)
Interest payments on long-term debt	(138,916)	-	-	-	(138,916)
Net cash provided by (used in) capital and related financing activities	(434,673)	(114,918)	(9,984)	71,342	(488,233)
INVESTING ACTIVITIES					
Interest on investments	-	-	-	569	569
Payments received on note receivable	570,000	-	-	-	570,000
Net cash provided by investing activities	570,000	-	-	569	570,569
Net increase in cash and investments	933,943	193,915	350,961	47,945	1,526,764
CASH AND CASH EQUIVALENTS					
Beginning	1,473,248	1,603,807	445,569	193,807	3,716,431
Ending	\$ 2,407,191	\$ 1,797,722	\$ 796,530	\$ 241,752	\$ 5,243,195

(Continued)

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

TOWN OF FARMVILLE, VIRGINIA

**STATEMENT OF CASH FLOWS –
PROPRIETARY FUNDS
Year Ended June 30, 2021**

	Water	Sewer	Enterprise Funds Transportation	Airport	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES					
Operating income (loss)	\$ 1,665	\$ 1,025,002	\$ (814,742)	\$ (142,758)	\$ 69,167
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	355,022	45,499	204,196	69,649	674,366
OPEB expense	(4,786)	(32,026)	5,285	-	(31,527)
Nonoperating revenue, net	243,745	30,500	(14,314)	3,800	263,731
Change in operating assets and liabilities					
Change in receivables	159,923	100	(71,525)	-	88,498
Change in prepaid expenses	-	6,000	-	-	6,000
Change in inventories	258	1,243	-	11,028	12,529
Change in accounts payable	88,209	89,648	4,594	(86,361)	96,090
Change in accrued payroll and related liabilities	(7,749)	(5,586)	3,003	(206)	(10,538)
Change in refundable deposits	2,221	-	-	-	2,221
Net cash provided by (used in) operating activities	<u>\$ 838,508</u>	<u>\$ 1,160,380</u>	<u>\$ (683,503)</u>	<u>\$ (144,848)</u>	<u>\$ 1,170,537</u>
SCHEDULE OF NONCASH ACTIVITIES					
Capital assets purchases included in accounts payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 259,504</u>	<u>\$ 259,504</u>

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

TOWN OF FARMVILLE, VIRGINIA
STATEMENT OF FIDUCIARY NET POSITION –
FIDUCIARY FUND
June 30, 2021

	Paulette Memorial Trust Fund
	<hr/>
ASSETS	
Cash	\$ 909
	<hr/>
NET POSITION	
Restricted	\$ 909
	<hr/> <hr/>

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

TOWN OF FARMVILLE, VIRGINIA

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION –
FIDUCIARY FUND
Year Ended June 30, 2021**

	Paulette Memorial Trust Fund
	<hr/>
ADDITIONS	
Interest	\$ 1
	<hr/>
DEDUCTIONS	
Administrative expenses	265
	<hr/>
Change in net position	(264)
NET POSITION HELD IN TRUST	
Beginning	1,173
	<hr/>
Ending	\$ 909
	<hr/> <hr/>

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

TOWN OF FARMVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 1. Summary of Significant Accounting Policies

A. The Financial Reporting Entity

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

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

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

Complete financial statements for the component unit may be obtained at the entities’ offices:

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

Jointly governed organizations

Central Virginia Regional Library

The Library provides library services to the Town of Farmville, Virginia. The participating localities provide annual contributions for operations based on book circulation. No one locality contributes significantly more funding nor can impose its will on the organization, and there is no financial benefit/burden relationship. The Town appropriated \$63,136 in operating funds and \$180,000 for rent subsidy in fiscal year 2021. The Town has no equity interest in the Library.

TOWN OF FARMVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 1. Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation

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

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

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

Governmental fund types

The Town reports the following major governmental funds:

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

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

The Town reports the following nonmajor governmental fund:

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

(Continued)

TOWN OF FARMVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 1. Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

Proprietary fund types

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

Fiduciary fund types

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

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

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

C. Measurement Focus and Basis of Accounting

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

(Continued)

TOWN OF FARMVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

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

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

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

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

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

- **Cash and cash equivalents**

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

(Continued)

TOWN OF FARMVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 1. Summary of Significant Accounting Policies (Continued)

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

- **Receivables**

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

- **Inventories**

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

- **Capital Assets**

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

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

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

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

(Continued)

TOWN OF FARMVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 1. Summary of Significant Accounting Policies (Continued)

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

- **Deferred Outflows/Inflows of Resources**

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

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

- **Unearned Grants**

Unearned grants are American Rescue Plan Act monies received in advance and not spent at year end.

- **Compensated Absences**

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

- **Vacation and Sick Pay**

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

(Continued)

TOWN OF FARMVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 1. Summary of Significant Accounting Policies (Continued)

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

- **Long-Term Debt**

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

- **Net Position/Fund Balance**

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

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

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

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

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

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

(Continued)

TOWN OF FARMVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

At June 30, the IDA had a deficit in unrestricted net position of \$398,258. This deficit is anticipated to be recovered through future revenues, as well as possible contributions from the Town.

E. Estimates

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

F. Budgetary Information

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

(Continued)

TOWN OF FARMVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 1. Summary of Significant Accounting Policies (Continued)

F. Budgetary Information (Continued)

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

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

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

All appropriations lapse at year end.

G. Encumbrances

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

Note 2. Deposits and Investments

Deposits

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

Investments

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

(Continued)

TOWN OF FARMVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 2. Deposits and Investments (Continued)

Investments (Continued)

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

Deposits and investments consist of the following:

	Town of Farmville	Component Unit – Farmville IDA
Petty cash	\$ 3,000	\$ -
Deposit accounts	<u>13,847,659</u>	<u>89,743</u>
Total deposits and investments	<u><u>\$ 13,850,659</u></u>	<u><u>\$ 89,743</u></u>
Reconciliation of deposits and investments to Exhibit 1:		
Cash and cash equivalents	\$ 6,962,817	\$ 89,743
Cash and cash equivalents, restricted	<u>6,887,842</u>	<u>-</u>
Total deposits and investments	<u><u>\$ 13,850,659</u></u>	<u><u>\$ 89,743</u></u>

Restricted cash and cash equivalents

Restricted cash and cash equivalents consists of the following:

	Governmental Activities
Library trust	\$ 129,335
Maintained as a condition of certain bond instruments	1,750,579
Grant restrictions	4,967,338
Capital improvements	<u>40,590</u>
	<u><u>\$ 6,887,842</u></u>

(Continued)

TOWN OF FARMVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 3. Receivables

Receivables for the individual major funds are as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Component Unit Farmville IDA</u>
Receivables			
Taxes	\$ 478,701	\$ -	\$ -
Accounts	95,480	608,057	-
Other	65,814	85,220	24,586
	<u>639,995</u>	<u>693,277</u>	<u>24,586</u>
Gross receivables	639,995	693,277	24,586
Less: allowance for uncollectible	(18,880)	(46,705)	-
	<u>(18,880)</u>	<u>(46,705)</u>	<u>-</u>
Net receivables	<u>\$ 621,115</u>	<u>\$ 646,572</u>	<u>\$ 24,586</u>

Governmental funds report *unavailable revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At June 30, *unavailable revenue* related to taxes receivable was \$79,866.

Note 4. Transfers

Transfers between funds are as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfers</u>
Governmental Funds:			
General Fund	\$ 900,000	\$ (113,862)	\$ 786,138
	<u>\$ 900,000</u>	<u>\$ (113,862)</u>	<u>\$ 786,138</u>
Enterprise Funds:			
Sewer Fund	\$ 39,892	\$ (900,000)	\$ (860,108)
Water Fund	-	(39,892)	(39,892)
Airport Fund	113,862	-	113,862
	<u>\$ 153,754</u>	<u>\$ (939,892)</u>	<u>\$ (786,138)</u>

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

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

(Continued)

TOWN OF FARMVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 5. Balance Between Town and Component Unit

Due to prior year deficits in operations, the Town of Farmville, Virginia has funded the Authority resources to meet its loan obligations. During the year ended June 30, 2021 operations produced an operating gain, and existing cash balances were available to fund the deficit as the Authority was able to meet its cash flow needs. As of June 30, 2021, the Authority owed the Town \$422,591. The Authority anticipates paying the “due to” down through future administrative fees collected on sponsorship of industrial bonds for area businesses.

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

At June 30, 2021, the balance owed to the Town from the component unit Farmville Industrial Development Authority consists of the following:

Payables	\$ 422,591
Bond payments	<u>247,716</u>
	670,307
Less: long-term portion	<u>(627,501)</u>
Current portion	<u><u>\$ 42,806</u></u>

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

<u>Fiscal Year</u>	<u>Due to Town (Bond Re-Payments)</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 42,806	\$ 11,130	\$ 53,936
2023	44,718	9,145	53,863
2024	39,423	7,055	46,478
2025	31,185	5,246	36,431
2026	32,950	3,603	36,553
2027-2031	39,717	9,021	48,738
2032-2036	<u>16,917</u>	<u>878</u>	<u>17,795</u>
	<u><u>\$ 247,716</u></u>	<u><u>\$ 46,078</u></u>	<u><u>\$ 293,794</u></u>

(Continued)

TOWN OF FARMVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 6. Due From Other Governmental Units

Amounts due from other governments consist of the following:

	Governmental Activities	Business-Type Activities
Federal and state funding:		
Buffalo Creek project	\$ 53,066	\$ -
Transportation operations	-	66,822
Airport construction	-	75,233
Utility tax	28,603	-
Communication tax	60,015	-
Other miscellaneous state and federal grants	17,422	-
Sales taxes	38,628	-
Prince Edwards County	98,944	-
	<u>\$ 296,678</u>	<u>\$ 142,055</u>

Note 7. Note Receivable

Component unit

The Authority currently has one note receivable outstanding for the fiscal year ended June 30, 2021 as follows:

A \$600,000 note bearing an interest rate of 2.56 % (rate of interest is 2.31% plus .25% for admin.). The loan is secured by the guarantee of the owner and his related business. The note requires interest payments semiannually in April and October and principal payments every October only. As of June 30, 2021, the balance of the note was \$184,135.

Based on the Authority's analysis of the note at June 30, 2021, no allowance was recorded. Management evaluates the performance and payment history of the company annually in determining the required allowance.

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

Fiscal Year	Notes Receivable		
	Principal	Interest	Total
2022	\$ 28,853	\$ 4,345	\$ 33,198
2023	29,978	3,592	33,570
2024	29,954	2,824	32,778
2025	31,073	2,043	33,116
2026	32,186	1,656	33,842
2027-2028	32,091	822	32,913
	<u>\$ 184,135</u>	<u>\$ 15,282</u>	<u>\$ 199,417</u>

(Continued)

TOWN OF FARMVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 8. Capital Assets

Capital asset activity for the year was as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not depreciated				
Land	\$ 3,803,356	\$ -	\$ -	\$ 3,803,356
Construction in progress	3,147,935	-	(3,147,935)	-
Total capital assets, not depreciated	6,951,291	-	(3,147,935)	3,803,356
Capital assets, depreciated				
Buildings and improvements	16,070,578	58,268	-	16,128,846
Infrastructure	22,708,493	3,258,105	-	25,966,598
Vehicles and equipment	6,209,836	352,079	(74,746)	6,487,169
Total capital assets, depreciated	44,988,907	3,668,452	(74,746)	48,582,613
Less accumulated depreciation	(28,909,008)	(1,742,351)	74,746	(30,576,613)
Total capital assets, depreciated, net	16,079,899	1,926,101	-	18,006,000
Governmental activities capital assets, net	<u>\$ 23,031,190</u>	<u>\$ 1,926,101</u>	<u>\$ (3,147,935)</u>	<u>\$ 21,809,356</u>
Business-Type Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not depreciated				
Land	\$ 683,098	\$ -	\$ -	\$ 683,098
Construction in progress	5,617,891	2,524,302	-	8,142,193
Total capital assets, not depreciated	6,300,989	2,524,302	-	8,825,291
Capital assets, depreciated				
Buildings and improvements	2,858,139	9,985	-	2,868,124
Infrastructure	26,685,212	307,696	-	26,992,908
Vehicles and equipment	2,049,051	22,490	(106,585)	1,964,956
Total capital assets, depreciated	31,592,402	340,171	(106,585)	31,825,988
Less accumulated depreciation	(25,601,193)	(674,366)	22,073	(26,253,486)
Total capital assets, depreciated, net	5,991,209	(334,195)	(84,512)	5,572,502
Business-type activities capital assets, net	<u>\$ 12,292,198</u>	<u>\$ 2,190,107</u>	<u>\$ (84,512)</u>	<u>\$ 14,397,793</u>

(Continued)

TOWN OF FARMVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 8. Capital Assets (Continued)

Depreciation expense was charged to functions/programs as follows:

Governmental activities	
General government administration	\$ 17,424
Public safety	331,047
Public works	1,306,762
Parks, recreation, and cultural	87,118
	<u>\$ 1,742,351</u>
Business-type activities	
Water fund	\$ 355,022
Sewer fund	45,499
Transportation fund	204,196
Airport fund	69,649
	<u>\$ 674,366</u>

Note 9. Long-Term Liabilities

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

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
General obligation bonds	\$ 6,890,000	\$ -	\$ 1,220,000	\$ 5,670,000	\$ 1,280,000
Bond Premium	1,245,415	-	177,916	1,067,499	177,916
Notes payable	692,534	-	217,781	474,753	221,042
Compensated absences	591,241	54,336	118,248	527,329	105,466
Landfill liability	407,017	4,884	-	411,901	-
Governmental activities long-term liabilities	<u>\$ 9,826,207</u>	<u>\$ 59,220</u>	<u>\$ 1,733,945</u>	<u>\$ 8,151,482</u>	<u>\$ 1,784,424</u>
Business-Type Activities	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
General obligation bonds	\$ 2,915,000	\$ -	\$ 165,000	\$ 2,750,000	\$ 175,000
Bond Premium	439,137	-	33,779	405,358	33,779
Compensated absences	138,626	15,297	27,723	126,200	25,240
Business-type activities long-term liabilities	<u>\$ 3,492,763</u>	<u>\$ 15,297</u>	<u>\$ 226,502</u>	<u>\$ 3,281,558</u>	<u>\$ 234,019</u>

(Continued)

TOWN OF FARMVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 9. Long-Term Liabilities (Continued)

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

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

Year Ending June 30,	Governmental Activities		Business-Type Activities		Total	
	General Obligation Bonds		General Obligation Bonds		General Obligation Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 1,280,000	\$ 247,288	\$ 175,000	\$ 131,028	\$ 1,455,000	\$ 378,316
2023	1,340,000	188,150	180,000	122,706	1,520,000	310,856
2024	1,150,000	126,044	190,000	113,775	1,340,000	239,819
2025	860,000	75,538	200,000	103,781	1,060,000	179,319
2026	910,000	29,181	210,000	93,275	1,120,000	122,456
2027-2031	130,000	2,931	1,220,000	288,978	1,350,000	291,909
2032-2033	-	-	575,000	44,588	575,000	44,588
	<u>\$ 5,670,000</u>	<u>\$ 669,132</u>	<u>\$ 2,750,000</u>	<u>\$ 898,131</u>	<u>\$ 8,420,000</u>	<u>\$ 1,567,263</u>

Year Ending June 30,	Governmental Activities	
	Note payable	
	Principal	Interest
2022	\$ 221,042	\$ 10,420
2023	124,385	6,624
2024	64,917	3,419
2025	61,748	1,432
2026	2,661	11
	<u>\$ 474,753</u>	<u>\$ 21,906</u>

Details of long-term indebtedness are as follows:

	Interest Rates	Date Issued	Final Maturity Date	Amount of Original Issue	Governmental Activities	Business-Type Activities
General Obligation Bonds						
Virginia Resources Authority:						
Refunding Series 2012A	2.125 – 5.125%	06/2012	2032	\$ 19,015,000	<u>\$ 5,670,000</u>	<u>\$ 2,750,000</u>
Notes Payable						
USDA Rural Development:						
General Improvement 2016	2.880	06/2016	2023	41,000	\$ 12,106	
General Improvement 2018	3.250	05/2018	2025	94,000	55,442	
Wilck Family Limited Partnership						
General Improvement	0.000	03/2011	2021	551,850	100,000	
Benchmark Community Bank						
Benchmark – 7yr	3.240	08/2018	2025	300,000	182,701	
Benchmark – 5Yr	2.990	08/2018	2023	286,297	124,504	
					<u>\$ 474,753</u>	

(Continued)

TOWN OF FARMVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 10. Landfill Obligation

The Town closed its former landfill site in 1990. In accordance with federal and state laws, the Town placed a final cover on this site and was required to perform certain maintenance and monitoring functions for a minimum of ten years after closure. The Town will recognize the remaining estimated costs of closure and post-closure care of \$411,901 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, 2021. 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.

Note 11. Fund Balances

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

	General Fund	Street Maintenance Fund	Nonmajor Governmental Funds	Total
Nonspendable:				
Inventories	\$ 35,168	\$ -	\$ -	\$ 35,168
IDA note receivable, long term portion	670,307	-	-	670,307
Total nonspendable	705,475	-	-	705,475
Restricted for:				
Unspent note proceeds	40,590	-	-	40,590
Police	-	-	878	878
Required debt service	1,750,579	-	-	1,750,579
Library trust	129,335	-	-	129,335
E911 reserve	888,387	-	-	888,387
Narcotics reserve	7,895	-	-	7,895
Total restricted	2,816,786	-	878	2,817,664
Assigned to:				
Public works	-	666,336	-	666,336
Total assigned	-	666,336	-	666,336
Unassigned	758,042	-	-	758,042
Total fund balance	<u>\$ 4,280,303</u>	<u>\$ 666,336</u>	<u>\$ 878</u>	<u>\$ 4,947,517</u>

(Continued)

TOWN OF FARMVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 12. Defined Contribution Plan

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

The Town’s employees can contribute not less than 4% of his/her base compensation and not to exceed the maximum percentage or amount allowable by law. The Town will match the employee contribution of either 4 or 5 percent. Employees determine how their account balance is invested from a range of available options. DC Plan contributions vest ratably over a five year period. If the employee leaves the Town before they are fully vested, part of the account balance may be forfeited. Forfeitures by policy are used to reduce the Town’s contributions. For the year ended June 30, 2021, \$-0-, of forfeitures were used to reduce the Town’s contributions.

At June 30, 2021, there were 83 active Town employees and a total of 118 participants, including terminated employees enrolled in the DC Plan. During the year, the Town contributed a total of \$204,907 for active employees.

Note 13. Other Postemployment Benefits – Local Plan

Plan description

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

Benefits provided

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

Employees covered by benefit terms

The number of participants at June 30, 2020 was as follows:

Retirees currently receiving benefits	14
Active employees	<u>118</u>
Total	<u><u>132</u></u>

(Continued)

TOWN OF FARMVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

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

Total OPEB liability

The Town's total OPEB liability of \$2,924,011 was measured as of June 30, 2020, and was determined based on an actuarial valuation performed as of July 1, 2020.

Actuarial assumptions and other inputs

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

Salary increases, including inflation	3.00%
Actuarial funding method	Entry Age Normal, level % of pay
Discount rate	2.21% Bond Buyer 20-Bond GO Index
Actuarial cost method	Entry Age Normal

Mortality rates: RP-2014, generational Scale MP-2020 for males and females.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2019 through June 30, 2020.

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

Changes in the total OPEB liability

Balance at June 30, 2020	\$ 2,364,540
Changes for the year:	
Service cost	30,159
Interest	82,003
Differences between expected and actual experience	-
Assumption or other input changes	(12,176)
Benefit payments	502,675
	(43,190)
Net changes	559,471
Balance at June 30, 2021	\$ 2,924,011

(Continued)

TOWN OF FARMVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

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

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

The following presents the total OPEB liability, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.21%) or one percentage point higher (3.21%) than the current discount rate:

	1.00% Decrease (1.21%)	Current Discount Rate (2.21%)	1.00% Increase (3.21%)
Total OPEB liability	\$ 3,430,593	\$ 2,924,011	\$ 2,515,433

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

For the year ended June 30, 2021, the Town recognized OPEB expense of \$172,615. At June 30, 2021, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in assumptions	\$ 690,520	\$ 149,433
Difference between expected and actual experience	5,112	100,505
Employer contributions subsequent to measurement date	56,620	-
	<u>\$ 752,252</u>	<u>\$ 249,938</u>

The \$56,620 reported as deferred outflows of resources related to OPEB resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the new OPEB liability in the year ending June 20, 2021. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	Increase (Reduction) to OPEB Expense
2022	\$ 60,453
2023	60,453
2024	60,453
2025	60,453
2026	60,453
Thereafter	143,428

(Continued)

TOWN OF FARMVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 14. Property Taxes

Real and Property taxes are levied on a calendar year basis. The Counties provide the Town with the assessed value as of January 1 for real and personal property. Real estate taxes are payable December 15. The real estate tax rate was \$0.12 per \$100 of assessed value for both 2021 and 2020.

Personal property taxes are payable on December 15. The personal property tax rate was \$1.50 per \$100 for both 2021 and 2020. A penalty of 10% for late payment and interest at the rate of 10% per annum, is charged on unpaid balances. The Town bills and collects its own property taxes.

Note 15. Risk Management

The Risk Management programs of the Town are as follows:

General liability and other

The Town purchases insurance coverage for exposure related to property, general, boiler and machinery, flood, accident and automobile liability from Virginia Municipal League Insurance Programs. The Town's property and contents are insured up to a limit of approximately \$67,000,000. The Town maintains an additional \$1,000,000 umbrella policy over all forms of liability insurance. The Town's Public Officials and Law Enforcement Liability coverages, with a \$1,000,000 limit for each, are provided through a policy with the Commonwealth of Virginia. Total premiums for fiscal year 2021 were \$386,947.

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

Note 16. Commitments and Contingencies

Grants

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

Note 17. Incentive Grants

In fiscal year 2018, the Authority, in conjunction with the Town of Farmville, entered into a performance agreement with Hotel Weyanoke LLC. The Authority and other parties agreed to provide certain cash incentives to Hotel Weyanoke LLC provided the Hotel meets the capital investment set forth in the agreement. During fiscal year 2021, the Hotel was considered in compliance with performance requirements to date.

(Continued)

TOWN OF FARMVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 18. New Accounting Standards

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

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

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

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

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

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

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

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

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

(Continued)

TOWN OF FARMVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 19. COVID-19 Impact

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

The Town’s operations are heavily dependent on the ability to raise taxes, assess fees, and access the capital markets. The outbreak will have a continued material adverse impact on economic and market conditions, triggering a period of global economic slowdown. This situation has depressed the tax bases and other areas in which the Town received revenue during fiscal year 2021. As such, the Town’s financial condition and liquidity may be negatively impacted for the fiscal year 2022.

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

**REQUIRED
SUPPLEMENTARY INFORMATION**

TOWN OF FARMVILLE, VIRGINIA

**REQUIRED SUPPLEMENTARY INFORMATION –
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS –
LOCAL PLAN
June 30, 2021**

	Primary Government			
	2021	2020	2019	2018
Total OPEB Liability				
Service cost	\$ 30,159	\$ 100,864	\$ 100,555	\$ 72,280
Interest on total OPEB liability	82,003	73,834	67,336	70,354
Difference between expected and actual experience	(12,176)	(41,031)	4,980	(88,368)
Changes in assumptions	502,675	340,906	(110,151)	(81,438)
Benefit payments	(43,190)	(35,761)	(35,760)	(39,240)
Net change in total OPEB liability	559,471	438,812	26,960	(66,412)
Total OPEB liability – beginning	<u>2,364,540</u>	<u>1,925,728</u>	<u>1,898,768</u>	<u>1,965,180</u>
Total OPEB liability – ending	<u><u>\$ 2,924,011</u></u>	<u><u>\$ 2,364,540</u></u>	<u><u>\$ 1,925,728</u></u>	<u><u>\$ 1,898,768</u></u>
Covered payroll	<u>\$ 4,671,745</u>	<u>\$ 5,336,985</u>	<u>\$ 5,052,986</u>	<u>\$ 5,113,418</u>
Net OPEB liability as a percentage of covered payroll	<u>63%</u>	<u>44%</u>	<u>38%</u>	<u>37%</u>

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

TOWN OF FARMVILLE, VIRGINIA

**REQUIRED SUPPLEMENTARY INFORMATION –
SCHEDULE OF OPEB CONTRIBUTIONS – LOCAL PLAN
June 30, 2021**

Entity Fiscal Year Ended June 30,	Actuarially Determined Employer Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percentage of Covered Payroll
Local Plan					
2021	\$ 176,367	\$ 56,620	\$ 119,747	\$ 4,671,745	1.21 %
2020	158,722	43,190	115,532	5,336,985	0.81
2019	210,477	35,760	174,717	5,425,989	0.66
2018	179,144	35,760	143,384	5,052,986	0.71

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

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

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COMPLIANCE SECTION

TOWN OF FARMVILLE, VIRGINIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2021

Federal Grantor/Pass – Through Grantor/ Program or Cluster Title	Assistance Listing Number	Federal Expenditures
Department of Homeland Security		
Pass Through Payments		
Virginia Department of Emergency Management		
Emergency Management Performance Grants	97.042	\$ 12,180
Homeland Security Grant Program	97.067	82,206
Disaster Grants – Public Assistance	97.036	<u>924</u>
Total Department of Homeland Security		<u>95,310</u>
Department of Treasury		
Pass Through Payments		
Virginia Department of the Treasury/Prince Edward County, Virginia		
COVID-19 – Coronavirus Relief Fund	21.019	<u>401,668</u>
Department of Transportation		
Direct Payment		
Airport Improvement Program	20.106	2,541,403
COVID-19 – Airport Improvement Program	20.106	30,000
Pass Through Payments		
Virginia Department of Rail and Public Transportation		
Formula Grants for Rural Areas	20.509	13,893
COVID-19 – Formula Grants for Rural Areas	20.509	595,678
Highway Planning and Construction Cluster – Highway Planning and Construction	20.205	124,500
Virginia Department of Motor Vehicles Alcohol		
Open Container Requirements	20.607	<u>61,756</u>
Total Department of Transportation		<u>3,367,230</u>
Department of Justice		
Direct Payment		
Bulletproof Vest Partnership Program	16.607	1,760
Edward Byrne Memorial Justice Assistance Grant Program	16.738	<u>3,627</u>
Total Department of Justice		<u>5,387</u>
Total Expenditures of Federal Awards		\$ 3,869,595

TOWN OF FARMVILLE, VIRGINIA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS June 30, 2021

Basis of Presentation

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

De Minimis Indirect Cost Rate

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

Subrecipient Monitoring

The Town provided no amounts to subrecipients during fiscal year 2021.

Outstanding Loan Balances

At June 30, 2021, the Town had no outstanding loan balances requiring continuing disclosure.

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities and Towns*, and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Farmville, Virginia (the "Town"), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated December 13, 2021.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. **We consider the deficiency described in the accompanying schedule of findings and questioned costs, as item 2021-001, to be a material weakness.**

Internal Control over Financial Reporting (Continued)

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. **We consider the deficiency described in the accompanying schedule of findings and questioned costs, as item 2021-02, to be a significant deficiency.**

Compliance and Other Matters

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

Town's Response to Findings

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

Purpose of this Report

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Lynchburg, Virginia
December 13, 2021



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

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

Report on Compliance for Each Major Federal Program

We have audited the Town of Farmville, Virginia's (the "Town") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Town's major federal program for the year ended June 30, 2021. The Town's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Town's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Town of Farmville, Virginia, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2021.

Report on Internal Control over Compliance

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

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

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

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Lynchburg, Virginia
December 13, 2021

TOWN OF FARMVILLE, VIRGINIA
SUMMARY OF COMPLIANCE MATTERS
June 30, 2021

As more fully described in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, we performed tests of the Town's compliance with certain provisions of the laws, regulations, contracts, and grants shown below.

STATE COMPLIANCE MATTERS

Code of Virginia

Budget and Appropriation Laws

Cash and Investment Laws

Conflicts of Interest Act

Debt Provisions

Procurement Laws

Uniform Disposition of Unclaimed Property Act

Fire Program Aid

State Agency Requirements

Urban Highway Maintenance

FEDERAL COMPLIANCE MATTERS

Compliance Supplement for Single Audits of State and Local Governments

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

TOWN OF FARMVILLE, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2021

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an **unmodified opinion** on the financial statements.
2. **One material weakness and one significant deficiency** relating to the audit of the financial statements were reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. **No instances of noncompliance** material to the financial statements were disclosed.
4. **No significant deficiencies** relating to the audit of the major federal award programs was reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance.
5. The auditor's report on compliance for the major federal award programs expresses an **unmodified opinion**.
6. The audit disclosed **no audit findings relating to the major program**.
7. The major program of the Town is:

Name of Program	Assistance Listing #
Airport Improvement Program	20.106

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

B. FINDINGS – FINANCIAL STATEMENT AUDIT

2021-001: Information Technology (Material Weakness)

Condition:

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

Criteria:

The following Information Technology lack of controls were noted:

- Information Technology is not evaluated for risk.
- There is no formal security policy.
- The Treasurer has financial application administrator access.
- The Town does not use formal access requests to provision or de-provision users' access to the network or financial application.

(Continued)

TOWN OF FARMVILLE, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2021

B. FINDINGS – FINANCIAL STATEMENT AUDIT (Continued)

2021-001: Information Technology (Material Weakness) (Continued)

Cause:

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

Effects:

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

- Failure to identify risk factors and address associated system vulnerabilities can lead to breach of systems and financial loss.
- Lack of formal security policy indicates lack of due care.
- Inadequate segregation of financial and IT duties (or appropriate compensating controls) can facilitate fraudulent activities.
- Non-procedural provisioning/de-provisioning activities can introduce security vulnerabilities and facilitate unauthorized access to systems.

Recommendations:

We suggest the Town implement the following control consideration:

- The Town should conduct a formal IT risk assessment at least annually.
- The Town should document of IT policies, standards and procedures – including information security policy.
- The Town should identify and document compensating controls for Treasurer's administrative access and ability to provision financial system accounts.
- Provisioning and de-provisioning account access processes should be included in IT procedures documentation.

Management's Response:

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

(Continued)

TOWN OF FARMVILLE, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2021

B. FINDINGS – FINANCIAL STATEMENT AUDIT (Continued)

2021-002: Segregation of Duties (Significant Deficiency)

Condition:

There is a lack of segregation of duties between employees.

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

Criteria:

The Town should maintain proper segregation of duties between employees.

Cause:

The Town lacks sufficient staff to properly segregate their duties.

Effects:

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

Recommendations:

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

Management's Response:

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

TOWN OF FARMVILLE, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2021

C. FINDINGS – COMMONWEALTH OF VIRGINIA

None.

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

None.

TOWN OF FARMVILLE, VIRGINIA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS June 30, 2021

2020-001: Segregation of Duties (Material Weakness)

Condition:

There is a lack of segregation of duties between employees.

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

Recommendations:

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

Current Status:

The Town took steps to eliminate certain conflicting duties. As a result, the comment was reduced to a significant deficiency. See current year finding 2021-002.

2020-002: Adjustments (Material Weakness)

Condition:

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

Recommendations:

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

Current Status:

This condition appears to have been resolved in the current year, with only two adjustments being made by the auditor in current year.

TOWN OF FARMVILLE, VIRGINIA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2021

2020-003: Information Technology (Material Weakness)

Condition:

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

Recommendations:

We suggest the Town implement the following control consideration:

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

Current Status:

See current year finding 2021-001 for planned corrected action.